

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10

GENERAL FORM FOR REGISTRATION OF SECURITIES

PURSUANT TO SECTION 12(b) OR 12(g) OF
THE SECURITIES EXCHANGE ACT OF 1934

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

MARYLAND
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)
1700 SOUTH PATTERSON BLVD.
DAYTON, OHIO
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

31-0387920
(I.R.S. EMPLOYER
IDENTIFICATION NO.)
45479
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (937) 445-5000

SECURITIES TO BE REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS
TO BE SO REGISTERED

NAME OF EACH EXCHANGE ON WHICH
EACH CLASS IS TO BE REGISTERED

COMMON STOCK, PAR VALUE \$.01 PER SHARE
PREFERRED SHARE PURCHASE RIGHTS

SECURITIES TO BE REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

NONE

November , 1996

Dear Shareowner:

The Board of Directors of AT&T Corp. has authorized the distribution to the AT&T shareowners of all of the outstanding shares of common stock of NCR Corporation, which is currently a wholly owned subsidiary of AT&T. The distribution of the shares of NCR is expected to occur on December 31, 1996.

The distribution of NCR will complete the restructuring announced by AT&T on September 20, 1995. Pursuant to the restructuring, AT&T has split into three separate companies: NCR, which engages in the information technology business; Lucent Technologies Inc., which engages in the telecommunications systems, software and products businesses; and the continuing AT&T, which engages in the communications services and credit card businesses. Earlier this year, Lucent Technologies separated from AT&T by means of an initial public offering of approximately 17.6% of its common stock in April, followed by a distribution by AT&T to AT&T's shareowners of the remaining common stock of Lucent on , 1996. AT&T also sold its 86% interest in AT&T Capital Corporation as part of the sale of AT&T Capital consummated on , 1996.

If you are an AT&T shareowner at the close of business on December , 1996, the record date for the distribution, you will receive one share of NCR common stock for each shares of AT&T common stock you own on that date, with cash to be paid in lieu of any fractional interest in a share to any holder who receives certificates for NCR shares or who would be entitled to less than one whole share of NCR. We expect that NCR stock certificates will be mailed or, alternatively, that book-entry credit for shares of NCR common stock will be made, beginning on or about December 31, 1996.

is acting as distribution agent and will be responsible for mailing NCR share certificates or making book-entry credits to holders of record. NO ACTION IS REQUIRED BY AT&T SHAREOWNERS IN ORDER TO RECEIVE NCR SHARES. A shareowner vote is not required in connection with the matter and, accordingly, your proxy is not being sought. Questions about NCR and other matters relating to the distribution should be addressed to , number: .

The attached Information Statement, which is being distributed to all AT&T shareowners in connection with the distribution, describes the NCR distribution in detail and contains important information about NCR, including financial statements and other financial information. I urge you to read it carefully.

Sincerely,

A REGISTRATION STATEMENT RELATING TO THE COMMON STOCK AND THE PREFERRED SHARE PURCHASE RIGHTS OF NCR CORPORATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BECOME EFFECTIVE. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT.

PRELIMINARY COPY DATED SEPTEMBER 26, 1996

-- FOR INFORMATION ONLY --

INFORMATION STATEMENT

NCR CORPORATION

COMMON STOCK, PAR VALUE \$.01
PREFERRED SHARE PURCHASE RIGHTS

This Information Statement is being furnished to shareowners of AT&T Corp., a New York corporation ("AT&T"), in connection with the distribution (the "Distribution") by AT&T to its shareowners of all of the outstanding shares of common stock, par value \$.01 per share (the "NCR Common Stock"), of its wholly owned subsidiary, NCR Corporation, a Maryland corporation ("NCR" or the "Company").

It is expected that the Distribution will be made on December 31, 1996, on the basis of one share of NCR Common Stock for each shares of common stock, \$1.00 par value, of AT&T (the "AT&T Common Stock") held on December , 1996 (the "Record Date"), with cash being paid in lieu of fractional interests in a share of NCR Common Stock to any holder who receives certificates for NCR shares or who would be entitled to less than one whole share of NCR. No payment need be made by shareowners of AT&T for the shares of NCR Common Stock to be received by them in the Distribution. AT&T shareowners will not be required to surrender or exchange shares of AT&T Common Stock in order to receive shares of NCR Common Stock. Each share of NCR Common Stock issued in the Distribution will be accompanied by one Preferred Share Purchase Right.

There is currently no public market for NCR Common Stock, although it is expected that a "when-issued" trading market may develop on or about the Record Date. An application is expected to be filed to list shares of NCR Common Stock on the New York Stock Exchange (the "NYSE"), under the symbol "NCR."

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO
SEND US A PROXY.

THIS INFORMATION STATEMENT SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES. ANY SUCH OFFERING MAY ONLY BE MADE BY MEANS OF A SEPARATE PROSPECTUS PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND OTHERWISE IN COMPLIANCE WITH APPLICABLE LAW.

The date of this Information Statement is November , 1996.

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AVAILABLE INFORMATION

NCR has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form 10 (the "Registration Statement") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to the NCR Common Stock and Preferred Share Purchase Rights described herein. This Information Statement does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information, reference is made hereby to the Registration Statement, exhibits and schedules. Statements contained herein concerning any documents are not necessarily complete and, in each instance, reference is made to the copies of such documents filed as exhibits to the Registration Statement. Each such statement is qualified in its entirety by such reference. Copies of these documents may be inspected without charge at the principal office of the Commission at 450 5th Street, N.W., Washington, D.C. 20549, and at the Regional Offices of the Commission at 7 World Trade Center, Suite 1300, New York, New York 10048, at Citicorp Center, Suite 1400, 500 West Madison Street, Chicago, Illinois 60661, and at 5670 Wilshire Boulevard, Suite 1100, Los Angeles, California 90036, and copies of all or any part thereof may be obtained from the Commission upon payment of the charges prescribed by the Commission. Copies of such material may also be obtained from the Commission's Web Site (<http://www.sec.gov>).

Following the Distribution, NCR will be required to comply with the reporting requirements of the Exchange Act and will file annual, quarterly and other reports with the Commission. NCR will also be subject to the proxy solicitation requirements of the Exchange Act and, accordingly, will furnish audited financial statements to its stockholders in connection with its annual meetings of stockholders. In the event of the listing of the NCR Common Stock on the NYSE, NCR will be required to file with the NYSE copies of such reports, proxy statements and other information which then can be inspected at the offices of the NYSE at 20 Broad Street, New York, New York 10005.

NO PERSON IS AUTHORIZED BY AT&T OR NCR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS INFORMATION STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

This Information Statement contains trademarks, service marks or registered marks of NCR, AT&T, their respective subsidiaries and other companies.

For the purposes of this Information Statement, the following terms are used to refer to the items that NCR provides to its customers:

A "product" refers to individual hardware, software, and consumable supplies. Examples of products are automated teller machines ("ATMs"), barcode scanners, paper rolls, and NCR's Teradata(R) relational database.

A "system" refers to combinations of hardware, operating systems software, and basic services. "Basic services" primarily includes system installation. Examples of systems are point of sale systems (which could combine point of sale terminals, barcode scanners, servers, operating system software, and basic installation services) and computer systems (which could combine WorldMark(TM) servers, UNIX(R) or Microsoft Windows NT(R) operating systems, and basic installation services).

A "solution" refers to combinations of hardware, operating system software, application software, consumable supplies, and value added services. "Value added services" include items such as consulting services, implementation services, and database design services. Examples of solutions are NCR's High Availability Transaction Processing solutions and Scalable Data Warehousing solutions.

NCR's High Availability Transaction Processing solutions are designed to ensure minimum system downtime for customers' business critical applications. These business critical applications can include financial reporting applications, credit card authorization systems, and order entry systems. NCR's High Availability Transaction Processing solution integrates hardware, software, and services with the customers' application to provide high levels of availability.

Scalable Data Warehousing solutions are designed to help customers store, retrieve, and analyze large volumes of detailed data coming from a wide range of transactional and operational systems. For example, Scalable Data Warehousing would allow retailers to analyze individual transactions from their point of sale systems, to determine the volume of individual products sold in each store location, and to facilitate decision making in areas such as merchandising and inventory. These solutions are scalable, in that customers can increase the size of these solutions from small (10 gigabytes of data), to very large (over 1 terabyte of data, which is equivalent to 1,000 gigabytes) all within the same hardware and software platform.

An "offering" refers to all of the items that NCR provides to its customers, and can include products, systems, solutions, and services. The different services that NCR provides to customers are referred to as "service offerings."

See "Business" for a description of these products, services, systems, and solutions.

SUMMARY

This summary is qualified by the more detailed information set forth elsewhere in this Information Statement, which should be read in its entirety, including the discussion of certain factors set forth under "Risk Factors." Unless the context otherwise requires, as used herein the term "NCR" or the "Company" includes NCR and its subsidiaries.

THE DISTRIBUTION

Distributing Company..... AT&T Corp., a New York corporation.

Shares to be Distributed... Approximately million shares of NCR Common Stock, representing all of the outstanding shares of NCR Common Stock. All such shares are currently held by AT&T.

Distribution Ratio..... One share of NCR Common Stock for each shares of AT&T Common Stock. Cash will be paid in lieu of any fractional interest in a share of NCR Common Stock to any holder who receives certificates for NCR shares or who would be entitled to less than one whole share of NCR. No payment need be made by shareowners of AT&T for the shares of NCR Common Stock to be received by them in the Distribution, nor will they be required to surrender or exchange shares of AT&T Common Stock in order to receive NCR Common Stock. See "The Distribution -- Manner of Effecting the Distribution." Shareowners who hold fewer than shares of AT&T Common Stock will receive a cash payment in lieu of a fractional share and will not receive any shares of NCR Common Stock.

Federal Income Tax
Consequences..... The Distribution is subject to receipt of a ruling from the Internal Revenue Service ("IRS") to the effect that for United States federal income tax purposes no gain or loss will be recognized by holders of AT&T Common Stock upon receipt of NCR Common Stock in the Distribution, except with respect to cash received in lieu of fractional interests in shares of NCR Common Stock, and that no gain or loss will be recognized by AT&T or NCR in respect of the Distribution. AT&T shareowners are urged to consult their own tax advisors as to the specific tax consequences of the Distribution to them. See "The Distribution -- Certain Federal Income Tax Consequences of the Distribution."

Risk Factors..... Shareowners should consider certain factors discussed under "Risk Factors."

Background of and Reasons
for the Distribution..... The Distribution to AT&T shareowners of all the outstanding shares of NCR Common Stock will complete the restructuring announced by AT&T on September 20, 1995. Pursuant to the restructuring, AT&T has split into three separate companies: NCR; Lucent Technologies Inc., a Delaware corporation ("Lucent"), which engages in the telecommunications systems, software and products businesses; and the continuing AT&T, which engages in the communications services and credit card businesses. Earlier this year, Lucent was separated from AT&T by means of an initial public offering of approximately 17.6% of the Lucent common stock (the "Lucent Common Stock") on April 10, 1996, followed by the distribution by AT&T to AT&T's shareowners of the remaining Lucent Common Stock on , 1996 (the "Lucent

Distribution"). AT&T also sold its 86% interest in AT&T Capital Corporation ("AT&T Capital") as part of the sale of AT&T Capital consummated on , 1996.

The restructuring of AT&T responds to changes in customer needs and demands, public policy, and technology in the industries in which AT&T has operated in the past. In AT&T's view, these changes are creating a new industry structure in which, increasingly, the advantages of vertical integration are outweighed by its costs and disadvantages. In particular, these changes have resulted in, among other things, a situation in which, to varying degrees, many of the actual and potential customers of Lucent and NCR are or will be competitors of AT&T's communications services businesses. NCR believes that its efforts to target the communications industry have been hindered by the reluctance of AT&T's communications services competitors to make purchases from an AT&T subsidiary, and that in some cases the unwillingness of these competitors to share proprietary information, such as customer data and marketing strategies, with NCR has made it more difficult for NCR to market information technology solutions to these companies. Finally, the demands created by this new industry structure have also heightened the need for focused management time and attention in each of the businesses previously conducted by AT&T, including the information technology business operated by NCR. For these reasons, AT&T determined to separate its businesses by means of its restructuring.

Trading Market..... There is currently no public market for NCR Common Stock, although a "when-issued" trading market is expected to develop prior to the Distribution Date. An application is expected to be filed to list the NCR Common Stock on the NYSE, under the symbol "NCR." See "Risk Factors -- Absence of a Public Market for NCR Common Stock" and "-- Possibility of Substantial Sales of NCR Common Stock" and "The Distribution -- Listing and Trading of NCR Common Stock."

Record Date..... December , 1996.

Distribution Date..... Expected to be December 31, 1996 (the "Distribution Date"). Commencing on or about the Distribution Date, (the "Distribution Agent") will commence mailing share certificates or making book-entry credits for shares of NCR Common Stock to holders of AT&T Common Stock on the Record Date. AT&T shareowners will not be required to make any payment or to take any other action to receive the NCR Common Stock to which they are entitled in the Distribution. See "The Distribution -- Manner of Effecting the Distribution."

Distribution Agent..... will be the Distribution Agent for the Distribution.

Conditions to the Distribution..... The Distribution is conditioned upon, among other things: (a) the receipt by AT&T of a ruling from the IRS to the effect that the Distribution qualifies as a tax-free distribution under Section 355 of the Internal Revenue Code of 1986, as amended (the "Code"); (b) the receipt of any material governmental approvals and third party consents necessary to consummate the Distribution; (c) the absence of any order, injunction, decree or other legal restraint or prohibition preventing the consummation of the Distribution; (d) the failure to occur of any other event that prevents the consummation of the Distribution; (e) the acceptance for listing on a mutually agreed stock exchange or quotations

system, which is expected to be the NYSE, of the NCR Common Stock (and related Preferred Share Purchase Rights); and (f) the formal approval by the Board of Directors of AT&T (the "AT&T Board") of the Distribution. The AT&T Board may, but has no obligation to, waive any of these conditions. In addition, regardless of whether these conditions are satisfied, the AT&T Board has reserved the right to abandon, defer or modify the Distribution and the related transactions described herein at any time prior to the Distribution Date. See "The Distribution -- Conditions; Termination" and "Arrangements Among AT&T, NCR and Lucent -- NCR Distribution Agreement."

Principal Businesses to Be
Retained by AT&T.....

AT&T is among the world's communications leaders, providing voice, data, and video telecommunication services to large and small businesses, government entities and consumers, and offering a general purpose credit card and other services. AT&T and its subsidiaries furnish local, regional, domestic and international communication transmission services. AT&T's wholly owned subsidiaries, including AT&T Wireless Services, Inc. ("AT&T Wireless"), provide cellular telephone and other wireless services. In conjunction with its subsidiaries (including AT&T Universal Card Services Corp.), AT&T also provides billing, directory, and credit and calling card services to support its communications services business.

NCR CORPORATION

NCR Corporation.....

NCR Corporation is currently a wholly owned subsidiary of AT&T that is engaged in the information technology business. NCR was merged with a wholly owned subsidiary of AT&T on September 19, 1991.

NCR designs, develops, markets, and services information technology products, services, systems, and solutions worldwide. NCR's goal is to be a world-class provider of commercial, open computing systems for High Availability Transaction Processing and Scalable Data Warehousing solutions to customers in all industries. NCR also seeks to take advantage of its expertise and market presence in the retail, financial, and communications industries to provide specific information technology solutions to customers in these targeted industries. NCR's systems and solutions are supported by its Customer Support Services and Professional Services offerings, and its Systemedia business, which develops, produces, and markets a complete line of consumable and media products.

NCR's offerings cover a broad range of its customers' information technology needs: from consumers' interaction and data collection, with products including point of sale workstations, barcode scanning equipment, and self-service devices such as ATMs; through data processing, with NCR's High Availability Transaction Processing solutions; to data storage, manipulation, and usage, with NCR's Teradata relational database management system and Scalable Data Warehousing offerings. NCR's computing platforms and associated products span midrange servers, massively parallel processing computer systems, computer network servers and software systems, imaging and payment systems,

workstations and peripherals, business forms, ink ribbons, customized paper rolls, and other consumable supplies and processing media.

NCR also provides Worldwide Customer Support Services and Professional Services that include hardware maintenance, software maintenance, data warehousing service offerings, end-to-end networking service and design, and the implementation, integration and support of complex solutions.

NCR operates through five business units: the Computer Systems Group; the Financial Systems Group; the Retail Systems Group; Worldwide Services; and Systemedia.

The principal executive offices of NCR are located at 1700 South Patterson Blvd., Dayton, Ohio 45479 and its telephone number at such location is (937) 445-5000. The Company was incorporated in Ohio in 1884 and was reincorporated in Maryland in 1926.

Business Strategy.....	In September 1995, NCR announced a restructuring of the Company, based on five key initiatives: focus, accountability, expense level reduction, process improvements, and a sense of urgency. NCR's business plan focuses on three basic components: the level of resources to be deployed, the processes through which the Company manages the business, and the market opportunities to be pursued. See "Business -- Restructuring and Turnaround" and "-- Strategy," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Risk Factors -- Risks Relating to Implementation of New Business Strategy."
Management of NCR.....	The executive officers of NCR following the Distribution are expected to be persons who currently serve as executive officers of NCR. See "Management."
Intercompany Agreements....	NCR, AT&T and Lucent have entered into certain intercompany agreements governing various interim and ongoing relationships between and among the three companies. In addition, NCR has entered into the Operating Agreement (as defined below) with AT&T Capital. See "Arrangements Among AT&T, NCR and Lucent."
Preferred Share Purchase Rights.....	As of the Distribution Date, NCR will have adopted a Preferred Share Purchase Rights Plan (the "Rights Plan"). Certificates or book entry credits issued in the Distribution representing shares of NCR Common Stock will also initially represent an equivalent number of associated Preferred Share Purchase Rights of NCR (the "Rights"). See "Certain Antitakeover Effects -- Rights Plan."
Certain Antitakeover Effects.....	Certain provisions of NCR's Amended and Restated Charter (the "Charter") and NCR's Bylaws (the "Bylaws"), as each will be in effect as of the Distribution, and of applicable Maryland state corporation law have the effect of making more difficult an acquisition of control of NCR in a transaction not approved by NCR's Board of Directors. See "Description of NCR Capital Stock" and "Certain Antitakeover Effects." The Rights Plan will also make more difficult an acquisition of control of NCR in a transaction not approved by NCR's Board of Directors. See "Certain Antitakeover Effects -- Rights Plan."

Post-Distribution Dividend
Policy..... NCR does not anticipate the payment of any cash dividends on NCR Common Stock in the foreseeable future. Payment of dividends on NCR Common Stock is also expected to be subject to such limitations as may be imposed by NCR's credit facilities. The declaration of dividends will be subject to the discretion of the Board of Directors of NCR. See "Dividend Policy" and "Financing."

Transfer Agent and
Registrar..... will be the Transfer Agent and Registrar for NCR after the Distribution.

SUMMARY HISTORICAL FINANCIAL DATA

The following table presents summary historical financial data of NCR. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and notes thereto included elsewhere in this Information Statement. The consolidated statement of operations data set forth below for each of the years ended December 31, 1995, 1994, and 1993 and the consolidated balance sheet data at December 31, 1995 and 1994 are derived from, and are qualified by reference to, the audited consolidated financial statements included elsewhere in this Information Statement, and should be read in conjunction with those financial statements and notes thereto. The consolidated balance sheet data at December 31, 1993 are derived from the audited consolidated balance sheet of NCR at December 31, 1993, which is not included in this Information Statement. The consolidated statement of operations data for each of the years ended December 31, 1992 and 1991 and the consolidated balance sheet data at December 31, 1992 and 1991 are derived from unaudited consolidated financial statements not included in this Information Statement. The consolidated statement of operations data for each of the six month periods ended June 30, 1996 and 1995, and the consolidated balance sheet data as of June 30, 1996 and 1995 are derived from, and are qualified by reference to, the unaudited interim financial statements included elsewhere herein, and should be read in conjunction with those financial statements and notes thereto. See "Index to Financial Statements."

The historical financial information may not be indicative of NCR's future performance and does not necessarily reflect the financial position and results of operations of NCR had NCR operated as a separate, stand-alone entity during the periods covered. See "Risk Factors -- Limited Relevance of Historical Financial Information."

NCR CORPORATION

SUMMARY HISTORICAL FINANCIAL DATA
(DOLLARS IN MILLIONS)

	SIX MONTHS ENDED JUNE 30		YEARS ENDED DECEMBER 31				
	1996	1995	1995	1994	1993	1992	1991
	(UNAUDITED)		(UNAUDITED)				
STATEMENT OF OPERATIONS DATA							
Revenues(3)(5).....	\$3,265	\$3,860	\$ 8,162	\$ 8,461	\$ 7,265	\$ 7,139	\$ 7,246
Operating expenses(1)(6)							
Cost of revenues.....	2,396	3,024	7,316	5,894	4,839	4,378	4,322
Selling, general and administrative expenses.....	711	995	2,632	2,169	2,136	1,938	2,113
Research and development expenses.....	184	231	585	500	571	568	709
Income (loss) from operations.....	(26)	(390)	(2,371)	(102)	(281)	255	102
Interest expense.....	26	46	90	44	41	77	85
Other income, net(2)(4).....	(3)	(78)	(45)	(130)	(42)	(77)	(87)
Income (loss) before income taxes and cumulative effects of accounting changes.....	(49)	(358)	(2,416)	(16)	(280)	255	104
Income tax expense (benefit).....	34	31	(136)	187	138	157	387
Income (loss) before cumulative effects of accounting changes... Cumulative effects of accounting changes(7).....	(83)	(389)	(2,280)	(203)	(418)	98	(283)
Net income (loss).....	\$ (83)	\$ (389)	\$(2,280)	\$ (203)	\$(1,287)	\$ 98	\$ (283)
FINANCIAL POSITION AND OTHER DATA							
Cash and short-term investments...	\$ 825	\$ 638	\$ 338	\$ 661	\$ 343	\$ 436	\$ 391
Accounts receivable, net.....	1,175	1,744	1,908	1,860	1,288	1,228	1,305
Inventories.....	561	1,072	621	952	781	620	504
Property, plant and equipment, net.....	950	1,092	957	1,234	1,143	1,026	1,067
Total assets.....	4,934	5,837	5,256	5,836	4,664	4,565	4,448
Short-term borrowings.....	40	70	45	73	40	118	105
Long-term debt.....	99	612	330	642	115	142	229
Shareholder's equity.....	859	1,499	358	1,690	1,032	1,831	1,628
Headcount (employees and contractors).....	38,600	46,700	41,100	50,000	52,500	53,800	54,000

- (1) 1995 operating expenses include restructuring and other charges of \$1,649. (See Note 5 of Notes to Consolidated Financial Statements.)
- (2) 1995 other income, net includes a gain on sale of the Microelectronics components business of \$51.
- (3) The decrease in revenues beginning in the fourth quarter of 1995 and in the six months ended June 30, 1996 is due largely to the Company's decision in September 1995 to discontinue selling personal computers through high volume indirect channels.
- (4) 1994 other income, net includes a gain on sale of certain assets of \$110.
- (5) The fiscal year-end for locations outside the U.S. was changed from November to December in 1994 to conform the domestic and international reporting periods. This change increased reported revenues in 1994 by \$223, however the effect on loss from operations was not significant.
- (6) 1993 operating expenses include restructuring and other charges of \$219. (See Note 5 of Notes to Consolidated Financial Statements.)
- (7) NCR changed its methods of accounting for postretirement benefits, postemployment benefits, and income taxes effective in 1993. (See Note 3 of Notes to Consolidated Financial Statements).

INTRODUCTION

NCR is currently a wholly owned subsidiary of AT&T. The Distribution to AT&T shareowners of all the outstanding shares of NCR Common Stock will complete the restructuring announced by AT&T on September 20, 1995. Pursuant to the restructuring, AT&T has split into three separate companies: NCR, which engages in the information technology business; Lucent, which engages in the telecommunications systems, software, and products businesses; and the continuing AT&T, which engages in the communications services and credit card businesses. Earlier this year, Lucent was separated from AT&T by means of an initial public offering of approximately 17.6% of the Lucent Common Stock on April 10, 1996, followed by the Lucent Distribution on _____, 1996. AT&T also sold its 86% interest in AT&T Capital as part of the sale of AT&T Capital consummated on _____, 1996. NCR, AT&T and, in certain cases, Lucent, have entered into certain agreements governing various interim and ongoing relationships between and among the three companies. In addition, NCR has entered into the Operating Agreement with AT&T Capital. See "Arrangements Among AT&T, NCR and Lucent."

The Distribution will be effected by distributing to holders of AT&T Common Stock on the Record Date all of the outstanding shares of NCR Common Stock. On the Distribution Date, AT&T will deliver the outstanding shares of NCR Common Stock to _____, the Distribution Agent for transfer and distribution to the holders of AT&T Common Stock as of the Record Date for the Distribution. It is expected that the Distribution Date will be December 31, 1996. The Distribution is conditioned upon, among other things, the receipt of a ruling from the IRS that the transaction will be a tax-free spin-off for federal income tax purposes, except to the extent of cash received instead of fractional shares. See "The Distribution -- Certain Federal Income Tax Consequences of the Distribution" and "-- Conditions; Termination."

Shareowners of AT&T with inquiries relating to the Distribution should call AT&T toll-free at (800) 756-8500 (anytime, 24 hours a day, 7 days a week) or the Distribution Agent at (800) _____, Monday through Friday, _____ a.m. to _____ p.m. (Eastern time). After the Distribution Date, stockholders of NCR with inquiries relating to their investment in NCR should contact the Distribution Agent at the above number or NCR Investor Relations, at 1700 South Patterson Boulevard, Dayton, Ohio 45479; or by telephone at (937) 445-5905, Monday through Friday, 8:00 a.m. to 5:00 p.m. (Eastern time).

NO ACTION IS REQUIRED BY AT&T SHAREOWNERS IN ORDER TO RECEIVE THE NCR COMMON STOCK TO WHICH THEY ARE ENTITLED IN THE DISTRIBUTION.

RISK FACTORS

Shareowners should carefully consider and evaluate all of the information set forth in this Information Statement, including the risk factors listed below. NCR also cautions readers that, in addition to the historical information included herein, this Information Statement includes certain forward-looking statements and information that are based on management's beliefs as well as on assumptions made by and information currently available to management. When used in this Information Statement, the words "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," and similar expressions are intended to identify such forward-looking statements. However, this Information Statement also contains other forward-looking statements. Such statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, including but not limited to the following factors, which could cause NCR's future results and stockholder values to differ materially from those expressed in any forward-looking statements made by or on behalf of NCR. Many of such factors are beyond NCR's ability to control or predict. Readers are cautioned not to put undue reliance on forward-looking statements. NCR disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Forward Looking Statements."

HISTORICAL LOSSES

NCR has experienced net losses of \$2,280 million, \$203 million and \$1,287 million for the years ended December 31, 1995, 1994, and 1993, respectively, and net losses of \$83 million and \$389 million for the six months ended June 30, 1996 and 1995, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto included elsewhere in this Information Statement.

RISKS RELATING TO IMPLEMENTATION OF NEW BUSINESS STRATEGY

NCR announced a restructuring in September 1995, with the goal of creating a more focused and efficient business. See "Business -- Restructuring and Turnaround" and "-- Strategy." Although management believes that implementation of its restructuring and strategic business plan has improved and should continue to improve NCR's results of operations, there can be no assurance that NCR will be successful in implementing its new business strategies or that it will be able to maintain or improve upon its current operating performance. Although improvements in operating results since the announcement of the restructuring have come in part from expense reductions, further expense reductions are not expected to drive material improvements in operating results. As a result, NCR's ability to continue to improve its operating results will depend primarily on its ability to increase revenues and to continue to improve sales and services and rentals gross margins.

A key determinant of the success of NCR's strategy will be NCR's ability to expand its data warehousing and professional services businesses. There can be no assurances that NCR will not face unforeseen costs, delays or obstacles in the implementation of its business plan, that these changes will have the desired benefits, or that NCR's strategy will be successful. The success of NCR's strategy will also depend, among other things, upon the technologies, actions, products, and strategies of NCR's current and future competitors, general domestic and foreign economic and business conditions, the condition of the information technology industry and the industries in which NCR's customers operate and other factors. See "-- Dependence on New Product Development" and "-- Competition."

FUTURE CAPITAL REQUIREMENTS; ABSENCE OF AT&T FUNDING

In recent years, NCR's working capital and cash flow requirements have been substantial. Since 1991, NCR's working capital, research and development, capital expenditures, and other financing requirements have been met by AT&T's corporate-wide cash management and funding policies. Net cash transfers from AT&T were \$1,034 million, \$770 million, and \$425 million for the years ended December 31, 1995, 1994, and 1993, respectively, and \$595 million for the six months ended June 30, 1996. After the Distribution, AT&T will no longer provide such funds to finance NCR's operations or for any other purpose.

In order to meet its working capital needs after the Distribution, NCR anticipates that it will enter into an unsecured revolving credit facility (the "Credit Facility") with a syndicate of commercial banks and financial institutions. The Credit Facility is expected to provide that NCR may borrow from time to time on a revolving credit basis an aggregate principal amount of up to \$600 million, subject to the terms and conditions thereof. See "Financing" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Financial Condition, Liquidity and Capital Resources."

NCR believes that cash flows from operations, availability under the Credit Facility and other short and long-term debt financings, if any, will be sufficient to satisfy its future working capital, research and development, capital expenditure, and other financing requirements. NCR further believes that it will be able to access capital markets on terms and in amounts that will be satisfactory to it, although there can be no assurance that will be the case. NCR believes that it will be able to obtain bid and performance bonds, to arrange or provide customer financing as necessary, and to engage in hedging transactions on commercially acceptable terms.

However, NCR does not expect to be able to obtain financing with interest rates or other terms as favorable as those historically experienced by AT&T, with the result that its cost of capital will likely be higher

than that reflected in NCR's historical financial statements. NCR will also likely be subject to financial, operating, and other covenants restricting its operations, although historically, as a wholly owned subsidiary of AT&T, it has not been subject to any such restrictive covenants.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Financial Condition, Liquidity and Capital Resources" and the consolidated financial statements and notes thereto included elsewhere in this Information Statement.

DEPENDENCE ON NEW PRODUCT DEVELOPMENT

The markets for many of NCR's offerings are characterized by rapidly changing technology, evolving industry standards, and frequent new product introductions. NCR's operating results will depend to a significant extent on its ability to design, develop or otherwise obtain and introduce new products, services, systems, and solutions and to reduce the costs of these offerings. The success of these and other new offerings is dependent on many factors, including proper identification of customer needs, cost, timely completion and introduction, differentiation from offerings of NCR's competitors, and market acceptance. Often a delay in introducing an offering can cause a company to miss a market opportunity. There can be no assurance that NCR will successfully identify new product, service, system or solution opportunities and bring new offerings to market in a timely manner, or that products, technologies or services developed by others will not render NCR's current or future offerings or technology investments obsolete or noncompetitive. In addition, there can be no assurance that any of the technologies in which NCR is focusing its capital expenditure and research and development investments will achieve broad acceptance in the marketplace. Finally, there can be no assurance that NCR will be able to attract and retain the highly skilled technical personnel necessary to enable NCR to develop and sell new products, services, systems, and solutions successfully. Any such factors could have a material adverse effect on NCR's financial condition and results of operations.

Shortening product life cycles in the information technology industry pose a challenge for the effective management of the transition from existing products to new products. Product development or manufacturing delays, variations in product costs, and delays in customer purchases of existing products in anticipation of new product introductions are among the factors that make a smooth transition from current products to new products difficult. The transition to new products can also result in inventory of old or obsolete products and components. In addition, competitors' introductions of new offerings may coincide with periods leading up to NCR's own introduction of new or enhanced offerings. Furthermore, some of NCR's own new products replace or compete with other of NCR's current products. The foregoing factors may materially adversely affect NCR's financial condition and results of operations.

RELIANCE ON SUPPLIERS AND PARTNERS

Due to NCR's focus on providing complex integrated solutions to customers, NCR frequently relies on third parties to provide significant elements of NCR's offerings, which must be integrated with the elements provided by NCR. Elements provided by third parties can include operating software, software tools, application specific software, hardware, components, services and other technology. In addition, because NCR's business interacts with areas in which other companies have greater technological, marketing, and service expertise, NCR has from time to time formed alliances with third parties that have complementary products, services, and skills. These business practices often require NCR to rely on the performance and capabilities of third parties which are beyond NCR's control. NCR may also compete against many of these third parties in other parts of their businesses.

NCR's reliance on third parties introduces a number of risks to NCR's business. In addition to the risk of non-performance by alliance partners or other third parties, the need to integrate elements provided by NCR with those of third parties could result in delays in the introduction of new products, services, systems, or solutions. Further, the failure of any of these third parties to provide products or services that conform to NCR's specifications or quality standards could impair the ability of NCR to offer solutions that include such third-party elements or may impair the quality of such solutions. Any of these factors could have a material adverse impact on NCR's financial condition and results of operations.

A number of NCR's products and systems rely primarily on specific suppliers for microprocessors, operating systems and other central components. For example, the Company's computer systems are based on microprocessors and related peripheral chip technology designed by Intel Corporation ("Intel"). In addition, NCR incorporates UNIX and Microsoft Windows NT operating systems into its products. NCR's High Availability Transaction Processing and Scalable Data Warehousing solutions may utilize commercial databases from Oracle Corporation ("Oracle") or Informix Corporation ("Informix"). The failure of any of these technologies to remain competitive, either individually or as part of a system or solution, or the failure of these providers to continue such technologies, could have a material adverse effect on NCR's financial condition and results of operations.

NCR also uses many standard parts and components in its products and believes there are a number of competent vendors for most parts and components. However, a number of important components are developed by and purchased from single sources due to price, quality, technology or other considerations. In some cases, those components are available only from single sources. The process of substituting a new producer of such parts could materially adversely affect NCR's financial condition and results of operations. Some suppliers of certain components require long lead times making it difficult for NCR to plan inventory levels of components consistently to meet demand for NCR's products. Certain other components have from time to time been subject to industry wide shortages. Future shortages of components could materially adversely affect NCR's financial condition and results of operations. In addition, if NCR is required to enter into licensing or similar arrangements with third parties, who may be competitors of NCR, to obtain intellectual property or other rights necessary for its offerings, NCR may encounter delays or costs which may adversely affect its ability to provide these offerings.

NCR must develop and implement effective strategies that anticipate availability and pricing by suppliers as well as forecast customer demand for its products. In order to secure components for production and introduction of new products, NCR may make advance payments to certain suppliers and may enter into noncancelable purchase commitments with vendors with respect to the purchase of components. Many of the components used in NCR's products, particularly microprocessors and memory, experience steep price declines over their product lives. If NCR is unable to manage its purchases and utilization of such components efficiently to maintain low inventory levels immediately prior to major price declines, NCR could be unable to take immediate advantage of such declines to lower its product costs, which could have a material adverse effect on NCR's financial condition and results of operations.

COMPETITION

NCR faces significant competition in all geographic areas where it operates. Its markets are characterized by continuous, rapid technological change, the need to introduce products in a timely manner in order to take advantage of market opportunities, short product life cycles, frequent product performance improvements, and price reductions.

The methods of competition vary, depending on the product, service, system, or solution being offered, but typically include product and system performance, quality and reliability, price/performance ratio, global marketing and distribution capabilities, technology, industry expertise, total cost of ownership, industry knowledge of the vendor, availability and performance of software, system expandability and upgrade capability, compatibility, adaptability in support of new applications and software, availability and performance of applications, ability to design, develop, introduce and deliver products, services, systems, or solutions in a timely manner, product features and functions, service and support, ease of system operation, compliance with industry standards, and corporate reputation. Customers evaluating purchases from NCR which contemplate continued performance or service by NCR over a period of time may consider NCR's financial prospects relative to that of other more well-capitalized companies as a factor in their purchasing decisions. In addition, competitors and competitive factors vary by geographic area and by business unit. See "Business -- Retail Systems Group -- Competition," "-- Financial Systems Group -- Competition," "-- Computer Systems Group -- Competition," "-- Worldwide Services -- Competition" and "-- Systemedia Group -- Competition."

Present and potential competition in the various markets served by NCR comes from domestic and international companies of various sizes and types, a number of which have greater financial, technical, marketing and other resources, larger installed bases of customers or a wider range of available applications software than NCR. NCR's competitors include both some of the largest and most well-capitalized domestic and international corporations and newer, smaller companies which have historically had great success in making major inroads in the information technology industry. In addition, companies not currently in direct competition with NCR may introduce competing products in the future. In the information technology industry, it is possible for companies to be, at various times, competitors, customers, and collaborators.

The significant competition in the information technology industry has decreased gross margins for many companies in recent years and could continue to do so in the future. During the period 1992 through 1994, NCR experienced a decline in gross margins greater than that of the industry generally. Future operating results will depend in part on NCR's ability to mitigate such margin pressure by maintaining a favorable mix of system, solutions, service, and other revenues and by achieving component cost reductions and operating efficiencies.

SEASONALITY

NCR's sales are historically seasonal, with revenue higher in the fourth quarter of each year. Consequently, during the three quarters ending in March, June, and September, NCR has historically experienced less favorable results than in the quarter ending in December. Such seasonality also causes NCR's working capital cash flow requirements to vary from quarter to quarter depending on, among other things, the variability in the volume, timing and mix of product sales. In addition, in many quarters, a large portion of NCR's revenue is realized in the third month of the quarter. Operating expenses are relatively fixed in the short term and often cannot be materially reduced in a particular quarter if revenue falls below anticipated levels for such quarter. As a result, even a relatively small revenue shortfall may cause a period's results to be materially below expectations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Seasonality."

RELIANCE ON AT&T ENTITIES; INDUSTRY FOCUS

In recent years, NCR's largest customer, measured by total revenue, has been AT&T and its affiliated companies, including Lucent, although other customers purchase more of certain systems and product lines. The contribution of AT&T and its affiliated companies (including Lucent) to NCR's total revenue and as a percentage of total revenue for the years ended December 31, 1995, 1994 and 1993 was \$630 million (8%), \$522 million (6%) and \$385 million (5%), respectively. For the six months ended June 30, 1996 and 1995, respectively, the contribution of these companies to total revenue and as a percentage of total revenue was \$247 million (8%) and \$281 million (7%). No other customer of NCR accounted for more than 3% of consolidated revenue during the year ended December 31, 1995 or during the six-month period ended June 30, 1996.

Except as set forth in the AT&T Volume Purchase Agreement (as defined herein) expected to be entered into between NCR and AT&T and the Lucent Volume Purchase Agreement (as defined herein) entered into between NCR and Lucent, neither AT&T nor Lucent is obligated to make any minimum level of future purchases from NCR or to provide NCR with binding forecasts of product purchases for any future period. Moreover, with the spinoff of Lucent from AT&T on 1996, future decisions as to purchases by each company will be made independently from the other company. Pursuant to the AT&T Volume Purchase Agreement, AT&T and its designated affiliates (other than Lucent) expect to commit to purchase an aggregate of at least \$ million of offerings from NCR during the -year period ending . Pursuant to the Lucent Volume Purchase Agreement, Lucent has committed to purchase an aggregate of at least \$150 million of offerings from NCR during the three-year period ending December 31, 1998. As of June 30, 1996, approximately \$65 million of such commitment had been purchased by Lucent. See "Arrangements Among AT&T, NCR and Lucent -- Purchase Agreements."

In addition, NCR's focus on three industries -- retail, financial, and communications -- may increase NCR's vulnerability to economic and business conditions affecting customers in each such industry and to other events outside of its control that could reduce technology spending in such industries. See "Business -- Strategy."

RISK OF FOREIGN OPERATIONS AND FOREIGN EXCHANGE

For the year ended December 31, 1995, approximately \$4.6 billion, or 56%, of NCR's revenue was generated by its foreign operations. NCR's foreign operations are subject to a number of risks inherent in operating abroad, including, but not limited to, risks with respect to currency exchange rates, foreign economic and political conditions or destabilization, other disruption of capital and trading markets, restrictive actions by foreign governments (such as restrictions on transfer of funds, trade protection measures including export duties and quotas, and foreign customs duties and tariffs, and changes in regulatory environments), import or export licensing requirements, risks relating to the repatriation of funds from non-United States subsidiaries, difficulty in obtaining distribution and support, nationalization, the laws and policies of the United States affecting trade, foreign investment and loans, natural disasters, and foreign tax laws. There can be no assurance that these factors will not have a material adverse impact on NCR's ability to increase or maintain its foreign sales or on its financial condition or results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

A significant change in the value of the dollar or another functional currency against the currency of one or more countries where NCR recognizes revenues or earnings or maintains net asset investments may materially adversely affect NCR's financial condition and results of operations. NCR attempts to mitigate a portion of such changes through the use of foreign currency contracts, although there can be no assurances that such attempts will be successful.

CERTAIN LEGAL MATTERS; POTENTIAL ENVIRONMENTAL LIABILITIES

In the normal course of business, NCR is subject to regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment, health and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. Although NCR believes that amounts provided in its financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to discharge alleged liabilities from lawsuits, claims and other legal proceedings and environmental matters, and to comply with applicable environmental laws, will not exceed the amounts reflected in NCR's financial statements or will not have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of June 30, 1996 cannot be determined.

Among the lawsuits and claims pending against NCR as of June 30, 1996, there were approximately 100 individual product liability claims alleging that the Company's products, including personal computers ("PCs"), supermarket barcode scanners, cash registers and check encoders, caused so-called "repetitive strain injuries" or "cumulative trauma disorders," such as carpal tunnel syndrome. In such lawsuits, the plaintiff typically alleges that he or she suffers from injuries caused by the design of the product at issue or a failure to warn of alleged hazards. These plaintiffs seek compensatory damages and, in many cases, punitive damages. Most other manufacturers of these products have also been sued by plaintiffs on similar theories. Ultimate resolution of the litigation against the Company may substantially depend on the outcome of similar matters of this type pending in various state and federal courts. The Company has denied the merits and basis for the pending claims against it and intends to continue to contest these cases vigorously.

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

applicable environmental protection laws. NCR has been identified, either by a governmental agency or by a private party seeking contribution to site cleanup costs, as a potentially responsible party ("PRP") at a number of sites pursuant to a variety of statutory schemes, both state and federal, including the Federal Water Pollution Control Act ("FWPCA") and comparable state statutes, and the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), and comparable state statutes.

In February 1996, NCR received notice from the United States Department of the Interior, Fish & Wildlife Service ("USF&WS") that USF&WS considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages to the Fox River and related Green Bay environment ("Fox River System") due to, among other things, sediment contamination in the Fox River System allegedly resulting from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. USF&WS and two Indian Tribes have stated their intention to conduct a Natural Resource Damage Assessment to determine and quantify the nature and extent of alleged injury to natural resources. In addition, NCR has been identified, along with a number of other companies, by the Wisconsin Department of Natural Resources ("WDNR") with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. NCR is also actively pursuing discussions with the WDNR regarding the Company's alleged liability. NCR's share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be predicted with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of identified remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. At this point, NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply and believes the claims described above are the responsibility of the buyer and its former parent company pursuant to the terms of the sales agreement. In this connection, NCR has commenced litigation against the buyer to enforce its position.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR accrues environmental provisions when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. Management expects that the amounts provided as of December 31, 1995 and June 30, 1996 will be paid out over the period of investigation, negotiation, remediation, and restoration for the applicable sites, which may be 30 years or more. Provisions for estimated losses from environmental remediation are, depending on the site, based primarily on internal and third-party environmental studies, estimates as to the number and participation level of any other PRPs, the extent of the contamination, and the nature of required remedial and restoration actions. Accruals are adjusted as further information develops or circumstances change. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amount of such liabilities, without deductions for insurance or third-party indemnity claims. In those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

RISK OF INTELLECTUAL PROPERTY INFRINGEMENT CLAIMS

NCR relies on patent, trademark, trade secret, and copyright laws both to protect its proprietary technology and to protect NCR against claims from others. NCR believes that it has direct intellectual property rights or rights under licensing arrangements covering substantially all of its material technologies and has not received notice of any infringement claims against it which it believes are valid. However, given the technological complexity of NCR's systems and products, rapid technological changes in the computer and technology industries, extensive patent and copyright coverage, and the rapid establishment of new copyright and patent rights, there can be no assurance that claims of infringement will not be asserted against NCR or against NCR's customers in connection with their use of NCR's systems and products. There can

also be no assurance as to the outcome of any such claims. In addition, there can be no assurance that NCR will be able to ensure that component supplies and the cost of components are not adversely affected by legal proceedings in which an adverse determination is made with respect to intellectual property rights of NCR or one of its suppliers.

AT&T, Lucent and NCR have entered into certain defensive protection agreements under which each company has the ability, subject to specified restrictions, to assert infringement claims under specified patents against companies that assert patent infringement claims against them. See "Arrangements Among AT&T, NCR and Lucent -- Patent Licenses and Related Matters."

LIMITED RELEVANCE OF HISTORICAL FINANCIAL INFORMATION

The historical financial information included herein may not necessarily reflect the results of operations, financial position and cash flows of NCR in the future or the results of operations, financial position, and cash flows had NCR operated as a separate, stand-alone entity during the periods presented. The financial information included herein does not reflect any changes that may occur in the funding and operations of NCR as a result of the Distribution. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ABSENCE OF HISTORY AS A STAND-ALONE COMPANY

NCR has not operated as a stand-alone company since its merger with a wholly owned subsidiary of AT&T in September 1991. After the Distribution, AT&T will have no obligation to provide assistance to NCR or any of its subsidiaries except as described in "Arrangements Among AT&T, NCR and Lucent -- Purchase Agreements." Furthermore, AT&T will have no obligation to enter into new arrangements with NCR as the existing arrangements expire.

ABSENCE OF A PUBLIC MARKET FOR NCR COMMON STOCK

There is currently no public market for NCR Common Stock. Although NCR expects to apply to list the NCR Common Stock on the NYSE, there can be no assurance as to the prices at which trading in NCR Common Stock will occur after the Distribution. Until the NCR Common Stock is fully distributed and an orderly trading market develops, the prices at which trading in such stock occurs may fluctuate significantly. There can be no assurance that an active trading market in NCR Common Stock will develop or be sustained in the future.

The prices at which NCR Common Stock trades will be determined by the marketplace and may be influenced by many factors, including, among others, NCR's performance and prospects, the depth and liquidity of the market for NCR Common Stock, investor perception of NCR and of the information technology industry, NCR's dividend policy, general financial and other market conditions, and domestic and international economic conditions. In addition, financial markets, including the NYSE, have experienced extreme price and volume fluctuations that have affected the market price of many information technology industry stocks and that, at times, could be viewed as unrelated or disproportionate to the operating performance of such companies. Such fluctuations have also affected the share prices of many newly public issuers. Such volatility and other factors may materially adversely affect the market price of NCR Common Stock.

POSSIBILITY OF SUBSTANTIAL SALES OF NCR COMMON STOCK

The planned Distribution will involve the distribution of an aggregate of approximately _____ shares of NCR Common Stock to the shareowners of AT&T on the Distribution Date, representing all of the outstanding shares of NCR Common Stock. Substantially all of such shares of NCR Common Stock will be eligible for immediate resale in the public market. Neither AT&T nor NCR is able to predict whether substantial amounts of NCR Common Stock will be sold in the open market following the Distribution. Any sales of substantial amounts of NCR Common Stock in the public market, or the perception that such sales

might occur, whether as a result of the Distribution or otherwise, could materially adversely affect the market price of NCR Common Stock. See "The Distribution -- Listing and Trading of NCR Common Stock."

CERTAIN ANTITAKEOVER EFFECTS

The Charter and Bylaws, the Rights Plan, and applicable sections of the Maryland General Corporation Law (the "GCL") contain several provisions that may make more difficult the acquisition of control of NCR without the approval of the NCR Board of Directors. Certain provisions of NCR's Charter and the Bylaws, among other things: (i) classify the NCR Board of Directors into three classes, each of which serve for staggered three-year terms; (ii) provide that a director of NCR may be removed by the stockholders only for cause by the vote of 80% of the stock entitled to vote generally in the election of directors (the "Voting Stock"); (iii) provide that only the NCR Board of Directors or President or the holders of at least a majority of the Voting Stock may call special meetings of the stockholders; (iv) provide that the stockholders may take action without a meeting of stockholders only by unanimous written consent (which as a practical matter makes action by written consent impossible in a public corporation such as NCR after the Distribution); (v) provide that stockholders must comply with certain advance notice procedures in order to nominate candidates for election to the NCR Board of Directors or to place stockholders' proposals on the agenda for consideration at meetings of the stockholders; and (vi) provide that the stockholders may amend or repeal any of the foregoing provisions of the Charter or the Bylaws only by a vote of 80% of the Voting Stock. The Rights Plan would cause substantial dilution to a person or group that attempts to acquire NCR on terms not approved in advance by the NCR Board of Directors. The GCL generally imposes certain restrictions on mergers and other business combinations between NCR and any holder of 10% or more of the NCR Common Stock if the holder's acquisition of such position was not approved in advance by the NCR Board of Directors. In addition, under the GCL, the affirmative vote of the holders of two-thirds of the NCR Common Stock is required to approve any merger or similar business combination involving NCR, with certain exceptions. See "Description of NCR Capital Stock" and "Certain Antitakeover Effects." In addition, certain of the equity-based incentive plans of NCR are expected to contain provisions providing for the acceleration or modification of benefits upon a Change of Control (as defined) of NCR. See "Management."

THE DISTRIBUTION

BACKGROUND OF AND REASONS FOR THE DISTRIBUTION

NCR is currently a wholly owned subsidiary of AT&T, engaged in the information technology business. The Distribution to AT&T shareowners of all the outstanding shares of NCR Common Stock will complete the restructuring announced by AT&T on September 20, 1995. Pursuant to the restructuring, AT&T has split into three separate companies: NCR, Lucent and the continuing AT&T. Earlier this year, Lucent was separated from AT&T by means of an initial public offering of approximately 17.6% of the Lucent Common Stock on April 10, 1996, followed by the Lucent Distribution on , 1996. AT&T also sold its 86% interest in AT&T Capital as part of the sale of AT&T Capital consummated on , 1996.

The restructuring of AT&T responds to changes in customer needs and demands, public policy, and technology in the industries in which AT&T has operated in the past. In AT&T's view, these changes are creating a new industry structure in which, increasingly, the advantages of vertical integration are outweighed by its costs and disadvantages. In particular, these changes have resulted in, among other things, a situation in which, to varying degrees, many of the actual and potential customers of Lucent and NCR are or will be competitors of AT&T's communications services businesses. NCR believes that its efforts to target the communications industry have been hindered by the reluctance of AT&T's communications services competitors to make purchases from an AT&T subsidiary, and that in some cases the unwillingness of these competitors to share proprietary information, such as customer data and marketing strategies, with NCR has made it more difficult for NCR to market information technology solutions to these companies. Finally, the demands created by this new industry structure have also heightened the need for focused management time and attention in each of the businesses previously conducted by AT&T, including the information technology

business operated by NCR. For these reasons, AT&T determined to separate its businesses by means of its restructuring.

MANNER OF EFFECTING THE DISTRIBUTION

It is expected that the Distribution Date will be December 31, 1996. At the time of the Distribution, share certificates for NCR Common Stock will be delivered to the Distribution Agent. Commencing on or about the date of the Distribution, the Distribution Agent will begin mailing such share certificates or making book-entry credits for shares of NCR Common Stock to holders of AT&T Common Stock as of the close of business on the Record Date on the basis of one share of NCR Common Stock for every shares of AT&T Common Stock held on the Record Date. All such shares of NCR Common Stock will be fully paid, nonassessable and free of preemptive rights. See "Description of NCR Capital Stock."

No certificates or scrip representing fractional interests in a share of NCR Common Stock will be issued to AT&T shareowners who receive certificates for NCR shares or who would be entitled to less than one whole share of NCR Common Stock as part of the Distribution. In lieu of receiving fractional interests in shares, each such holder of AT&T Common Stock who would otherwise be entitled to receive a fractional interest in a share of NCR Common Stock will receive cash for such fractional interest. The Distribution Agent will, as soon as practicable after the Distribution Date, aggregate and sell all such fractional interests in shares at then prevailing prices and distribute the net proceeds to stockholders entitled thereto. See "-- Certain Federal Income Tax Consequences of the Distribution."

NO HOLDER OF AT&T COMMON STOCK WILL BE REQUIRED TO MAKE ANY PAYMENT FOR THE SHARES OF NCR COMMON STOCK TO BE RECEIVED IN THE DISTRIBUTION OR TO SURRENDER OR EXCHANGE SHARES OF AT&T COMMON STOCK OR TO TAKE ANY OTHER ACTION IN ORDER TO RECEIVE NCR COMMON STOCK TO WHICH THEY ARE ENTITLED IN THE DISTRIBUTION.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION

The Distribution is intended to qualify as a tax-free distribution under Section 355 of the Code. The Distribution is conditioned upon receipt by AT&T of a ruling to that effect from the IRS. Accordingly, so long as the Distribution qualifies under Section 355 of the Code, neither AT&T nor NCR will recognize any income, gain or loss with respect to the Distribution, and AT&T shareowners will not recognize any income, gain or loss upon the receipt of NCR Common Stock except with respect to cash received in lieu of fractional shares.

An AT&T shareowner's tax basis for the AT&T Common Stock with respect to which NCR Common Stock is received will be apportioned between such shares of AT&T Common Stock and such shares of NCR Common Stock (including any fractional shares) in proportion to the fair market value of each on the Distribution Date. Such allocation must be calculated separately for each block of shares of AT&T Common Stock with respect to which NCR Common Stock is received, that is, separately for each block of shares of AT&T Common Stock that was purchased at different times or at different costs. The holding period for such NCR Common Stock received will include the period during which such shares of AT&T Common Stock were held, provided that such shares of AT&T Common Stock are held as a capital asset.

Treasury regulations governing Section 355 of the Code require that each AT&T shareowner who receives NCR Common Stock pursuant to the Distribution attach a statement to his or her federal income tax return for the taxable year in which he or she receives such stock, which statement shows the applicability of Section 355 of the Code to the Distribution. AT&T will provide each AT&T shareowner with the information necessary to comply with this requirement.

The IRS ruling will be based on certain factual representations and assumptions by AT&T and NCR. Neither AT&T nor NCR is aware of any present facts or circumstances which should cause such representations and assumptions to be untrue. However, certain extraordinary purchases of AT&T Common Stock or NCR Common Stock, events which are not within the control of AT&T or NCR, could cause the Distribution not to qualify as tax-free. The NCR Distribution Agreement provides that, notwithstanding

anything to the contrary in the Separation and Distribution Agreement or the Tax Sharing Agreement (as such terms are defined herein), if as a result of the acquisition of all or a portion of the capital stock or assets of NCR the Distribution fails to qualify as a tax-free distribution under Section 355 of the Code, then NCR will be liable for any and all increases in Tax (as defined in the Tax Sharing Agreement) attributable thereto. See "Arrangements Among AT&T, NCR and Lucent -- Tax Agreements."

Should the Distribution ultimately be determined not to qualify under Section 355 of the Code, AT&T shareowners would be required to recognize ordinary dividend income upon their receipt of NCR Common Stock (including fractional shares) in an amount equal to the fair market value of such NCR Common Stock on the date of the Distribution. AT&T shareowners would have a tax basis for such NCR Common Stock equal to such fair market value, and their tax basis for their AT&T Common Stock would not be affected. AT&T would recognize gain upon the Distribution equal to the excess, if any, of the fair market value of the NCR Common Stock distributed on the date of the Distribution over AT&T's tax basis for such NCR Common Stock.

THE FOREGOING SUMMARY OF THE FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION IS FOR GENERAL INFORMATION ONLY AND MAY NOT APPLY TO AT&T SHAREOWNERS WHO ACQUIRED THEIR SHARES IN CONNECTION WITH THE GRANT OF A SHARE OF RESTRICTED STOCK OR OTHERWISE AS COMPENSATION, WHO ARE NOT CITIZENS OR RESIDENTS OF THE UNITED STATES, OR WHO ARE OTHERWISE SUBJECT TO SPECIAL TREATMENT UNDER THE CODE. ALL AT&T SHAREOWNERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION TO THEM, INCLUDING THE APPLICATION OF STATE, LOCAL AND FOREIGN TAX LAWS.

LISTING AND TRADING OF NCR COMMON STOCK

There is currently no public market for NCR Common Stock. There can be no assurance as to the prices at which trading in NCR Common Stock will occur after the Distribution. Until NCR Common Stock is fully distributed and an orderly trading market develops, the prices at which trading in such stock occurs may fluctuate significantly. There can be no assurance that an active trading market in NCR Common Stock will develop or be sustained in the future.

The prices at which NCR Common Stock trades will be determined by the marketplace and may be influenced by many factors, including, among others, NCR's performance and prospects, the depth and liquidity of the market for NCR Common Stock, investor perception of NCR and of the information technology industry, NCR's dividend policy, general financial and other market conditions, and domestic and international economic conditions. In addition, financial markets, including the NYSE, have experienced extreme price and volume fluctuations that have affected the market price of many information technology industry stocks and that, at times, could be viewed as unrelated or disproportionate to the operating performance of such companies. Such fluctuations have also affected the share prices of many newly public issuers. Such volatility and other factors may materially adversely affect the market price of NCR Common Stock.

NCR initially will have approximately _____ stockholders of record, based on the number of record holders of AT&T Common Stock on the Record Date. The Transfer Agent and Registrar for the NCR Common Stock will be _____.

For certain information regarding options and other equity-based employee benefit awards involving NCR Common Stock that may become outstanding after the Distribution, see "Management" and "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement."

Shares of NCR Common Stock distributed to AT&T shareowners in the Distribution will be freely transferable, except for securities received by persons who may be deemed to be "affiliates" of NCR under the Securities Act of 1933, as amended (the "Securities Act"). Persons who may be deemed to be affiliates of NCR after the Distribution generally include individuals or entities that control, are controlled by, or are under common control with, NCR and may include certain officers and directors of NCR as well as principal stockholders of NCR, if any. Persons who are affiliates of NCR will be permitted to sell their shares of NCR Common Stock only pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, such as the exemption afforded by Section 4(2) of the Securities Act (relating to private sales) or by Rule 144 under the Securities Act.

See "Risk Factors -- Absence of a Public Market for NCR Common Stock" and "-- Possibility of Substantial Sales of NCR Common Stock."

CONDITIONS; TERMINATION

The Distribution is conditioned upon, among other things: (a) the receipt by AT&T of a ruling from the IRS to the effect that the Distribution qualifies as a tax-free distribution under Section 355 of the Code; (b) the receipt of any material governmental approvals and third party consents necessary to consummate the Distribution; (c) the absence of any order, injunction, decree or other legal restraint or prohibition preventing the consummation of the Distribution; (d) the failure to occur of any other event that prevents the consummation of the Distribution; (e) the acceptance for listing on a mutually agreed stock exchange or quotations system, which is expected to be the NYSE, subject to notice of issuance, of the NCR Common Stock (and related Rights); and (f) the formal approval by the AT&T Board of the Distribution. The AT&T Board may, but has no obligation to, waive any of these conditions. In addition, regardless of whether these conditions are satisfied, the AT&T Board has reserved the right to abandon, defer or modify the Distribution and the related transactions described herein at any time prior to the Distribution Date. See "Arrangements Among AT&T, NCR and Lucent -- NCR Distribution Agreement."

DIVIDEND POLICY

NCR does not anticipate the payment of any cash dividends on NCR Common Stock in the foreseeable future. Payment of dividends on NCR Common Stock is also expected to be subject to such limitations as may be imposed by NCR's credit facilities. The declaration of dividends will be subject to the discretion of the Board of Directors of NCR.

FINANCING

In order to meet its working capital needs, NCR anticipates that it will enter into the unsecured revolving Credit Facility with a syndicate of commercial banks and financial institutions. The Credit Facility is expected to provide that NCR may borrow from time to time on a revolving credit basis an aggregate principal amount of up to \$600 million, subject to the terms and conditions thereof. NCR expects to be able to use the available funds at any time for capital expenditure needs, repayment of existing debt obligations, working capital and general corporate purposes. NCR expects the Credit Facility will initially mature within five years from the date of closing and 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 Facility are expected to be primarily based on market rates which can vary over time. In addition, a portion of the Credit Facility is expected to be available for the issuance of letters of credit as required by NCR. See "Risk Factors -- Future Capital Requirements; Absence of AT&T Funding" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Financial Condition, Liquidity and Capital Resources."

BUSINESS

OVERVIEW

NCR designs, develops, markets, and services information technology products, services, systems, and solutions worldwide. The Company's goal is to be a world-class provider of commercial, open computing systems for High Availability Transaction Processing and Scalable Data Warehousing solutions to customers in all industries. NCR also seeks to take advantage of its expertise and market presence in the retail, financial, and communications industries to provide specific information technology solutions to customers in these targeted industries. NCR's systems and solutions are supported by its Customer Support Services and Professional Services offerings, and its Systemedia business, which develops, produces, and markets a

complete line of consumable and media products. These products, services, systems, and solutions are described in greater detail in the product group descriptions below.

NCR's offerings cover a broad range of its customers' information technology needs: from consumers' interaction and data collection, with products including point of sale workstations, barcode scanning equipment, and self-service devices such as ATMs; through data processing, with NCR's High Availability Transaction Processing solutions; to data storage, manipulation, and usage, with NCR's Teradata relational database management system and Scalable Data Warehousing offerings. The Company's computing platforms and associated products span midrange servers, massively parallel processing computer systems, computer network servers and software systems, imaging and payment systems, workstations and peripherals, business forms, ink ribbons, customized paper rolls, and other consumable supplies and processing media.

NCR also provides Worldwide Customer Support Services and Professional Services that include hardware maintenance, software maintenance, data warehousing service offerings, end-to-end networking service and design, and the implementation, integration, and support of complex solutions.

RESTRUCTURING AND TURNAROUND

BACKGROUND EVENTS -- SEPTEMBER 1991 TO JUNE 1995

NCR was merged with a wholly owned subsidiary of AT&T in September 1991. In connection with the merger, NCR assumed operation of portions of AT&T's Computer Systems division. A key strategic objective behind the merger was to combine NCR's strengths in the computer business with AT&T's communications expertise, with the goal of taking advantage of a merging of computing and communications.

In February 1992, Teradata Corporation ("Teradata"), a provider of massively parallel computers and related proprietary database software, was merged with a subsidiary of NCR in exchange for AT&T Common Stock. Prior to this merger, NCR had been involved in a joint research and development project with Teradata.

In 1993, a series of changes to the Company's business strategy and management model were initiated. The primary goal of these changes was to improve NCR's profitability by increasing the rate of revenue growth. NCR's revenues had not increased materially from 1991 to 1993. These changes included developing programs designed to increase the breadth and competitiveness of the Company's offerings, and implementing a revised business management model and decision-making approach.

In addition to its historical strength in the retail and financial industries, NCR targeted four additional industries where NCR did not have significant prior presence. The Company also began to develop plans to become a leading PC vendor, targeting a top five worldwide market share by 1997. A new centrally located worldwide marketing organization was created with the goal of strengthening NCR's marketing activities. As part of the new business management model, the worldwide marketing organization was given responsibility for making decisions regarding the Company's overall business direction. It was also responsible for identifying customer requirements, working with the development groups to provide industry solutions deployable to the worldwide salesforce, and determining resource allocations in both the sales and the development organizations.

A new matrix management organization approach was implemented, through which industry marketing, product marketing and development, and the geographic sales organizations collaborated on key business decisions. In addition, in an effort to expedite decision making, employees at all levels within the Company were given expanded decision making authority. NCR also took several actions to balance its business portfolio, selling several non-strategic businesses -- including the Microelectronics components business and Applied Digital Data Systems, Inc. ("ADDS").

These changes did not work as planned. As a result of targeting additional industries, resources dedicated to the financial and retail industries were diluted and NCR's market position in these two industries declined. Further, NCR was not successful in meeting its objectives in the other targeted industries. Revenues in the

product businesses other than PCs did not materially increase, and Computer Products revenue declined 12% from 1993 to 1994, and another 12% from 1994 to 1995.

In the PC business, the level of competition intensified significantly, as did the margin pressure faced by PC vendors. Given these margin pressures, PC vendors needed to be low cost producers in order to be economically viable, and needed particular competence in their supply line management and logistics processes. NCR was not among the low cost producers and, while the Company was successful in increasing the PC business revenues, the PC business was not profitable for the Company.

The new matrix management organization approach also did not produce the desired accountability. In addition, the interaction of the new matrix management organization and the AT&T geographic management organization led to internal conflicts that began to inhibit decision making.

During this period, the Company experienced substantial operating losses, including an operating loss of \$390 million for the first six months of 1995.

TURNAROUND PLAN -- JUNE 1995 TO SEPTEMBER 1996

In June 1995, Lars Nyberg was hired as Chief Executive Officer to assess the NCR business, to prepare a turnaround plan, and to restore the Company to competitive levels of profitability. In September of that year, a restructuring of the Company was announced. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Restructuring." As discussed below, the plan and related restructuring activities were based on five key initiatives: focus, accountability, expense level reduction, process improvements, and a sense of urgency.

NCR believes that this restructuring has significantly improved its results of operations. Although NCR reported an operating loss of \$1,981 million (\$332 million before giving effect to restructuring and other charges) for the last half of 1995, the beneficial impact of the restructuring plan has begun to be reflected in operating results in the first half of 1996. The operating loss has decreased from \$390 million for the first half of 1995 to \$26 million for the first half of 1996. Selling, general and administrative expenses have declined by \$284 million, gross margins have improved by 4.9 percentage points, and headcount (employees and contractors) has been reduced by approximately 8,100. See "Risk Factors -- Risks Relating to Implementation of New Business Strategy."

Focus. A key component of the recovery strategy was to focus the Company on its areas of strength. Consequently, NCR decided to reduce its focus from six industries to three (retail, financial, and communications). With efforts targeted at these three industries, greater attention was placed on NCR's Retail Products and Financial Products businesses.

NCR decided to exit the PC manufacturing business and to eliminate sales of PCs through high volume indirect channels. Instead, the Company put in place an original equipment manufacturer ("OEM") arrangement to source a significantly reduced volume of PCs, which would primarily be sold by NCR when required as part of a solution in areas such as financial branch automation or point of sale systems.

In the computer business, the Company targeted its efforts at midrange to large systems, specifically focusing on solutions such as Scalable Data Warehousing and High Availability Transaction Processing that have applicability across a number of industries. Strategies were developed to take advantage of the potential for synergies between the Systemedia and Data Services businesses and the other NCR businesses. See "-- Systemedia Group." Finally, the Customer Support Services and Professional Services businesses were targeted as areas of further investment, and strategies were identified to incorporate these resources in the offerings of the other business units. See "-- Worldwide Services."

Accountability. As part of NCR's recovery plan, a revised business management model was implemented. The five business units (Retail Systems Group, Financial Systems Group, Computer Systems Group, Worldwide Services, and Systemedia Group) were put in place and given full accountability to determine the strategy for their offerings and industries, develop the marketing and product programs required by NCR customers and the Company's salesforce, and determine overall resource allocations. The three geographic

sales regions (Americas, Europe/Middle East/Africa, and Asia/Pacific) were given responsibility for executing the strategies developed by the business units, and managing the sales and service activities in their respective territories. In addition, the pending separation of NCR from AT&T is expected to help eliminate the conflicts that resulted from attempting to balance broader AT&T priorities with NCR priorities. Clear financial and operational objectives were established for all organizations, and a consistent monthly and quarterly business review process was implemented.

Expense Level Reduction. In order to reduce expenses, a plan for a significantly reduced expense structure was designed and implemented. As part of this plan, NCR is consolidating facilities globally and is reducing the Company's employment (including contractors) by approximately 8,500. NCR has also significantly reduced selling, general and administrative expenses. The decision to exit both PC manufacturing and the high volume indirect channel PC business led to significant expense reductions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Restructuring."

Process Improvements. Process improvement initiatives were implemented to address structural issues within the Company, including extensive use of operational, customer satisfaction, employee satisfaction, and financial metrics. Processes were implemented to drive towards best-in-class quality, and product cost reductions were targeted through continued supply line management improvements. The sales process has been revised and is being implemented, with the goal of improving the suitability of solutions proposed to customer requirements, increasing sales productivity and improving the focus on customers. Support services processes have also been revised and are being implemented. Pricing processes and compensation plans were modified, and product development processes were standardized to help ensure that new offerings effectively meet customer requirements and cost targets.

Sense of Urgency. As part of the business turnaround plan, NCR set an objective of break-even operating results in 1996, as compared to the operating loss (excluding restructuring and other charges) of \$722 million in 1995. While this presented a significant challenge, it also helped focus the entire organization on the magnitude of improvement that was required. In order to make this plan, the entire Company needed clarity on what needed to be done, and a sense of urgency to execute the business turnaround plan.

Significant effort was spent communicating the business turnaround plan to the organization, so that all NCR employees would understand the strategy behind the plan to restore the Company to profitability, the expected contribution of their organization in the turnaround, and what specific role they needed to play in their organization.

In addition, in order to develop a broader sense of ownership and participation in the economic results of executing this plan, the Company implemented the WorldShares Plan, through which substantially all employees will receive options for NCR Common Stock, based on certain NCR performance criteria. See "Management -- NCR Stock Incentive Plans."

STRATEGY

NCR believes that the actions taken from September 1995 through June 1996 were the first steps in NCR's business turnaround plan. However, NCR does not view these actions in and of themselves as sufficient to bring the Company back to competitive levels of profitability.

Much of the reduction in the operating loss that was realized in the first half of 1996 versus the first half of 1995 was attributable to two changes: gross margin improvements due primarily to product mix changes, and the large year over year reductions in expense levels. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further details. NCR expects future profit improvements to come primarily from revenue growth and continued improvements in sales and services and rentals gross margins and not from additional expense reductions. NCR believes this revenue growth will depend on the success of NCR's business strategy and conditions in the information technology industry and the markets NCR serves. See "Risk Factors."

There are three basic components to NCR's business plan: the level of resources to be deployed, the processes through which the Company manages the business, and the market opportunities to be pursued.

From a resource standpoint, NCR expects to target relatively flat headcount levels and modest expense growth over the next few years. Within this overall headcount level, the Company's objective is generally to reduce the headcount dedicated to overhead functions, and increase headcount in those functions that directly support the development, sale, and delivery of products, services, systems, and solutions to NCR's customers.

Ongoing investment in research and development is a key requirement for NCR's future success, and the Company will seek to make investments in research and development in product and service offerings that will allow the Company to remain competitive. As such, the Company expects that research and development spending will grow at a faster rate than selling, general and administrative spending.

NCR intends to continue to invest in improving the core operational processes that support the business. Specific activities have been underway and are in the deployment phase to improve two fundamental company processes -- the worldwide sales process and the support services process. These activities are intended to help the Company's efforts to drive continued productivity improvements over the next several years.

From a market standpoint, NCR is focusing on increasing revenue by taking advantage of the opportunities created by three interweaving trends: rising consumer prominence, business globalization, and continuing advances in information technology.

NCR expects that increasing demands by individuals for information will require an expanding supply of relevant data for those businesses that serve and transact with consumers. NCR believes that the retail, financial, and communications industries are facing unprecedented challenges -- in terms of new competitors, market convergence, and consolidation. In NCR's view, advances in information technology are adding to this volatility; however, if this technology is properly leveraged, it can produce new offers, new means of servicing consumers, and new points of differentiation in these industries.

NCR believes that globalization presents another opportunity to take advantage of NCR's strengths. While many businesses have begun the process of globalization in the past decade, NCR has been a global company for much of its history. The Company believes that its collective experience and presence in all regions of the world provides a broad reaching network that gives it market understanding and organizational knowledge which can be used by customers as they expand into new geographic areas. NCR believes it can either understand and address specific customer requirements on an individual, country by country basis, or provide one common solution that can be replicated on a worldwide basis.

Finally, NCR is focused on helping its customers apply information technology to address their critical business issues. The Company's offerings are targeted both at the point of transaction (such as point of sale, point of financial exchange, or point of access) and at the point of storage and retrieval of large volumes of data from transaction systems or other operational systems.

NCR expects to shift its primary focus from delivering hardware products towards providing solutions, including systems, software, services, and supplies. The Company believes that focusing on providing systems and solutions, versus simply providing hardware, will better enable the Company to protect and improve gross margins in the future.

NCR does not intend to become a general purpose computing company in all industry segments or to become a mainframe provider. Similarly, NCR does not expect to shift to a proprietary platform or to become a broad-based general information technology consulting firm. Rather, NCR believes that significant opportunities exist to increase revenues in all its businesses at competitive rates over the next few years in the three key industry segments targeted, and in the Company's Scalable Data Warehousing and High Availability Transaction Processing solutions offered to all industries.

The following NCR business unit descriptions discuss how NCR intends to implement this strategy in the various NCR businesses.

BUSINESS UNIT OVERVIEW

NCR operates in one industry segment, the information technology industry, which includes designing, developing, marketing, and servicing information technology products, services, systems, and solutions

worldwide. NCR addresses the information technology industry through five business units: the Computer Systems Group, focusing on computing systems and the communications industry; the Retail Systems Group, focusing on the retail industry; the Financial Systems Group, focusing on the financial industry; Worldwide Services, focusing on Customer Support Services and Professional Services; and the Systemedia Group, focusing on consumable and media products for information systems. Each business unit works closely with the Company's three regional sales groups -- Americas, Europe/Middle East/Africa, and Asia/Pacific.

NCR principally sells through the direct sales channel, although the indirect channel is used for some specific offerings. In addition, NCR has a contractual arrangement with AT&T Capital through which a broad range of financing alternatives can be offered to NCR's customers in the United States, Canada, the United Kingdom, France, and Germany. See "Arrangement Among AT&T, NCR and Lucent -- Other Agreements."

The business units work with one another in a matrix environment that balances product and industry responsibilities. Each business unit has direct responsibility for developing certain products, services, and systems: the Retail Systems Group develops Retail Products such as point of sale terminals and barcode scanners; the Financial Systems Group develops Financial Products such as ATMs and item processing equipment; the Computer Systems Group develops Client/Entry Level Server Products and Computer Products, which include the WorldMark family of computers, NCR's Teradata relational database management systems, as well as supporting software such as LifeKeeper(R) and Top End(R); the Worldwide Services organization develops and delivers a variety of Support Services and Professional Services offerings; and the Systemedia Group develops and delivers a broad range of consumable supplies.

In addition to this direct product responsibility, three business units have responsibility for coordinating all of NCR's offerings into a particular industry, where these offerings could include products, services, and systems provided by other business units. The Retail Systems Group is responsible for developing the strategies for all NCR products, services, systems and solutions for the retail industry, including the Retail Products that this Group develops and manufactures, as well as Computer Products and Client/Entry Level Server Products from the Computer Systems Group, Support Services and Professional Services offerings from Worldwide Services, Financial Products from the Financial Systems Group, and Systemedia Products from the Systemedia Group. Similarly, the Financial Systems Group has responsibility for coordinating the strategies behind all of the offerings from the other business units for the financial industry. The Computer Systems Group has responsibility for coordinating NCR's strategy for the communications industry.

RETAIL SYSTEMS GROUP

OFFERINGS

The Retail Systems Group (in conjunction with other NCR business units) designs, develops, markets, and services a full line of products, services, systems, and solutions for the retail industry. These offerings include point of sale terminals, barcode scanners and scanner-scales, networking and computer server technology to link these terminals and scanners on both a local and wide area basis, and in-store and enterprise-level decision support systems.

NCR point of sale terminals are found in the merchandise checkout area of supermarkets, department stores, specialty stores, convenience stores, fast food counters, and at hotel registration desks and restaurants. The sales price for a typical point of sale system installation would range from as little as \$2,500 for a single terminal to around \$60,000 for an eight lane networked system in a supermarket.

NCR barcode scanners complement the point of sale terminal as part of the merchandise checkout process, and use low-power lasers to capture product and price information from the Universal Product Code ("UPC") barcode information printed on product labels. Scanner-scales combine in one product the ability to weigh produce as well as scan barcodes. A typical barcode scanner installation would range in price from \$3,000 for a single scanner at a drug store to \$100,000 for a networked system in a large mass merchandiser.

These point of sale terminals and barcode scanners are typically linked via an in-store network, which provides for an interconnection between these devices as well as other in-store devices such as PCs. NCR

provides the networking technology to link these products to NCR servers within the store, and provides the capability for further linking to enterprise-wide networks outside the individual store. NCR has alliance relationships with applications developers who provide specialized retail store and enterprise solutions as part of NCR's offerings to the retail industry.

The Retail Systems Group also provides in-store and enterprise-level decision support solutions (such as Scalable Data Warehousing) based on products and systems developed by NCR's Computer Systems Group. These solutions allow a retailer to consolidate and analyze the individual transaction data generated by the point of sale systems in order to determine trends in buyer preferences and product sales. Analysis of this detailed data allows the retailer to make better decisions about inventory, purchases, and distribution, which in turn should help the retailer more accurately meet the needs of its customers.

The Retail Systems Group uses the Professional Services organization to develop solutions to meet the needs of a variety of retail customers. Professional Services provides consulting services to help customers design, integrate, install and support in-store networks of scanners, point of sale terminals, network servers, in-store and enterprise-level decision support, and data warehousing systems. Professional Services incorporates third party products and software as required to create individualized solutions for specific customer needs.

Within the Retail Systems Group, NCR has two research organizations focused on human-to-machine interface technology. These groups work closely with customers to develop solutions designed to enhance customer service and employee productivity, based on their research on how information technology systems can be made easier to use. Their services include transaction performance modeling, ergonomic assessments, checkstand design, training design and evaluation, user interface design and technology assessment.

TARGET MARKET

The major segments of the retail industry market served by NCR are general merchandise, food, and hospitality. The general merchandise segment includes department stores, specialty retailers, mass merchandisers, and catalog stores; the food segment includes supermarkets, hypermarkets, grocery, drug, wholesalers, and convenience stores; and the hospitality segment includes lodging (hotel/motel), fast food/quick service, and restaurants.

NCR believes that retail industry customers base their buying decisions on a number of criteria including the quality of the solution or product, total cost of ownership, industry knowledge of the vendor, and the quality of the vendor's support and professional services.

BUSINESS STRATEGY

NCR believes that, over the past several years, a number of significant trends have been reshaping the retail industry: major consolidations of retailers, continuing cost and profit pressure, the increase in price/value conscious and "time poor" consumers, growth in demand for offerings tailored for and targeted at individual consumers, and a corresponding growth in the need for superior customer service. NCR also believes that retailers must focus on four key success factors: merchandising, brands offered, store location, and customer intimacy. In NCR's view, the combined implication of these changes and success factors for information technology providers is that retailers are searching for products and services that will help them better understand and retain their customers, reduce costs, increase productivity, and drive revenue growth.

NCR's product, services, systems, and solutions are targeted at addressing these concerns. NCR believes its customers can improve customer retention and increase productivity with the capture and analysis of detailed transaction data using NCR's Scalable Data Warehousing solutions. Through use of Scalable Data Warehousing technology, retailers can correlate customer purchase trends with geographic information, time of year/time of day, or other data parameters. NCR believes that this will allow the retailer to provide improved levels of service by having the right inventory on hand at the right place, the right time, and the right price.

In addition, NCR believes that this technology will facilitate retailers implementing a "neighborhood retailing" approach, where retailers can manage every location as if it were their only location, each product as

if it were their only product, and each customer as if it were their only customer. The decisions supporting this approach are based on an analysis of the detailed activity in each location, using the information collected at point of purchase and provided by the retailer's data warehouse. NCR's Scalable Data Warehousing solutions allow a retailer to choose the size of a system based on current requirements, yet readily expand the system as the retailer's business and information needs grow.

NCR believes retailers are realizing productivity improvements through use of NCR's point of sale/point of service terminals that are easy to use, readily reconfigurable through software, and are networked to in-store or enterprise-level servers for timely data capture and analysis and scanner-based price verifiers that allow customers to check for themselves prices on individual products.

NCR believes it is among a small group of vendors who are able to incorporate all of these components of an information technology solution for their worldwide retail customers. NCR also believes that the Company's broad range of offerings and in-depth experience in the retailing industry will create opportunities for it in the emerging countries in Europe, Latin America, and the Pacific Rim to take advantage of the growing level of consumerism in those regions.

DISTRIBUTION CHANNELS

NCR's Retail Products are marketed through a combination of direct and indirect channels. The majority of the networked solutions and Scalable Data Warehousing solutions sold into the retail industry are sold through the direct sales force. In recent years, over 70% of the retail-specific product sales (primarily barcode scanners and point of sale terminals) are sold by the direct sales force; the remainder are sold through indirect channels.

In addition to being sold by NCR's direct sales force, NCR Retail Products are sold to some 20,000 or more retailers through worldwide alliances with over 300 value-added resellers, distributors and dealers. NCR provides supporting services, including collateral sales materials, sales leads, porting facilities, and marketing programs, to this sales channel.

MANUFACTURING

The Retail Systems Group designs, develops and manufactures barcode scanners and point of sale terminals at its headquarters facility in Atlanta, Georgia. In addition, point of sale terminals are assembled at the NCR facility in Dublin, Ireland. Receipt printers and low-end point of sale terminals are sourced via OEM arrangements. Network servers and Scalable Data Warehousing solutions are supplied by NCR's Computer System Group.

COMPETITION

NCR faces significant competition in the retail industry in all geographic areas where it operates. The bases of competition can vary by geographic area but typically include the quality, total cost of ownership, industry knowledge of the vendor, and quality of the vendor's support and professional services. Competitors also vary by product line and geographic area. See "Risk Factors -- Competition."

At the store level, principal competitors include: Siemens Nixdorf International ("SNI"), Fujitsu Ltd. ("Fujitsu"), ICL plc ("ICL"), and International Business Machines Corporation ("IBM") for point of sale terminals and peripherals; Spectra-Physics, Inc., Symbol Technologies, Inc., and Metrologic Instruments, Inc. for barcode scanners; and IBM and Hewlett-Packard Company ("Hewlett-Packard") for in-store networking and decision support. At the enterprise level, scalable decision support and Scalable Data Warehousing solutions can range from \$300,000 for 10 gigabytes of data to over \$10 million for terabytes of data (over 1,000 gigabytes). Principal competitors for decision support and Scalable Data Warehousing systems include IBM, Hewlett-Packard, and Tandem Computers Incorporated ("Tandem").

FINANCIAL SYSTEMS GROUP

OFFERINGS

The Financial Systems Group (in conjunction with other NCR business units) designs, develops, markets, and services a broad line of products, services, systems and solutions for the financial industry, with particular focus on retail banking. These offerings include self-service devices, image and payment systems, retail bank branch automation (in "virtual" as well as real bank branches), and Relationship Management Solutions designed to enable financial institutions to manage better their interaction with their customers.

NCR's self-service terminals include both traditional ATMs as well as customer-operated information terminals. NCR offers a broad product family which is feature rich, modular, and reliable, with ATMs ranging in price from \$6,000 to \$40,000. NCR believes that the combination of open systems architecture, strong system management tools, and flexible application development tools should allow customers to implement proactively new products and services -- such as check cashing, bill payments, and smart cards -- quickly and easily. NCR believes that its ATM product line reflects advanced functionality, reliability, and industry focus, which has helped NCR to maintain its world leadership position in ATM shipments. For 1995, based on number of units shipped, NCR was ranked first in worldwide ATM shipments, according to The Nilson Report published by HSN Consultants Inc., a financial research company.

NCR provides a full line of item/image processing products, services, systems, and solutions which are designed to allow financial institutions to provide better service while lowering their costs of processing paper, image, and electronic transactions. NCR offers a complete set of imaging-based item processing solutions designed to replace less efficient legacy check processing systems. These imaging systems electronically capture a "picture" of the item and, through handwriting recognition software algorithms, captures the amounts written on the item for use in the settlement process. This offering is intended to help banks reduce processing costs, while at the same time enhancing the value of the information captured by the financial institution during the item processing process.

NCR's Relationship Management Solutions are based on the Company's Scalable Data Warehousing offerings, combined with the skills and knowledge of NCR's Professional Services organization. The Relationship Management Solution includes capabilities that address issues such as Customer Retention Analysis, Transaction Analysis, and Campaign Management. These solutions help financial institutions manage their interactions with individual customers, with the goal of optimizing the level of service provided and increasing the profit contribution of each customer. The decision support capabilities provided as part of these solutions are designed to allow banks to transition from having limited insight into detailed customer data, to being able to use detailed information to support the management of their business. The benefits of this transition can include improving risk management processes, implementing marketing programs tailored for specific customer profiles, or allowing the pricing of services based on the customer's transaction and balance history.

TARGET MARKET

The financial industry includes commercial banks, retail banks, credit unions and thrifts, security and brokerage firms, credit card issuers, insurance providers, and capital providers.

NCR serves a number of segments of the financial industry. These segments include retail banking, which covers both traditional and new providers of consumer banking services, financial services, such as the insurance and card payment industries, and also the non-traditional financial services segment, covering companies that have diversified into the financial services arena to complement their core business. NCR's financial customers are located throughout the world in both established and emerging markets. They range from very large to very small financial service providers, reflecting, in NCR's view, its ability to develop solutions suited to the broad spectrum of companies that make up the world's financial services industry.

NCR believes that financial industry customers base their buying decisions on a number of criteria, including the industry knowledge of the vendor, the economic justification behind implementing the solution,

the vendor's ability to provide and support a total end-to-end solution, the vendor's ability to integrate new and existing systems, and the fit of the vendor's strategic vision with the customer's strategic direction.

BUSINESS STRATEGY

Over the past few years, NCR believes that the financial industry has experienced significant changes including the following. Consumers of financial services are demanding better service and more choices, all at a lower cost. They are much less loyal to their financial service providers, but expect a more personalized approach to service delivery. In addition, the bank branch is no longer the most important point of consumer access, as consumers increasingly demand anytime, anywhere convenience, encouraging the growth of off-premises service provision. The marketplace is also expanding with the entry of non-bank providers of financial services, including major retailers and mutual fund companies.

NCR believes that these changing consumer expectations and increased levels of competition have led the providers of financial services to seek technology that will reduce their operating costs, while at the same time increase their levels of service. In NCR's view, many parallels can be drawn with the experiences of the retail industry -- the information technology that helps financial service providers offer more tailored services at lower cost is seen to be the key to success in this changing and highly competitive industry, just as it is with retailers.

Information technology provides solutions to many of the challenges faced by the financial industry. Improvements in operational efficiency can be achieved through the development of the automated bank branch. Information technology also supports alternative delivery channels, such as self-service, telephone, and Internet banking. NCR believes that Scalable Data Warehousing technology will allow the intelligent and profitable use of customer information during any financial transaction. Such activities can include marketing related products and services during an ATM transaction, or providing a personalized telephone banking service where a customer's financial history is instantly available to the bank representative that has taken the call. ATM transactions are becoming more sophisticated with on-line assistance provided from remote banking representatives linked to the customer by video-conferencing technology.

NCR's strategy in the financial industry is focused on two key opportunities. First, the Company believes that its range of information technology offerings can help the world's financial institutions improve their profits and competitive advantage by helping them better understand and serve their customers. By continuing to build on NCR's self-service products, item/image processing solutions, and Relationship Management Solutions, NCR seeks to help the financial service provider capture and convert a mass of customer data into a revenue generating asset.

Second, specific focus is being placed on the world's emerging markets such as Central and Eastern Europe, China, India, and Indonesia, where the provision of financial services is less developed, particularly in light of the growing consumerism in these countries. New market opportunities are also being explored in partnership with NCR's Retail Systems Group as non-financial customers, such as retail chains, are purchasing ATMs for their stores and renting them to banks and other financial services providers.

DISTRIBUTION CHANNELS

NCR has historically distributed most of its financial products, services, systems, and solutions through a direct sales channel which is targeted at larger customers, although some revenues are generated through distributors. The Financial Systems Group expects to increase the level of business transacted through indirect channels and partners, where appropriate, in current and emerging markets.

MANUFACTURING

The Financial Systems Group designs, develops, and manufactures self service terminals and image/item processing products in Dundee, Scotland and Waterloo, Canada. Networked servers, Scalable Data Warehousing solutions, and peripherals are supplied by NCR's Computer Systems Group. Specialized ATMs marketed in Japan are sourced through an OEM arrangement.

COMPETITION

NCR faces significant competition in the financial industry in all geographic areas where it operates. The bases of competition can vary but typically include the industry knowledge of the vendor, the economic justification behind implementing the solution, the vendor's ability to provide and support a total end-to-end solution, the vendor's ability to integrate new and existing systems, and the fit of the vendor's strategic vision with the customer's strategic direction. Competitors also vary by product line and geographic area. NCR's primary competitors include Diebold, Incorporated, Fujitsu, SNI, and Omron Electronics Inc. in ATMs, IBM and BancTec, Inc. in image/item processing, and SNI, Hewlett-Packard, and Unisys Corporation ("Unisys") in data warehousing. See "Risk Factors -- Competition."

COMPUTER SYSTEMS GROUP

OFFERINGS

The Computer Systems Group (in conjunction with other NCR business units) designs, develops, markets, and services computing products, services, systems, and solutions which integrate hardware, operating software, middleware, professional services, and support services. These solutions include products and services from NCR as well as from other leading technology vendors. The Computer Systems Group is also responsible for coordinating the development of the strategies behind NCR's offerings to the communications industry.

As a part of these computing solutions, the Computer Systems Group designs, develops, and markets a line of open scalable computers, under the WorldMark brand, which range from midrange computer systems to very large massively parallel enterprise-wide systems. These open products are based on non-proprietary, industry standard components such as Intel microprocessors, Microsoft Windows NT, and UNIX. The WorldMark servers are the foundation of NCR's Scalable Data Warehousing and High Availability Transaction Processing solutions. The Computer Systems Group also offers PCs, disk arrays, and networking products sourced from other vendors in order to provide fully integrated solutions to NCR's customers.

NCR's Scalable Data Warehousing solutions are intended to offer businesses the ability to capture information about their customers, markets, and products from a myriad of operational systems, and to give decision makers the ability to access and analyze that information. These solutions incorporate NCR WorldMark servers as well as NCR's Teradata relational database management system, other commercial databases such as Oracle or Informix, software tools, and services. The underlying technology provides customers with the ability to scale broadly these systems -- from entry level 10 gigabyte systems to large data warehouses containing terabytes of information -- all within the same hardware and software platform. The Scalable Data Warehousing solutions also serve as the foundation for a number of NCR's offerings to the communications industry.

NCR's High Availability Transaction Processing solutions are designed to maximize computer uptime for critical business environments. These solutions are based on the WorldMark server platform, combined with software and services designed to ensure high system availability. NCR LifeKeeper software minimizes downtime by recognizing and recovering hardware component or application faults before a total system failure occurs. NCR Top End middleware software reroutes transactions during a system failure, working in conjunction with LifeKeeper for additional system protection.

In addition to developing the strategies behind NCR's offerings to the communications industry, the Computer Systems Group works with the Retail Systems Group, the Financial Systems Group, and Worldwide Services to bring industry specific Scalable Data Warehousing and High Availability Transaction Processing solutions to the retail and financial industries.

TARGET MARKET

The customers of NCR's Computer Systems Group are in a number of industries. While a primary focus is in the retail, financial, and communications industries, NCR also markets Scalable Data Warehousing and High Availability Transaction Processing solutions to a number of other industries. A number of companies in

the communications industry are competitors of AT&T's communications services business and have been reluctant to make purchases from an AT&T subsidiary. NCR expects that its separation from AT&T will assist its efforts to market to these companies.

BUSINESS STRATEGY

The majority of the Computer Systems Group's customers provide products and services to individual consumers. NCR believes these consumers are becoming more educated, are placing less focus on brand loyalty, and are expecting service to be provided anytime, anywhere. NCR believes that information technology advancements are helping fuel this change in consumer behavior and that, as information technology becomes more broadly available and affordable, it will further enable consumers to connect to each other and to the information and services they want and need. Taken together, these changing consumer demographics and technology advancements are in turn placing demands on information technology infrastructures to extend their reach and connect directly to end consumers.

The end consumer is expected to drive new priorities among the Computer Systems Group's customers, such as requiring around the clock service to a global customer base, increasing focus on customer retention, and analyzing business information at a highly detailed level. As a result, information technology priorities are expected to be delivery of systems designed for high application availability, with greater flexibility; technology linkages between customers, partners, and suppliers; access to decision support through data warehousing systems; and integrated informational and transactional systems.

NCR's strategy in the Computer Systems business is focused on providing commercial, open systems for data warehousing and transaction processing to companies worldwide.

NCR's Scalable Data Warehousing solutions are intended to allow companies to capture the most critical information about their customers, markets, and products from a myriad of operational systems, and to give decision makers the ability to analyze and manage their business at a new level of detail.

According to International Data Corporation ("IDC"), a computer industry research company, NCR has the highest market share in the strategic business analysis market segment, which consists of data warehousing. NCR believes it has more experience in data warehousing (12 years) than any firm in the industry. NCR has over 500 installed Scalable Data Warehousing customers worldwide, ranging in size from small data warehouses to the world's largest commercial enterprise data warehouse. Through its Computer Systems Group, NCR offers scalable computers, the powerful Teradata relational database, software and service partnerships, and programs to assist customers in the many aspects of building a data warehouse. In addition, NCR's Professional Services organization provides business and technical services needed to implement these solutions.

NCR's High Availability Transaction Processing solutions are designed to give companies the ability to maximize computer uptime for those critical business environments where downtime can mean significant loss of revenue and customers. The rising costs of computer downtime (costing businesses almost \$4 billion annually according to Network Computing, a computer industry publication), combined with today's global business environment, have made maximizing system uptime a primary concern, especially as businesses continue to migrate to open systems. NCR is a leader in delivering highly available open computing solutions, and offers customers in many industries the following strategic investment in High Availability Transaction Processing: an integrated hardware platform, commercial database and several business applications, a comprehensive services portfolio, and partnerships with companies including Microsoft and Intel.

The Computer Systems Group also develops strategies for using these offerings in the communications industry. NCR has significant experience marketing systems and solutions to both AT&T and Lucent. NCR provides solutions in three areas. Utilizing NCR's Scalable Data Warehousing solutions, NCR provides its telecommunications customers with solutions targeted at addressing the areas of customer acquisition and customer retention. In partnership with Lucent, NCR provides a suite of Operations and Support Systems offerings. NCR also works with a number of third parties to provide solutions in the areas of call center, billing, and collection. Based on this experience and experience with other telecommunications companies,

NCR expects to continue to provide Scalable Data Warehousing and High Availability Transaction Processing solutions to the communications industry.

DISTRIBUTION CHANNELS

The Computer Systems Group's products and solutions are marketed through a combination of direct and indirect channels. The direct sales force targets major accounts, and approximately 85% of NCR's revenue for the Computer System Group's offerings has historically come from the direct sales force. The remaining revenues have been generated through the indirect channel, through alliances with value-added resellers, distributors, and OEMs.

MANUFACTURING

The Computer Systems Group develops and manufactures computers in Columbia, South Carolina, and Dublin, Ireland. The Company also maintains research and development facilities in Rancho Bernardo and El Segundo, California. Selected systems and components are sourced through various OEM arrangements.

COMPETITION

The Computer Systems Group faces significant competition in all geographic areas where it operates. NCR believes that key competitive factors in this market are experience, customer referrals, database sophistication, support and professional service capabilities, quality of the solution or product, total cost of ownership, industry knowledge of the vendor, and platform scalability. Also the movement towards common industry standards (such as Intel processors and UNIX and Microsoft operating systems) has accelerated product development, but has also made differentiation more difficult. Commoditization has extended beyond PCs into the server business. See "Risk Factors -- Competition."

NCR's competitors include traditional system vendors such as IBM, Hewlett-Packard, Digital Equipment Corporation ("Digital"), Sun Microsystems, Inc. ("Sun Microsystems"), Tandem, Sequent Computer Systems, Inc. ("Sequent"), SNI, Pyramid Technology Corporation ("Pyramid"), Fujitsu, NEC Corporation, Hitachi Ltd., Groupe Bull, Olivetti SpA, ICL, and Unisys. NCR also competes with companies such as Compaq Computer Corporation and Dell Computer Corporation, who have expanded their product lines to include servers. In the data warehousing market, NCR competes primarily with IBM, Digital, Tandem, Sequent, Pyramid, Hewlett-Packard, and Sun Microsystems.

In the transaction processing market, customers require robust software, reliable hardware, and systems integration skills. Many competitors offer one or two of these components, but NCR believes it is one of few companies that can provide a complete, open solution. The primary competitors in this market are Hewlett-Packard, IBM, Tandem, and Sun Microsystems.

WORLDWIDE SERVICES

OFFERINGS

NCR's Worldwide Services organization delivers a wide range of Professional Services and Customer Support Services to customers in over 130 countries. The Professional Services business delivers technology services intended to help customers fully realize the benefits of their information technology solutions, including consulting, integration, and education services. The Customer Support Services business provides services required to implement and maintain a customer's technology environment and provide high system availability, including implementation services, multivendor services, system support services, network maintenance and operations, and industry-specific support services.

Worldwide Services plays a key role in NCR's business, and provides a core skill set required in order to deliver complete products, services, systems, and solutions to all of NCR's customers. The value delivered by Worldwide Services is a key point of differentiation for many of NCR's offerings. The solutions offered by each of NCR's business units involve the implementation of complex technology in divergent customer

environments and require an effective services organization -- both Professional and Support Services -- to take this core technology and implement it within the individual customer situation.

The Worldwide Services organization is comprised of approximately 20,000 service professionals. This organization provides services to customers both in the Company's target industries and in other industries. Worldwide Services aims to use its global infrastructure and comprehensive service portfolio to strengthen NCR's service position in the three targeted industries. The Data Services business focuses on providing a variety of data processing and outsourcing solutions, primarily to the financial industry.

NCR has announced its intention to divide the current Worldwide Services organization into two business units, and to combine NCR's internal information systems organization with the Professional Services business. This will create a sixth business unit, Professional Services and Information Systems. The plans for this business unit are currently being developed, with the goal of establishing this new business unit in early 1997. For the purposes of this Information Statement, Professional Services will be considered to be part of the Worldwide Services organization, as the planned change in organization structure is not expected to have a significant impact on the core strategic focus of the business.

TARGET MARKET

The markets for NCR's Worldwide Services offerings are principally in the industries which are targeted by the other NCR business units. As a result, Worldwide Service's primary focus is delivering professional and support services worldwide in the retail, financial, and communications industries. Worldwide Services also supports NCR's Scalable Data Warehousing and High Availability Transaction Processing activities in all industries. In addition, Worldwide Services provides services in geographic areas, outside the targeted industries, where it can effectively leverage its current resources and capabilities.

BUSINESS STRATEGY

Companies within NCR's targeted industries are implementing information technology to address their business problems and become more competitive within their markets. With the increasing pace of technology change, customers often do not have sufficient internal resources and skills to implement information technology solutions by themselves. Instead, they are increasingly relying on information technology service vendors to provide assistance with the implementations.

Customer Support Services provides installation and ongoing maintenance services for both NCR and non-NCR systems. The Company believes that significant opportunities for growth exist in the areas of network operations, help desk services, and multivendor service management. NCR is also seeking to expand its information technology implementation services business (system staging and installation), while at the same time seeking to minimize declines in the hardware maintenance business. NCR will continue to work to capitalize on the remote monitoring and diagnostic capabilities of many of its products in order to reduce costs and enhance the Company's ability to provide proactive support to customers.

Key growth opportunities in Professional Services are expected to include customer information consulting, data warehousing consulting, information technology architecture consulting, network planning and design, and project management. NCR believes that each of these services plays a major role in allowing a customer to analyze its customer information and to link its information technology architecture with its business strategies. Project management services are offered to help customers implement solutions on time and within budget.

Worldwide Services intends to continue to develop integrated service solutions for key customer segments, such as the ATM business. Worldwide Services intends to provide a support offering to ATM customers called Managed Solutions for Self-Service. This offering will provide customers with a single source approach to managing and maintaining their ATM network, and includes support services such as first and second line maintenance, cash replenishment, overall ATM performance management, and consumables management and replenishment.

The value and quality of the offerings from Worldwide Services depend on the strength of its people and the service delivery business processes. Accordingly, Worldwide Services targets continued investment in the training and development of its people and the systems and processes supporting their activities.

These services are an essential component of NCR's solution offerings. The services organization works with NCR customers to identify their specific information management needs and then designs individualized NCR technology solution and implementation plans for their businesses.

COMPETITION

NCR's Worldwide Services' businesses faces significant competition in all geographic areas where it operates. NCR believes a key competitive factor in these businesses is the ability of the service providers to deliver high quality services, reflecting strong business and technical knowledge, within an agreed upon cost and time commitment. Worldwide Services' major competitors in its two main businesses include IBM, Digital, Hewlett-Packard, and Unisys in the Customer Support Services business, and IBM, Electronic Data Systems Corporation ("EDS"), Andersen Consulting LLP, Hewlett-Packard, Unisys, and Cap Gemini Sogeti S.A. in the Professional Services business. See "Risk Factors -- Competition."

SYSTEMEDIA GROUP

PRODUCTS

The Systemedia Group develops, produces, and markets a complete line of consumable and media products for information systems, including transaction processing media, business forms, and a full line of integrated equipment solutions. Specific products offered include stock and custom paper rolls, pressure sensitive labels, label/form combinations, thermal transfer ribbons, impact inking media, high speed laser forms, encoding products, mailers, and ink jet media.

Many of these products are offered as complementary parts of broader NCR systems and solutions, including point of sale systems, ATMs, and item processing systems. Systemedia products are also integral parts of NCR's overall support service offerings to customers, such as the Managed Solutions for Self-Service to be provided to NCR's ATM customers.

The Systemedia Group works closely with its customers to develop specific solutions in areas such as inking, printer cassette design and manufacture, thin film coating for thermal transfer ribbons, and labels and label/form combinations.

TARGET MARKET

The major industry segments targeted by the Systemedia Group include general merchandise, food and drug, hospitality, financial, and consumer goods manufacturing.

BUSINESS STRATEGY

In NCR's view, a number of important changes have affected the consumable products industry, including the growth in technologies such as electronic and laser printed forms; the demand for high-speed laser printer consumables; the growth in barcode printing applications (creating additional demand for thermal transfer ribbons utilizing thin film coating technologies); and continued recycling pressures driving demand for remanufactured inkjet and laser printer cartridges.

NCR believes that each of these industry changes presents opportunities for NCR, given its knowledge of label/form design, high-speed laser printer forms, the life cycle of printer technology, thin film coating, paper roll manufacturing, and printer cassette design and manufacture. Other industry changes, including electronic data interchange, e-mail, and the decrease in impact printer usage, present challenges for the Company.

Consumable media can have a significant impact on the overall cost of ownership of many of the systems NCR offers to its customers, including point of sale systems, ATMs, item processing systems, and high volume printer applications. As such, a key business strategy is to integrate Systemedia Group offerings with

NCR systems. NCR believes that effective supply line management and alliance relationships are key points of differentiation.

NCR believes that when consumables are integrated into NCR's Customer Support Services offerings, these offerings are strengthened by providing customers one seamless solution and point of accountability. In addition, NCR also believes that system reliability is increased and the customer's total cost of ownership is reduced by providing high quality media as part of the Customer Support Services offering.

DISTRIBUTION CHANNELS

The Systemedia Group has a direct sales force in 19 countries focusing on providing consumable products to major accounts. In addition, Systemedia Group products are sold through office products resellers, value added resellers, and an inbound and outbound telemarketing organization.

MANUFACTURING

The Systemedia Group's global manufacturing organization spans six continents with 19 manufacturing plants, including six in the United States.

COMPETITION

Competition in the consumable products business is significant and varies by geographic area and by product group. The primary areas of competitive differentiation are typically product quality, logistics and supply chain management expertise, and total cost of ownership. While price is always a factor, Systemedia Group focuses on total cost of ownership for all its products and services. 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. Key competitors include The Standard Register Company, The Reynolds and Reynolds Company, Wallace Computer Services, Inc., Sony Corporation, Moore Corporation Limited, International Imaging Materials, Inc., Nu-Kote Holding, Inc., Rittenhouse Paper Co., Sopano S.A., Rolltech Ltd., Katsumata, K.K., and Paper Manufacturers Inc. See "Risk Factors -- Competition."

RESEARCH AND DEVELOPMENT

In the fiscal years ended December 31, 1995, 1994 and 1993, research and development expenditures were \$585 million, \$500 million and \$571 million, respectively, which were, as a percent of sales, 7.2%, 5.9% and 7.9%, respectively. In connection with the formation of Lucent, NCR entered into an agreement with Lucent (the "Technology Access and Development Project Agreement") governing the future commercial relationship between NCR and Lucent's Bell Laboratories ("Bell Labs"). Pursuant to the Technology Access and Development Project Agreement, NCR will have access to the results of certain Bell Labs research and development activities, and Bell Labs will perform specific research and development projects on a contract basis for NCR. NCR will pay a periodic retainer fee for such access and an additional fee for each research and development project. Such agreement will terminate on December 31, 1999, but is subject to renewal by mutual consent. See "Arrangements Among AT&T, NCR and Lucent -- Other Agreements."

BACKLOG

NCR's operating results and the amount and timing of revenue are affected by numerous factors, including the volume, mix, and timing of orders received during a period and conditions in the information technology industry and in the general economy. The Company 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. Therefore, the Company believes that backlog information is not material to an understanding of its business.

SOURCES AND AVAILABILITY OF RAW MATERIALS

NCR uses many standard parts and components in its products and believes there are a number of competent vendors for most parts and components. However, a number of important components are developed by and purchased from single sources due to price, quality, technology or other considerations. In some cases, those components are available only from single sources. In order to secure components for production and introduction of new products, NCR may make advance payments to certain suppliers and may enter into noncancelable purchase commitments with vendors with respect to the purchase of components. See "Risk Factors -- Reliance on Suppliers and Partners."

PATENT AND TRADEMARKS

NCR owns approximately 1,150 patents in the United States and 1,250 in foreign countries. These foreign patents are counterparts of NCR's United States patents. Many of the patents owned by the NCR are licensed to others and NCR is licensed to use certain patents owned by others. In connection with the Distribution, NCR has entered into an extensive cross-licensing agreement with AT&T and Lucent. See "Arrangements Among AT&T, NCR and Lucent -- Patent Licenses and Related Matters." While NCR's portfolio of patents and patent applications is of significant value to NCR, NCR 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 in the United States and in a number of foreign countries. NCR considers the trademark "NCR" and many other of its trademarks to be valuable assets. NCR is currently involved in a trademark dispute with Gartner Group, Inc. pursuant to which NCR is seeking a declaratory judgment that its corporate logo is valid and does not infringe the corporate logo of Gartner Group, Inc.

EMPLOYEES

At June 30, 1996, NCR had approximately 38,600 employees and contractors including approximately 37,000 employees. Approximately 19,000 of NCR's employees were located in the United States. Of these domestic employees, approximately 3% are represented by unions. There have been no significant labor disputes or work stoppages in the past five years. As part of its restructuring plan, NCR's employment (including contractors) is being reduced by approximately 8,500, of which approximately 8,100 were separated prior to June 30, 1996. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Restructuring."

LEGAL PROCEEDINGS AND ENVIRONMENTAL MATTERS

In the normal course of business, NCR is subject to regulations, proceedings, lawsuits, claims and other matters, including actions under laws and regulations related to the environment, health and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. Although NCR believes that amounts provided in its financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to discharge alleged liabilities from lawsuits, claims and other legal proceedings and environmental matters, and to comply with applicable environmental laws, will not exceed the amounts reflected in NCR's financial statements or will not have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of June 30, 1996 cannot be determined.

Among the lawsuits and claims pending against NCR as of June 30, 1996, there were approximately 100 individual product liability claims alleging that the Company's products, including PCs, supermarket barcode scanners, cash registers and check encoders, caused so-called "repetitive strain injuries" or "cumulative trauma disorders," such as carpal tunnel syndrome. In such lawsuits, the plaintiff typically alleges that he or she suffers from injuries caused by the design of the product at issue or a failure to warn of alleged hazards. These plaintiffs seek compensatory damages and, in many cases, punitive damages. Most other manufacturers of these products have also been sued by plaintiffs on similar theories. Ultimate resolution of the litigation against the Company may substantially depend on the outcome of similar matters of this type pending in

various state and federal courts. The Company has denied the merits and basis for the pending claims against it and intends to continue to contest these cases vigorously.

NCR's facilities and operations are subject to a wide range of environmental protection laws in the United States and other countries related to solid and hazardous waste disposal, the control of air emissions and water discharges, and the mitigation of impacts to the environment from past operations and practices. NCR has investigatory and remedial activities, including characterization and cleanup actions, underway at a number of currently and formerly owned or operated facilities to comply, or to determine compliance, with applicable environmental protection laws. NCR has been identified, either by a governmental agency or by a private party seeking contribution to site cleanup costs, as a PRP at a number of sites pursuant to a variety of statutory schemes, both state and federal, including the FWPCA and comparable state statutes, and CERCLA, and comparable state statutes.

In February 1996, NCR received notice from the USF&WS that it considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages to the Fox River System due to, among other things, sediment contamination in the Fox River System allegedly resulting from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. USF&WS and two Indian Tribes have stated their intention to conduct a Natural Resource Damage Assessment to determine and quantify the nature and extent of alleged injury to natural resources. In addition, NCR has been identified, along with a number of other companies, by the WDNR with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. NCR is also actively pursuing discussions with the WDNR regarding the Company's alleged liability. NCR's share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be predicted with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of identified remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. At this point, NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply and believes the claims described above are the responsibility of the buyer and its former parent company pursuant to the terms of the sales agreement. In this connection, the Company has commenced litigation against the buyer to enforce its position.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR accrues environmental provisions when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. Management expects that the amounts provided as of December 31, 1995 and June 30, 1996 will be paid out over the period of investigation, negotiation, remediation, and restoration for the applicable sites, which may be 30 years or more. Provisions for estimated losses from environmental remediation are, depending on the site, based primarily on internal and third-party environmental studies, estimates as to the number and participation level of any other PRPs, the extent of the contamination, and the nature of required remedial and restoration actions. Accruals are adjusted as further information develops or circumstances change. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amount of such liabilities, without deductions for insurance or third-party indemnity claims. In those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

PROPERTIES

NCR operates 1,074 offices and 55 development and manufacturing facilities in more than 130 countries around the world.

The Asia/Pacific Region is headquartered in Tokyo, Japan; the Europe/Middle East/Africa Region in London, United Kingdom and the Americas Region in Dayton, Ohio. The sales regions are further divided into 17 international areas, including the United States.

The five business units have their headquarters in: Dayton, Ohio (Computer Systems Group, Worldwide Services and Systemedia Group); London, United Kingdom (Financial Systems Group); and Atlanta, Georgia (Retail Systems Group).

At August 1, 1996, NCR operated 39 manufacturing sites, of which 11 were located in the United States, occupying in excess of 4.6 million square feet, of which approximately 1.0 million square feet were leased. These sites were located in 19 countries.

At August 1, 1996, NCR operated 16 research and development sites, of which nine were located in the United States, occupying in excess of 1.0 million square feet, of which approximately .6 million square feet were leased. These sites were located in three countries.

At August 1, 1996, NCR operated 106 warehouse sites, of which 41 were located in the United States, occupying in excess of 2.3 million square feet, of which approximately 1.2 million square feet were leased. These sites were located in 34 countries.

At August 1, 1996, NCR operated 744 office sites (sales, service, administration and education), of which 220 were located in the United States, occupying in excess of 11.5 million square feet, of which approximately 5.4 million square feet were leased. These sites were located in 81 countries.

At August 1, 1996, NCR operated 137 additional sites for miscellaneous purposes (including land, residences, parking lots, aviation hanger and recreational facilities), of which 38 were located in the United States, occupying approximately 1.0 million square feet, of which approximately .5 million square feet were leased. These sites were located in 26 countries.

In addition, NCR has plans to sell or discontinue the lease of certain facilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Restructuring."

For a summary of certain leases and subleases entered into in connection with the Separation, see "Arrangements Among AT&T, NCR and Lucent -- Real Estate Agreements."

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

CAPITALIZATION

Set forth below is the historical capitalization of NCR as of June 30, 1996 and on an As Adjusted basis to give effect to the Distribution and certain anticipated capital contributions as if the Distribution and such capital contributions had occurred on June 30, 1996. The balance sheet data and the As Adjusted balance sheet data set forth below should be read in conjunction with the historical consolidated financial statements set forth elsewhere herein.

The As Adjusted capitalization presented herein does not purport to represent the Company's consolidated financial position had the Distribution and such capital contributions occurred on June 30, 1996 or to project the Company's consolidated financial position for any future period. The As Adjusted data is based upon currently available information and certain assumptions that the Company believes are reasonable.

	AT JUNE 30, 1996 (UNAUDITED)	
	HISTORICAL	AS ADJUSTED
	-----	-----
	(DOLLARS IN MILLIONS)	
DEBT OBLIGATIONS.....	\$139	\$ 71(1)
SHAREHOLDER'S EQUITY		
Preferred stock (authorized, not issued).....	--	--
Common stock.....	--	--
Additional paid-in capital.....	--	--
Shareholder's net investment.....	822	1,309(2)
Foreign currency translation.....	74	74
Other.....	(37)	(37)
	-----	-----
Total shareholder's equity.....	859	1,346
	-----	-----
TOTAL CAPITALIZATION.....	\$998	\$ 1,417
	=====	=====

NOTES:

- (1) Reflects retirement or defeasance of a total of \$68 of NCR debt anticipated to occur on or before the Distribution Date. The effect on reported interest expense included in the accompanying statements of operations for the year ended December 31, 1995 and the six months ended June 30, 1996 resulting from the retirement or defeasance of such debt is not material.
- (2) Reflects capital contribution from AT&T of \$419 in cash (a portion of which will be available to NCR prior to the Distribution Date), and additional contributions of cash sufficient to retire or defease a total of \$68 of NCR debt (including payment of related expenses), anticipated to occur on or before the Distribution Date.

SELECTED FINANCIAL DATA

The following table presents selected historical financial data of NCR. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and notes thereto included elsewhere in this Information Statement. The consolidated statement of operations data set forth below for each of the years ended December 31, 1995, 1994, and 1993 and the consolidated balance sheet data at December 31, 1995 and 1994 are derived from, and are qualified by reference to, the audited consolidated financial statements included elsewhere in this Information Statement, and should be read in conjunction with those financial statements and notes thereto. The consolidated balance sheet data at December 31, 1993 are derived from the audited consolidated balance sheet of NCR at December 31, 1993, which is not included in this Information Statement. The consolidated statement of operations data for each of the years ended December 31, 1992 and 1991 and the consolidated balance sheet data at December 31, 1992 and 1991 are derived from unaudited consolidated financial statements not included in this Information Statement. The consolidated statement of operations data for each of the six month periods ended June 30, 1996 and 1995, and the consolidated balance sheet data as of June 30, 1996 are derived from, and are qualified by reference to, the unaudited interim financial statements included elsewhere herein, and should be read in conjunction with those financial statements and notes thereto. See "Index to Financial Statements."

The historical financial information may not be indicative of NCR's future performance and does not necessarily reflect the financial position and results of operations of NCR had NCR operated as a separate, stand-alone entity during the periods covered. See "Risk Factors -- Limited Relevance of Historical Financial Information."

	SIX MONTHS ENDED JUNE 30		YEARS ENDED DECEMBER 31				
	1996	1995	1995	1994	1993	1992	1991
	(UNAUDITED)		(DOLLARS IN MILLIONS)				
			(UNAUDITED)				
STATEMENT OF OPERATIONS DATA							
Revenues(3)(5).....	\$3,265	\$3,860	\$ 8,162	\$ 8,461	\$ 7,265	\$ 7,139	\$ 7,246
Operating expenses(1)(6)							
Cost of revenues.....	2,396	3,024	7,316	5,894	4,839	4,378	4,322
Selling, general and administrative expenses.....	711	995	2,632	2,169	2,136	1,938	2,113
Research and development expenses.....	184	231	585	500	571	568	709
Income (loss) from operations.....	(26)	(390)	(2,371)	(102)	(281)	255	102
Interest expense.....	26	46	90	44	41	77	85
Other income, net(2)(4).....	(3)	(78)	(45)	(130)	(42)	(77)	(87)
Income (loss) before income taxes and cumulative effects of accounting changes.....	(49)	(358)	(2,416)	(16)	(280)	255	104
Income tax expense (benefit).....	34	31	(136)	187	138	157	387
Income (loss) before cumulative effects of accounting changes.....	(83)	(389)	(2,280)	(203)	(418)	98	(283)
Cumulative effects of accounting changes(7).....	--	--	--	--	(869)	--	--
Net income (loss).....	\$ (83)	\$ (389)	\$ (2,280)	\$ (203)	\$ (1,287)	\$ 98	\$ (283)
FINANCIAL POSITION AND OTHER DATA							
Cash and short-term investments.....	\$ 825	\$ 638	\$ 338	\$ 661	\$ 343	\$ 436	\$ 391
Accounts receivable, net.....	1,175	1,744	1,908	1,860	1,288	1,228	1,305
Inventories.....	561	1,072	621	952	781	620	504
Property, plant and equipment, net.....	950	1,092	957	1,234	1,143	1,026	1,067
Total assets.....	4,934	5,837	5,256	5,836	4,664	4,565	4,448
Short-term borrowings.....	40	70	45	73	40	118	105
Long-term debt.....	99	612	330	642	115	142	229
Shareholder's equity.....	859	1,499	358	1,690	1,032	1,831	1,628
Headcount (employees and contractors).....	38,600	46,700	41,100	50,000	52,500	53,800	54,000

(1) 1995 operating expenses include restructuring and other charges of \$1,649. (See Note 5 of Notes to Consolidated Financial Statements.)

(2) 1995 other income, net includes a gain on sale of the Microelectronics components business of \$51.

(3) The decrease in revenues beginning in the fourth quarter of 1995 and in the six months ended June 30, 1996 is due largely to the Company's decision in September 1995 to discontinue selling PCs through high volume indirect channels.

(4) 1994 other income, net includes a gain on sale of certain assets of \$110.

(5) The fiscal year-end for locations outside the U.S. was changed from November to December in 1994 to conform the domestic and international reporting periods. This change increased reported revenues in 1994 by \$223, however the effect on loss from operations was not significant.

(6) 1993 operating expenses include restructuring and other charges of \$219. (See Note 5 of Notes to Consolidated Financial Statements.)

(7) NCR changed its methods of accounting for postretirement benefits, postemployment benefits, and income taxes effective in 1993. (See Note 3 of Notes to Consolidated Financial Statements).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

OVERVIEW

NCR designs, develops, markets, and services information technology products, services, systems, and solutions worldwide. The Company's goal is to be a world-class provider of commercial, open computing systems for High Availability Transaction Processing and Scalable Data Warehousing solutions to customers in all industries. NCR also seeks to take advantage of its expertise and market presence in the retail, financial, and communications industries to provide specific information technology solutions to customers in these targeted industries. NCR's systems and solutions are supported by its Customer Support Services and Professional Services offerings, and its Systemedia business, which develops, produces, and markets a complete line of consumable and media products.

NCR's offerings cover a broad range of its customers' information technology needs: from consumers' interaction and data collection, with products including point of sale workstations, barcode scanning equipment, and self-service devices such as ATMs; through data processing, with NCR's High Availability Transaction Processing solutions; to data storage, manipulation, and usage, with NCR's Teradata relational database management system and Scalable Data Warehousing offerings. The Company's computing platforms and associated products span midrange servers, massively parallel processing computer systems, computer network servers and software systems, imaging and payment systems, workstations and peripherals, business forms, ink ribbons, customized paper rolls, and other consumable supplies and processing media.

NCR also provides Worldwide Customer Support Services and Professional Services that include hardware maintenance, software maintenance, data warehousing service offerings, end-to-end networking service and design, and the implementation, integration, and support of complex solutions.

NCR is a wholly owned subsidiary of AT&T. The Company was merged with a wholly owned subsidiary of AT&T effective September 19, 1991. On September 20, 1995, AT&T announced its intention to separate into three independent public companies: NCR, the continuing AT&T, and Lucent. AT&T also announced its intention to distribute all of its interest in NCR to its shareowners by December 31, 1996, subject to certain conditions.

NCR and AT&T and, in certain cases, Lucent and AT&T Capital, have entered into or will enter into, on or prior to the Distribution Date, certain agreements providing for the separation of the companies into independent corporations and governing various interim and ongoing relationships between and among the four companies, including an agreement between the Company and AT&T providing for the purchase of products and services from the Company. See "Arrangements Among AT&T, NCR and Lucent."

The consolidated financial statements of NCR have been carved out from the financial statements of AT&T using the historical results of operations and historical basis of the assets and liabilities of the businesses operated by NCR. Additionally, the consolidated financial statements of the Company include certain assets, liabilities, revenues and expenses that were not historically recorded at the level of, but are primarily associated with, such businesses. Management believes the assumptions underlying the Company's financial statements are reasonable.

The financial information included herein, however, may not necessarily reflect the results of operations, financial position and cash flows of NCR in the future or the results of operations, financial position, and cash flows of the Company had NCR operated as a separate, stand-alone entity during the periods presented. This is due to the historical operation of the Company as part of the larger AT&T enterprise. The financial information included herein does not reflect any changes that may occur in the funding and operations of NCR as a result of the Distribution.

The accompanying consolidated financial statements reflect AT&T's net investment in NCR. Such investment represents capital contributions and interest-bearing cash advances made by AT&T to NCR, net income (loss) of NCR, and cost allocations from AT&T. NCR's financial requirements are primarily provided through capital contributions and interest-bearing cash advances from AT&T. The Company's historical

consolidated statements of operations include interest expense relating to such interest-bearing cash advances, which were contributed to the Company by AT&T and included in shareholder's net investment. General corporate overhead costs related to AT&T's corporate headquarters and certain common support functions were allocated to NCR to the extent such amounts were applicable to the Company based on the ratio of the Company's external costs and expenses to AT&T's external costs and expenses. Those allocations of AT&T's general corporate overhead expense may not reflect NCR's actual general corporate overhead expense as a separate entity. In addition, certain expenses incurred by the Company were for services received from AT&T under direct contracting arrangements. Although management believes the allocations and the charges for such services to be reasonable, the costs of these services charged to the Company are not necessarily indicative of the costs that would have been incurred if the Company had been an independent entity and had otherwise contracted for or managed these functions. Subsequent to the Distribution, the Company will be required to manage these functions using its own resources or contract with third parties to perform these services and, in addition, will be responsible for the costs and expenses associated with the management of a public corporation. In addition, income taxes were calculated as if the Company filed separate income tax returns. However, AT&T's tax strategies are not necessarily reflective of the tax strategies that the Company would have followed or will follow as a stand-alone entity.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Estimates are used for allowances for uncollectible accounts receivable, inventory obsolescence, product warranties, asset depreciation and amortization, employee benefit plan amounts, income taxes, restructuring charges, and environmental and other contingencies among others. In addition, there are certain risks and uncertainties inherent in operating the business, including the matters discussed below under "-- Results of Operations -- Seasonality" and "-- Legal Proceedings and Environmental Matters." Other areas where estimates and judgments are required are discussed in Notes to Consolidated Financial Statements included elsewhere in this Information Statement.

NCR has been funded principally by AT&T. See "Risk Factors -- Future Capital Requirements; Absence of AT&T Funding." The Company anticipates that it will put in place the Credit Facility to fund its domestic working capital requirements. The consolidated financial statements do not include any debt amounts relating to domestic working capital requirements since such operations were historically funded through AT&T's contributions and advances which are classified as part of its net investment. The outstanding debt at June 30, 1996 includes short-term debt which is used primarily to fund the working capital needs of operations outside of the United States and long-term external debt, including \$75 million of medium term notes which NCR issued prior to its merger with a subsidiary of AT&T in 1991. See "-- Financial Condition, Liquidity and Capital Resources."

RESTRUCTURING

In 1993, a number of changes were implemented with the intent of strengthening NCR's marketing function, increasing NCR's revenues, and improving NCR's profitability. As part of these changes, a broader range of industries (six as compared to two) was targeted, significant growth objectives were established for the PC business, and a new marketing function and management model was implemented.

These changes did not work as planned, and NCR was unsuccessful in meeting its objectives in the targeted industries. NCR was able to increase PC revenue, but due to margin pressure and cost structure, the PC business was not profitable for NCR. In addition, the new management model did not produce the desired accountability.

Lars Nyberg, NCR's Chief Executive Officer, began to implement a restructuring plan in September 1995. This plan was based on five key principles: focus, accountability, expense level reductions, process improvements, and a sense of urgency. A key component of the recovery strategy was to focus the Company on its areas of strength. Consequently, NCR decided to reduce its focus from six industries to three (retail,

financial, and communications). With efforts targeted at these three industries, greater attention was placed on NCR's Retail Products and Financial Products businesses.

The Company's approach to the PC business was also changed. As part of the restructuring, NCR decided to exit the PC manufacturing business and to eliminate sales of PCs through high volume indirect channels. Instead, the Company put in place an OEM arrangement to source a significantly reduced volume of PCs, which would primarily be sold by NCR when required as part of a solution in areas such as financial branch automation or retail point of sale systems.

In the computer business, the Company targeted its efforts at midrange to large systems, specifically focusing on solutions such as Scalable Data Warehousing and High Availability Transaction Processing that have applicability across a number of industries.

NCR also implemented a revised business management model, under which business units and geographic sales regions were given specific responsibilities and accountabilities. Significant expense reductions were implemented, including plans to separate approximately 8,500 employees and contractors. Additional focus was placed on process improvements, and efforts were put in place to ensure all employees understood the restructuring plan and were actively working to execute the plan.

The total restructuring and other charges of \$1,649 million for 1995 was reflected in the consolidated statement of operations as \$636 million of cost of sales, \$294 million of cost of services, \$616 million of selling, general and administrative expenses, and \$103 million of research and development expenses. These charges included \$676 million for employee separation and other related items, \$549 million for asset write-downs, \$147 million for closing, selling and consolidating facilities, \$227 million for contract settlements and related charges, and \$50 million for other items. Of the total charges, \$145 million represented cash payments in 1995, \$311 million represented cash payments in the first six months of 1996, and \$507 million are expected to result in future cash payments.

The Company expects to substantially complete its restructuring plan in 1996. The Company's policy is to assess the adequacy of its reserves and to make adjustments to such reserves when events effecting these reserves occur or can be reasonably estimated.

RESULTS OF OPERATIONS

GENERAL

The following table sets forth, for the periods indicated, the Company's revenues (in millions) by product line. The Other product line includes businesses sold and other items not directly associated with an individual business unit.

	SIX MONTHS ENDED JUNE 30			YEARS ENDED DECEMBER 31				
	1996	% INCREASE/ DECREASE	1995	1995	% INCREASE/ DECREASE	1994	% INCREASE/ DECREASE	1993
Retail Systems Group								
Retail Products.....	\$ 195	2	\$ 192	\$ 424	--	\$ 422	(12)	\$ 481
Financial Systems Group								
Financial Products.....	441	(7)	473	1,026	(1)	1,037	7	972
Computer Systems Group								
Computer Products.....	602	37	440	1,078	(12)	1,219	(12)	1,392
Client/Entry Level Server Products.....	271	(68)	845	1,724	5	1,649	62	1,020
Worldwide Services								
Customer Support								
Services.....	1,084	3	1,055	2,174	5	2,074	15	1,808
Professional Services.....	284	--	285	638	10	578	33	435
Data Services.....	64	(25)	85	167	(19)	206	(4)	214
Systemedia Group								
Systemedia Products.....	272	(2)	277	577	4	553	14	486
Other.....	52	(75)	208	354	(51)	723	58	457
Total.....	\$3,265	(15)	\$3,860	\$8,162	(4)	\$8,461	16	\$7,265

The following table sets forth, for the periods indicated, the percentage relationship to revenue of certain items in the Company's consolidated statements of operations. The years ended 1995 and 1993, as adjusted, exclude restructuring and other charges:

	SIX MONTHS ENDED JUNE 30		YEARS ENDED DECEMBER 31				
	1996	1995	1995	1995	1994	1993	1993
			(AS ADJUSTED)			(AS ADJUSTED)	
Sales revenue.....	55.5%	62.4%	63.0%	63.0%	65.3%	61.4%	61.4%
Services and rentals revenue.....	44.5	37.6	37.0	37.0	34.7	38.6	38.6
Total revenue.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sales gross margin.....	28.3%	20.3%	20.9%	8.5%	32.4%	37.7%	37.3%
Services and rentals gross margin.....	24.6	24.0	23.2	13.5	26.5	30.3	27.1
Total gross margin.....	26.6	21.7	21.8	10.4	30.3	34.8	33.4
Selling, general and administrative expenses....	21.8	25.8	24.7	32.2	25.6	28.1	29.4
Research and development expenses.....	5.6	6.0	5.9	7.2	5.9	7.6	7.9
Operating loss.....	(0.8)%	(10.1)%	(8.8)%	(29.0)%	(1.2)%	(0.9)%	(3.9)%

SEASONALITY

NCR's sales are historically seasonal, with revenue higher in the fourth quarter of each year. Consequently, during the three quarters ending in March, June, and September, NCR has historically experienced less favorable results than in the quarter ending in December. Such seasonality also

causes NCR's working capital cash flow requirements to vary from quarter to quarter depending on, among other things, the variability in the volume, timing and mix of product sales. In addition, in many quarters, a large portion of NCR's revenue is realized in the third month of the quarter. Operating expenses are relatively fixed in the short term and often cannot be materially reduced in a particular quarter if revenue falls below anticipated levels for such quarter. As a result, even a relatively small revenue shortfall may cause a period's results to be materially below expectations. See "Risk Factors -- Seasonality."

The following table sets forth the unaudited total revenues, gross margin and operating income (loss) of NCR on a quarterly basis for each of the two years ended December 31, 1995 and for each of the quarterly periods in the six months ended June 30, 1996. The increase in fourth quarter revenues from third quarter revenues in 1995 is not as pronounced as in 1994 due to the Company's decision in September 1995 to discontinue selling PCs through high volume indirect channels.

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER (1)	FOURTH QUARTER (2)(3)	SIX MONTHS ENDED JUNE 30
	-----	-----	-----	-----	-----
	(DOLLARS IN MILLIONS)				
1996					
Total revenues.....	\$ 1,586	\$ 1,679			\$ 3,265
Gross margin.....	405	464			869
Operating income (loss).....	(37)	11			(26)
					YEARS ENDED DECEMBER 31

1995					
Total revenues.....	\$ 1,818	\$ 2,042	\$ 2,033	\$2,269	\$ 8,162
Gross margin.....	420	416	(508)	518	846
Operating income (loss).....	(172)	(218)	(1,793)	(188)	(2,371)
1994					
Total revenues.....	\$ 1,527	\$ 2,011	\$ 1,979	\$2,944	\$ 8,461
Gross margin.....	479	610	580	898	2,567
Operating income (loss).....	(84)	(12)	(26)	20	(102)

(1) The third quarter of 1995 includes restructuring and other charges of \$1,597 (See Note 5 of Notes to Consolidated Financial Statements).

(2) The fourth quarter of 1995 includes restructuring and other charges of \$52 (See Note 5 of Notes to Consolidated Financial Statements).

(3) The fourth quarter of 1994 includes revenue of \$223 which represents an additional month of international sales revenues, resulting from the change to conform international and domestic reporting periods; the effect on operating income was not significant.

SIX MONTHS ENDED JUNE 30, 1996 COMPARED TO SIX MONTHS ENDED JUNE 30, 1995

Reported revenues in all geographic regions declined from the prior period by \$595 million, or 15%. An overall weakening of foreign currencies against the U.S. dollar (particularly the Japanese yen) unfavorably impacted this year to year change. Adjusting for the year to year changes in foreign currency exchange rates, reported revenues declined by 12%.

A key component of the Company's restructuring was to reduce its focus on the PC business and concentrate on a core set of businesses. As a result of this decision, PC revenues (which are included as a part of the Client/Entry Level Server Product line) declined significantly. When Client/Entry Level Server Products and businesses sold are excluded from both periods, revenues in the remaining core set of businesses grew by 1%. Adjusting for the year to year changes in foreign currency exchange rates, these core revenues grew by 4%.

Revenues from Retail Products were \$195 million, an increase of \$3 million or 2% in 1996 compared with the 1995 period. Revenues from retail scanner products drove the growth in revenues. Most of this growth was derived from sales to customers in the United States.

Revenues from Financial Products were \$441 million, a decrease of \$32 million or 7% in 1996 compared with the 1995 period, primarily due to sales declines in ATMs principally in the Europe/Middle East/Africa geographic region due to general softness in the European banking and financial services markets.

Revenues from Computer Products were \$602 million, an increase of \$162 million or 37% in 1996 compared with the 1995 period. Revenues from WorldMark enterprise servers drove the sales volume growth. All geographic regions reported double digit growth in year-to-year comparisons as the Company continues to achieve success in its plans to focus on opportunities for high-end computer systems for Scalable Data Warehousing and High Availability Transaction Processing.

Revenues from Client/Entry Level Server Products were \$271 million, a decrease of \$574 million or 68% in 1996 compared with the 1995 period primarily due to the Company's decision to exit the manufacturing of PCs and their sale through high volume indirect channels. The Company plans to continue to offer its customers Client/Entry Level Server Products sourced from third parties primarily as part of overall solution sales.

Revenues from the services businesses were basically flat year to year. Growth in revenues from Customer Support Services of 3% primarily due to new service offerings for enterprise system support servers, managed self-service financial solutions, and technology services plus continued expansion of multivendor services was offset by a decline of 25% in Data Services due to the Company's sale of its Data Services business in Switzerland at the beginning of 1996. Revenues from Professional Services of \$284 million were basically flat compared with the same period in 1995.

Sales of Systemedia Products of \$272 million decreased \$5 million or 2% in 1996 compared with the 1995 period. The decrease was principally attributable to the unfavorable impact of the strengthening of the U.S. dollar as sales to customers on a local currency basis worldwide were basically flat.

Gross margin as a percentage of revenue increased 4.9 percentage points from 21.7% in 1995 to 26.6% in 1996. Excluding Client/Entry Level Server Products, gross margin as a percentage of revenue increased 3.7 percentage points. The overall gross margin improvement consisted of an 8.0 percentage point improvement in sales gross margin and a 0.6 percentage point improvement in services and rentals gross margin. The increase in sales gross margin reflects a change in product mix as Client/Entry Level Server Products have historically lower margins than other products offered by the Company, and improved margins in Retail Products, Financial Products, and Computer Products resulting from product cost reductions. Gross margins on all categories of services revenue improved in 1996.

Selling, general and administrative expenses of \$711 million decreased \$284 million, or 29%, and declined by 4.0 percentage points of revenue. This decrease was primarily attributable to the Company's business restructuring to focus on industry solutions for the retail, financial, and communications industries, and from its exit from the sale of PCs through high volume indirect channels. In addition, the amount of general corporate overhead costs allocated to the Company by AT&T decreased approximately \$39 million from the corresponding period in 1995. This decrease was due to several factors, including that NCR began to manage certain additional corporate and administrative functions in 1996 which were previously provided substantially by AT&T, including corporate public relations activities, certain human resource functions, financial systems architecture and brand advertising, among others and a general reduction in AT&T general corporate overhead costs due to its restructuring. The Company expects to increase funding for expansion into emerging geographic markets.

Research and development expenses of \$184 million decreased \$47 million, or 20%, and declined by 0.4 percentage points of revenue. This decrease was primarily attributable to the Company's exit from the PC manufacturing business and the sale of its Microelectronics components business, as well as from consolidation and elimination of redundant engineering activities and from a refocusing of research and development

efforts on specific targeted industries using common platforms and technologies. The Company plans to continue to invest in research and development at levels that are consistent with its business strategies, taking into account assessments of the levels of investment into new technologies and markets being made by competitors throughout the industries in which the Company competes. Further, the Company believes that a continued commitment to research and development is required to remain competitive.

Other income, net decreased \$75 million primarily due to the gain on sale of the Company's Microelectronic components business in the prior period.

The provision for income taxes of \$34 million increased \$3 million. The fluctuation in the Company's tax provision between years results from a normal provision for income taxes in those foreign tax jurisdictions where the Company's subsidiaries are profitable, and an inability on a stand-alone basis to reflect tax benefits from net operating losses and tax credits in the United States.

AT&T has been able to utilize substantially all of the United States tax benefits generated by NCR through the inclusion of the Company in AT&T's consolidated tax returns. In accordance with existing tax allocation agreements, AT&T has reimbursed the Company for such losses utilized. The reimbursements have been reflected as contributions to the Company's capital and recorded in shareholder's net investment.

The 1996 first half net loss decreased to \$83 million, an improvement of \$306 million from the \$389 million loss in 1995 primarily due to the factors set forth above. NCR expects future profit improvements to come primarily from revenue growth and continued improvements in product and service margins instead of additional expense reductions.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

Reported revenues declined from the prior year by 4%, or \$299 million. An overall strengthening of foreign currencies against the U.S. dollar has slightly mitigated the decline. Adjusting for the year to year changes in foreign currency exchange rates, revenues declined by 5%.

In the fourth quarter of 1994, the Company elected to change the fiscal year end of its international organizations from November 30 to December 31, in order to align the international organizations with the United States fiscal calendar. This change resulted in an additional month of international revenues being included in the 1994 results, in the amount of \$223 million. Adjusting for this extra month of results in 1994, reported revenues in 1995 declined by 1%. In addition, there was a significant negative impact on growth rates resulting from the sale of the Microelectronics components business in the first quarter of 1995, which is included in Other in the above table. When these revenues are removed from both periods, the 4% decline in revenue in 1995 results in a 3% increase.

Revenues from Retail Products were \$424 million in 1995 which were basically flat compared with 1994. Increased revenues from retail barcode scanner products to customers in the Europe/Middle East/Africa and Asia/Pacific geographic regions offset a decline in the United States.

Revenues from Financial Products were \$1,026 million in 1995 which were basically flat compared with 1994. Declines in ATMs revenues principally in the United States were offset by increases in sales to customers in international geographic regions.

Revenues from Computer Products were \$1,078 million, a decrease of \$141 million or 12% in 1995 compared with 1994. The decrease in revenue was primarily attributable to a decline in large server revenues in the United States resulting from a delay in transitioning customers from the 3600 product family to the new WorldMark product family.

Revenues from Client/Entry Level Server Products were \$1,724 million, an increase of \$75 million or 5% in 1995 compared with 1994. This growth rate was significantly below the prior year as a result of the implementation of the September 1995 decision to phase out of the sales of these products through high volume indirect channels.

Revenues from the services businesses grew 4% year to year. This growth was driven by the 10% increase in Professional Services revenues primarily due to new service offerings, including information technology consulting, networking, scalable data warehousing, and project management. Prior to 1995, Professional Services offerings were focused more intensively on software implementation and support, while in 1995 the focus shifted to information technology consulting services. Customer Support Services growth of 5% also contributed to the revenue increase. This growth was primarily due to increased focus on non-traditional hardware maintenance services including multivendor services, implementation and installation services, software services, and parts and cabling. These increases were partially offset by a decline in Data Services revenues principally due to a shrinking customer base for these offerings.

Sales of Systemedia Products of \$577 million increased \$24 million or 4% in 1995 compared with 1994 primarily attributable to increases in sales of custom paper rolls in markets outside of the United States and in stock and fax paper products and thermal transfer ribbons in the United States.

Gross margin as a percentage of revenue declined 19.9 percentage points from 30.3% in 1994 to 10.4% in 1995. Business restructuring and other charges accounted for over half of the reduction or a total of 11.4 points of revenue. Excluding restructuring and other charges, both sales gross margins and services and rentals gross margins declined. The reduction in sales gross margins resulted from a higher mix of Client/Entry Level Server Products which historically carry lower gross margins than other products offered by the Company. These lower gross margins are due to competitive pricing pressures and price erosion in excess of cost reductions. Services gross margins declined primarily due to required utilization of higher cost external contractors to assist in the delivery of new service offerings.

Selling, general and administrative expenses of \$2,632 million increased \$463 million, or 21% in 1995 compared with 1994. This increase was due to \$616 million in business restructuring and other charges principally to realign the Company's cost structure and to exit certain businesses. Selling, general and administrative expenses were 32.2% of revenues in 1995, an increase from 25.6% of revenues in 1994, reflecting the restructuring and other charges. Excluding the charges, selling, general and administrative expenses were 24.7% of revenues in 1995. This reflects reduced selling expenses due to the reduction of expenses from the sales of the Microelectronics components business in 1995, the sale of the ADDS terminal business during 1994, and the benefits realized in the fourth quarter of 1995 from the Company's restructuring plans.

Research and development expenses of \$585 million increased \$85 million, or 17% in 1995 compared with 1994. This increase was due to business restructuring and other charges of \$103 million. Excluding the charges, research and development expenses decreased \$18 million and represented 5.9% of revenues in both years. This decrease in spending was primarily attributable to the sale of the Microelectronics components and ADDS terminal businesses which more than offset the increase in research and development for Computer Products and the services offerings.

Other income, net decreased \$85 million as the 1994 results included gains on sale of real estate, principally in Hong Kong and Tokyo.

The income tax benefit of \$136 million in 1995 reflects a \$323 million decrease from the \$187 million expense in 1994. The benefit of \$136 million was primarily attributable to foreign operating losses largely resulting from the 1995 restructuring charges incurred in those foreign subsidiaries that have been historically profitable, and an inability on a stand-alone basis to reflect tax benefits from net operating losses and tax credits in the United States. See Note 6 of Notes to Consolidated Financial Statements included elsewhere herein.

AT&T has been able to utilize substantially all of the United States tax benefits generated by NCR through the inclusion of the Company in AT&T's consolidated tax returns. In accordance with existing tax allocation agreements, AT&T has reimbursed the Company for such utilized losses. The reimbursements have been reflected as contributions to the Company's capital and recorded in shareholder's net investment.

For 1995, the Company had a net loss of \$2,280 million, reflecting \$1,415 million of restructuring and other charges after tax (\$1,649 pre-tax restructuring and other charges). Excluding the charges, the net loss was \$865 million, an increased loss of \$662 million compared to 1994.

YEAR ENDED DECEMBER 31, 1994 COMPARED TO YEAR ENDED DECEMBER 31, 1993

Reported revenues increased from the prior year by 16%, or \$1,196 million. The net effect of the movement of foreign currencies against the U.S. dollar had no material impact to this growth rate. When adjusted for the extra month of international revenue in the fourth quarter of 1994, the growth rate from 1993 was 13%, or \$973 million.

Revenues from Retail Products were \$422 million, a decrease of \$59 million or 12% in 1994 compared with 1993. Most of this decrease resulted from a reduction in sales to customers in the United States.

Revenues from Financial Products were \$1,037 million, an increase of \$65 million or 7% in 1994 compared with 1993, due mostly to higher demand for ATMs primarily in the United States.

Revenues from Computer Products were \$1,219 million, a decrease of \$173 million or 12% in 1994 compared with 1993. The decrease was primarily attributable to a decline in midrange servers revenues.

Revenues from Client/Entry Level Server Products were \$1,649 million, an increase of \$629 million or 62% in 1994 compared with 1993 primarily due to the increased focus being placed on growing this business.

Revenues from the services businesses grew 16% year to year. This growth was driven by double digit gains in both Professional Services and Customer Support Services revenues primarily due to increases in consulting services, multivendor services, implementation and installation services, and software services revenues. These increases were partially offset by a decline in Data Services revenue principally due to a shrinking customer base for these products.

Sales of Systemedia Products of \$553 million increased \$67 million or 14% in 1994 compared with 1993 primarily attributable to increases in sales of business forms and supplies outside the United States.

Gross margin as a percentage of revenue declined 3.1 percentage points from 33.4% in 1993 to 30.3% in 1994. After excluding the impact of restructuring charges, the decline in gross margin was 4.5 percentage points. The reduction in sales gross margins resulted primarily from a higher mix of lower margin Client/Entry Level Server Products and a lower percentage mix of midrange and large servers. Services gross margins declined primarily due to competitive pricing pressures on maintenance support services.

Selling, general and administrative expenses of \$2,169 million increased \$33 million or 2% but declined by 3.8 percentage points of revenue. Excluding the impact of \$95 million of business restructuring charges in 1993, selling, general and administrative expenses increased \$128 million or 6%. This increase was primarily attributable to higher marketing expenses associated with the expanded marketing organization focusing on a broader range of targeted industries.

Research and development expenses of \$500 million decreased \$71 million or 12% and declined by 2.0 percentage points of revenue. Excluding the impact of \$19 million of business restructuring charges in 1993, research and development expenses decreased \$52 million or 9%. This decrease was primarily attributable to a reduction in research and development for Computer Products.

Other income, net increased \$88 million primarily due to the 1994 gains on the sale of real estate, mainly in Hong Kong and Tokyo.

The provision for income taxes of \$187 million increased \$49 million. The fluctuation in the Company's tax provision between years results from a normal provision for income taxes in those foreign tax jurisdictions where the Company's subsidiaries are profitable, and an inability on a stand-alone basis to reflect tax benefits from net operating losses and tax credits in the United States. See Note 6 of Notes to Consolidated Financial Statements included elsewhere herein.

AT&T has been able to utilize substantially all of the United States tax benefits generated by NCR through the inclusion of the Company in AT&T's consolidated tax returns. In accordance with existing tax allocation agreements, AT&T has reimbursed the Company for such utilized losses. The reimbursements have been reflected as contributions to the Company's capital and recorded in shareholder's net investment.

The adoption of Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," SFAS No. 112, "Employers' Accounting for Postretirement Benefits," and SFAS No. 109, "Accounting for Income Taxes," effective January 1, 1993, resulted in an after-tax charge of \$869 million in 1993, representing the cumulative effect of these accounting changes.

SFAS No. 106 requires accrual of estimated future retiree benefits, other than pensions, during the years in which employees are working and accumulating these benefits. Previously, health care benefits were expensed as claims were incurred and life insurance benefits were expensed as plans were funded. A one-time after-tax charge for these liabilities of \$220 million was recorded in 1993 as a cumulative effect of accounting change upon adoption of this standard.

SFAS No. 112 requires the Company to accrue for estimated future postemployment benefits, including separation and related payments, during the years in which employees are working and accumulating these benefits, and for disability payments when the disabilities occur. Previously, costs for separations were recognized when approved and disability benefits were recognized when paid. The Company recognized a \$306 million after-tax charge upon adoption of this standard.

SFAS No. 109 requires, among other provisions, the computation of deferred tax amounts arising from temporary differences using the enacted jurisdictional corporate income tax rates for the years in which the taxes will be paid or refunds received. A cumulative effect of the accounting change results in a one-time charge of \$343 million which was recognized in 1993 related to adopting this standard.

The reported net loss decreased to \$203 million, an improvement of \$1,084 million from the \$1,287 million loss in 1993. Excluding the cumulative effect of accounting changes in 1993, net loss in 1994 was \$215 million less than in 1993.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

NCR's cash, cash equivalents, and short-term investments totaled \$825 million at June 30, 1996 compared with \$338 million at December 31, 1995 and \$661 million at December 31, 1994.

NCR used cash flows from operations of \$824 million and \$613 million during the years ended 1995 and 1994, respectively, and generated cash flows from operations of \$42 million during the year ended December 31, 1993. The \$824 million of cash flows used in operations in 1995 was due principally to the net loss in 1995 and \$171 million of cash payments relating to restructuring. The inventory decrease from \$952 million at December 31, 1994 to \$621 million at December 31, 1995 was primarily due to \$417 million of inventory write downs relating to the third quarter restructuring in 1995. Other current liabilities increased from \$640 million at year-end 1994 to \$1,532 million at December 31, 1995 primarily due to restructuring liabilities of \$820 million payable during 1996. The \$613 million of cash flows used in operations in 1994 was due in large part to increases in receivable and inventory balances driven by increased demand for Client/Entry Level Server Products. Receivables increased \$572 million from \$1,288 million at December 31, 1993 to \$1,860 million at December 31, 1994. Inventories totaled \$952 million at December 31, 1994, an increase of \$171 million compared with December 31, 1993. The \$42 million of cash flows generated from operations in 1993 was due to cash generation from results of operations, after adding back the non-cash impact of the cumulative accounting changes of \$1,171 million. Inventory balances increased \$161 million from December 31, 1992 to December 31, 1993. Other current liabilities increased \$279 million, from \$576 million at December 31, 1992 to \$855 million at December 31, 1993, primarily due to the current restructuring liabilities incurred in 1993.

For the six month period ended June 30, 1996, NCR generated cash flows from operations of \$276 million. For the six month period ended June 30, 1995, NCR used cash flows from operations of \$381 million.

This improvement of \$657 million was primarily due to a significant decline in accounts receivable offset by cash payments for restructuring of \$311 million. Receivable balances decreased \$569 million from June 30, 1995 to June 30, 1996 due to lower revenues associated with the Company's decision to no longer sell PCs through high volume indirect channels and a reduction in receivable balances due to the sale of the Switzerland Data Services business. Inventory balances decreased \$511 million from \$1,072 million at June 30, 1995 to \$561 million at June 30, 1996 due to reduced inventories as a result of exiting the PC manufacturing business and overall improved supply line management. Other current liabilities were \$373 million higher at June 30, 1996 than at June 30, 1995 primarily as a result of the 1996 restructuring liabilities that had not yet been paid.

Cash flows used in investing activities were \$11 million, \$477 million and \$426 million in 1995, 1994 and 1993, respectively. The \$11 million of net investing activities in 1995 included proceeds of \$338 million from the sale of the Microelectronics components business. The \$477 million of net investing activities in 1994 included proceeds of \$260 million from real estate sales in Tokyo and Hong Kong and the sale of various non-core businesses, principally ADDS. Capital expenditures, the largest component of investing activities, were \$498 million, \$624 million and \$596 million for the years ended 1995, 1994, and 1993, respectively. Capital expenditures generally relate to expenditures for equipment and facilities used in manufacturing and research and development, including expansion of manufacturing capacity, and expenditures for cost reduction efforts and international growth.

For the six month period ended June 30, 1996, NCR used cash flows from investing activities of \$157 million. For the six month period ended June 30, 1995, NCR generated \$167 million from investing activities. This change of \$324 million was primarily due to the proceeds collected in 1995 from the sale of the Microelectronics components business.

Net cash provided by financing activities was \$696 million, \$1,330 million, and \$320 million for the years ended 1995, 1994, and 1993, respectively. The Company historically has relied on AT&T to provide financing for its operations. The cash flows reflected as transfers from AT&T in the consolidated statements of cash flows represent capital infusions that were used to fund the ongoing operations and have been recorded in the consolidated financial statements as an adjustment to shareholder's net investment. These cash flows are not necessarily indicative of the cash flows that would have resulted if the Company was a stand-alone entity. Net cash transfers from AT&T were \$1,034 million, \$770 million, and \$425 million in 1995, 1994 and 1993, respectively. In addition, \$537 million of third-party debt was issued in 1994, of which \$312 million was repaid in 1995 and the remainder was assumed by AT&T in 1996 and is included in shareholder's net investment.

For the six month period ended June 30, NCR generated cash flow from financing activities of \$358 million and \$312 million in 1996 and 1995, respectively. Cash flows generated were a result of transfers from AT&T and a repayment of long-term debt of \$231 million in the first six months of 1996.

The Company leases land, buildings and equipment through long-term lease contracts that expire in various years. Rental expense under operating leases was \$96 million in 1995, \$81 million in 1994 and \$109 million in 1993. Future minimum lease payments due under noncancelable operating leases at December 31, 1995 total \$265 million. The Company expects to fund such commitments through its working capital and funds generated from operations.

The Company operates in various markets, including international and domestic locations. The most significant of the international operations of the Company include France, Germany, Japan, Switzerland, and the United Kingdom. Given that international transactions in these markets are customarily denominated in the respective countries' currencies, the Company is subject to foreign currency risk and other risks associated with foreign operations such as the risks relating to foreign economic and political conditions, the potential for restrictive actions by foreign governments, and risks relating to repatriation of funds from non-U.S. subsidiaries. The Company uses foreign exchange contracts to manage its exposures to changes in currency exchange rates. The use of foreign exchange contracts allows NCR to reduce its exposures to the risk that the ultimate net cash inflows and outflows will be adversely affected by changes in currency exchange rates.

In the normal course of business the Company uses various financial instruments, including derivative financial instruments, for purposes other than trading. The Company does not use derivative financial

instruments for speculative purposes. In addition to foreign currency exchange contracts, these instruments include letters of credit and guarantees of debt.

By their nature all such instruments involve risk including the credit risk of nonperformance by counterparties, and the Company's maximum potential loss may exceed the amount recognized in the Company's balance sheet. However, as of June 30, 1996 and December 31, 1995, in management's opinion, there was no significant risk of loss in the event of nonperformance of the counterparties to these financial instruments. The Company controls its exposure to credit risk through credit approvals, credit limits, and monitoring procedures. There were no past due amounts related to the Company's outstanding derivative contracts at December 31, 1995, nor have there been any charge-offs during the three years ended December 31, 1995. The Company does not have any significant exposure to any individual customer or counterparty nor any major concentration of credit risk related to any financial instruments.

For the reasons described under "-- Results of Operations -- Seasonality," the Company's working capital requirements and cash flows provided by operating activities can vary greatly from quarter to quarter, depending on the volume of production, the timing of deliveries, and the payment terms offered to customers.

The Company estimates that the cash expenditures necessary after December 31, 1995 to implement the restructuring programs will be \$818 million, including \$507 million after June 30, 1996. Such expenditures in 1996 are expected to be funded through cash flows generated from operations, working capital improvements and through capital contributions provided by AT&T.

In order to meet its working capital needs, the Company anticipates that it will enter into the unsecured revolving Credit Facility with a syndicate of commercial banks and financial institutions. The Credit Facility is expected to provide that the Company may borrow from time to time on a revolving credit basis an aggregate principal amount of up to \$600 million, subject to the terms and conditions thereof. The Company expects to be able to use the available funds at any time for capital expenditure needs, repayment of existing debt obligations, working capital, and general corporate purposes. The Company expects the Credit Facility will initially mature within five years from the date of closing and 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 Facility are expected to be primarily based on market rates which can vary over time. In addition, a portion of the Credit Facility is expected to be available for the issuance of letters of credit as required by the Company.

Historically, the Company's working capital and cash flow requirements have been substantial. The aggregate net cash provided by financing activities as reflected in the accompanying statements of cash flows, principally provided through net cash contributions from AT&T, was \$2,824 million from January 1, 1993 through June 30, 1996. After the Distribution, AT&T will no longer provide such funds to NCR. See "Risk Factors -- Future Capital Requirements; Absence of AT&T Funding." However, it is expected that, pursuant to the NCR Distribution Agreement, AT&T will (i) make additional contributions of capital to NCR prior to the Distribution Date and (ii) contribute intercompany advances outstanding from AT&T to NCR as of June 30, 1996. The consolidated financial statements included elsewhere herein reflect these advances in shareholder's equity as having been contributed. The additional capital contributions are expected to consist of \$419 million in cash and the contribution of additional cash in an amount sufficient to retire or defease a total of \$68 million of NCR debt (including payment of related expenses). A portion of the \$419 million in cash may be provided by means of additional intercompany advances from AT&T to NCR after June 30, 1996 that will be contributed at the Distribution Date. See "Capitalization."

NCR believes that cash flows from operations, availability under the Credit Facility and other short and long-term debt financings, if any, will be sufficient to satisfy its future working capital, capital expenditure, research and development, and other financing requirements. However, NCR does not expect to be able to obtain financing with interest rates or terms as favorable as those historically experienced by AT&T, with the result that its cost of capital will likely be higher than that reflected in NCR's historical financial statements. NCR will also likely be subject to financial, operating, and other covenants restricting its operations, although historically, as a wholly owned subsidiary of AT&T, it has not been subject to any such restrictive covenants. The Company further believes that it will be able to access capital markets on terms and in amounts that will

be satisfactory to it, although there can be no assurance that will be the case. The Company believes that it will be able to obtain bid and performance bonds, to arrange or provide customer financing as necessary, and to engage in hedging transactions on commercially acceptable terms.

The Company believes that the business restructuring and turnaround strategy implemented in 1995 has significantly contributed to its improved results during the first six months of 1996. The loss from operations has decreased from \$390 million in the first half of 1995 to \$26 million in the first half of 1996. Selling, general and administrative expenses have declined \$284 million, gross margins have improved by 4.9 percentage points, and headcount, consisting of both employees and contractors, was reduced by approximately 8,100. The strategy to focus the Company on its core areas of strength, implement a revised business management model, and initiate several key business process improvements has resulted in, among other things, significant expense level reductions and improvements in working capital management. This in turn has caused significant improvement in the Company's reported results of operations and increases in cash flows from operations, as evidenced by the change from net cash used in operating activities of \$381 million in the first half of 1995 compared to net cash provided by operating activities of \$276 million in the same period of 1996. The Company believes these strategic initiatives will continue to favorably impact operating results and cash flows, and does not foresee at this time a need to initiate additional business restructurings.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

IMPAIRMENT OF LONG-LIVED ASSETS

Effective October 1, 1995, NCR adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." This standard requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of the standard did not materially impact NCR's consolidated results of operations, financial condition or cash flows because this was essentially the method NCR used in the past to measure and record asset impairments.

STOCK-BASED COMPENSATION

In its Consolidated Financial Statements for the year ending December 31, 1996, NCR is required to adopt SFAS No. 123, "Accounting for Stock-Based Compensation." This standard establishes a fair value method of accounting for, or disclosing, stock-based compensation plans. NCR intends to adopt the disclosure provisions of this standard which require disclosing the pro forma consolidated net income and earnings per share amounts assuming the fair value method was effective on January 1, 1995. The adoption of the disclosure provisions will not affect consolidated financial condition, results of operations, or cash flows.

PRODUCTS AND TECHNOLOGY

The markets for many of NCR's products are characterized by rapidly changing technology, evolving industry standards, and frequent new product introductions. Shortening product life cycles in the information technology industry pose a challenge for the effective management of the transition from existing products to new products. The transition to new products can also result in inventories of old or obsolete products and components.

NCR uses many standard parts and components in its products and believes there are a number of competent vendors for most parts and components. However, a number of important components are developed by and purchased from single sources due to price, quality, technology or other considerations. In some cases, those components are available only from single sources. In order to secure components for production and introduction of new products, NCR may make advance payments to certain suppliers and may enter into noncancelable purchase commitments with vendors with respect to the purchase of components. See "Risk Factors -- Reliance on Suppliers and Partners."

LEGAL PROCEEDINGS AND ENVIRONMENTAL MATTERS

In the normal course of business, NCR is subject to regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment, health and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. Although NCR believes that amounts provided in its financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to discharge alleged liabilities from lawsuits, claims and other legal proceedings and environmental matters, and to comply with applicable environmental laws, will not exceed the amounts reflected in NCR's financial statements or will not have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of June 30, 1996 cannot be determined.

Among the lawsuits and claims pending against NCR as of December 31, 1995 and June 30, 1996, there were approximately 100 individual product liability claims alleging that the Company's products, including PCs, supermarket barcode scanners, cash registers and check encoders, caused so-called "repetitive strain injuries" or "cumulative trauma disorders," such as carpal tunnel syndrome. In such lawsuits, the plaintiff typically alleges that he or she suffers from injuries caused by the design of the product at issue or a failure to warn of alleged hazards. These plaintiffs seek compensatory damages and, in many cases, punitive damages. Most other manufacturers of these products have also been sued by plaintiffs on similar theories. Ultimate resolution of the litigation against the Company may substantially depend on the outcome of similar matters of this type pending in various state and federal courts. The Company has denied the merits and basis for the pending claims against it and intends to continue to contest these cases vigorously.

NCR's facilities and operations are subject to a wide range of environmental protection laws in the United States and other countries related to solid and hazardous waste disposal, the control of air emissions and water discharges, and the mitigation of impacts to the environment from past operations and practices. NCR has investigatory and remedial activities, including characterization and cleanup actions, underway at a number of currently and formerly owned or operated facilities to comply, or to determine compliance, with applicable environmental protection laws. NCR has been identified, either by a governmental agency or by a private party seeking contribution to site cleanup costs, as a PRP at a number of sites pursuant to a variety of statutory schemes, both state and federal, including the FWPCA and comparable state statutes, and CERCLA, and comparable state statutes.

In February 1996, NCR received notice from the USF&WS that it considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages to the Fox River System due to, among other things, sediment contamination in the Fox River System allegedly resulting from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. USF&WS and two Indian Tribes have stated their intention to conduct a Natural Resource Damage Assessment to determine and quantify the nature and extent of alleged injury to natural resources. In addition, NCR has been identified, along with a number of other companies, by the WDNR with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. NCR is also actively pursuing discussions with the WDNR regarding the Company's alleged liability. NCR's share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be predicted with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of identified remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. At this point, NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply and believes the claims described above are the responsibility of the buyer and its former parent company pursuant to the terms of the sales agreement. In this connection, the Company has commenced litigation against the buyer to enforce its position.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR accrues environmental provisions when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. Management expects that the amounts provided as of December 31, 1995 and June 30, 1996 will be paid out over the period of investigation, negotiation, remediation, and restoration for the applicable sites, which may be 30 years or more. Provisions for estimated losses from environmental remediation are, depending on the site, based primarily on internal and third-party environmental studies, estimates as to the number, and participation level of any other PRPs, the extent of the contamination, and the nature of required remedial and restoration actions. Accruals are adjusted as further information develops or circumstances change. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amount of such liabilities, without deductions for insurance or third-party indemnity claims. In those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

FORWARD LOOKING STATEMENTS

Management's Discussion and Analysis of Financial Condition and Results of Operations contains information regarding management's planned revenue growth and expenditure levels, its financing plans, and plans for information technology development. These statements are forward looking statements that involve a number of risks and uncertainties. The following is a list of factors, among others, that could cause actual results to differ materially from the forward looking statements: business conditions and growth in certain market segments and industries; and the general economy; competitive factors including increased competition and price pressures; availability of third party component products at reasonable prices; technological obsolescence; foreign currency exposure; financial condition of business partners; changes in product mix between and among product lines; lower than expected customer orders and quarterly seasonal fluctuation of those orders; and product shipment interruptions. See "Risk Factors."

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS OF NCR

Set forth below is certain information concerning the directors and executive officers of NCR. Of the current directors, only Mr. Nyberg will continue to serve as a director after the Distribution. In addition to Mr. Nyberg, NCR's new board is expected to consist of directors, who are not officers or employees of NCR. NCR's Board of Directors is divided into three classes. Commencing with the annual meeting of stockholders to be held in 1997, directors for each class will be elected at the annual meeting of stockholders held in the year in which the term for such class expires and will serve thereafter for three years. See "Certain Antitakeover Effects -- Board of Directors."

NAME	AGE	POSITION AND OFFICES HELD
Lars Nyberg.....	45	Chairman of the Board, Chief Executive Officer and President
Raymond G. Carlin.....	41	Senior Vice President, Americas Region
Robert R. Carpenter.....	41	Senior Vice President, Worldwide Customer Support Services
Robert A. Davis.....	46	Senior Vice President and Chief Quality Officer
William J. Eisenman.....	50	Senior Vice President, Computer Systems Group
Daniel J. Enneking.....	49	Senior Vice President, Systemedia Group
Richard H. Evans.....	50	Senior Vice President, Global Human Resources and Chief Strategy Officer
Anthony Fano.....	53	Senior Vice President, Retail Systems Group
John L. Giering.....	52	Senior Vice President and Chief Financial Officer, and a Director
Jonathan S. Hoak.....	47	Senior Vice President and General Counsel, and a Director
Per-Olof Loof.....	46	Senior Vice President, Financial Systems Group
Alice H. Lusk.....	48	Senior Vice President, Worldwide Professional Services and Information Systems Operations
Dennis Roberson.....	47	Senior Vice President and Chief Technical Officer
Jose Luis Solla.....	48	Senior Vice President, Europe/Middle East/Africa Region
Hideaki Takahashi.....	48	Senior Vice President, Asia/Pacific Region
Michael P. Tarpey.....	51	Senior Vice President, Public Relations

Lars Nyberg. Mr. Nyberg was named Chairman of the Board, Chief Executive Officer and President of NCR effective June 1, 1995. From June 1995 to December 1995, Mr. Nyberg also served as Executive Vice President, AT&T. From 1993 to 1995, Mr. Nyberg held the position of Chairman and Chief Executive Officer of the Communication Division of Philips Electronics NV ("Philips"), an electronics and electrical products company. At that time, Mr. Nyberg was a member of the Philips Group Management Committee. In 1992, Mr. Nyberg was appointed Managing Director, Philips Consumer Electronics Division. From 1990 to 1992, he was the Chairman and Chief Executive Officer of Philips Computer Division.

Raymond G. Carlin. Mr. Carlin became Senior Vice President of NCR in January 1995, responsible for all sales and services activities in the Americas Region. From 1994 to 1995, Mr. Carlin was Vice President, U.S. Area, and from 1993 to 1994, Mr. Carlin was Vice President, NCR Worldwide Industry Marketing. In 1992, Mr. Carlin was appointed an officer by the Board of Directors of NCR and served as Vice President, U.S. Retail Systems Division. Prior to that, he was Vice President of the Northeast Division, NCR U.S. Group.

Robert R. Carpenter. Mr. Carpenter became Senior Vice President, Worldwide Customer Support Services for NCR in September 1996. From 1994 to 1996, he was Senior Vice President, Worldwide Services for NCR. Mr. Carpenter joined AT&T in 1992 as Vice President, Marketing and Sales Operations for AT&T

Network Systems. From 1988 to 1992, Mr. Carpenter held the position of Corporate Vice President, Support Operations, for Square D Corporation, a maker of electrical distribution, automation and industrial control products, systems and services.

Robert A. Davis. Mr. Davis became Senior Vice President and Chief Quality Officer in 1995. From 1994 to 1995, Mr. Davis was with Ideon Group, Inc., a provider of credit card registry services, as Senior Vice President and Chief Quality Officer. From 1990 to 1994, Mr. Davis was Vice President and Chief Quality Officer with AT&T Universal Card Services.

William J. Eisenman. Mr. Eisenman became Senior Vice President, Computer Systems Group in 1995. In 1994, he was appointed Vice President, NCR Worldwide Services, Global Remote Services. From 1991 to 1994, he was Vice President, NCR Large Computer Products Division.

Daniel J. Enneking. Mr. Enneking became Senior Vice President, Systemedia Group in 1993. Mr. Enneking was appointed an officer by the Board of Directors of NCR in 1991, and from 1991 to 1993, Mr. Enneking held the position of Vice President, Finance & Administration, NCR U.S. Group.

Richard H. Evans. Mr. Evans became Senior Vice President, Global Human Resources and Chief Strategy Officer for NCR in November 1995. Prior to his appointment with NCR, Mr. Evans was Global Human Resources Vice President for AT&T. From 1991 to 1993, Mr. Evans was President and Regional Managing Director for AT&T's International Operations Division Asia/Pacific in Hong Kong.

Anthony Fano. Mr. Fano became Senior Vice President, Retail Systems Group in 1995. From 1994 to 1995, Mr. Fano was Senior Vice President, NCR Europe and Middle East/Africa, responsible for all NCR sales and services activity in that geographic region. From 1993 to 1994, he was Senior Vice President, Quality and Re-engineering. From 1991 to 1993, he was Vice President, NCR Latin America/Middle East/Africa Group.

John L. Giering. Mr. Giering has held the position of Senior Vice President and Chief Financial Officer of NCR since 1990. He has been a director of the Company since January 1994.

Jonathan S. Hoak. Mr. Hoak became Senior Vice President and General Counsel in December 1993 and a director of the Company effective September 3, 1996. From 1990 to 1993, Mr. Hoak was with AT&T Federal Systems as a General Attorney.

Per-Olof Loof. Mr. Loof became Senior Vice President, Financial Systems Group in November 1995. From 1994 to 1995, Mr. Loof was President and Chief Executive Officer, AT&T Istel Co. Mr. Loof served as Vice President, Sales and Marketing for Europe with Digital, a computer and related equipment and software company, in 1994, and from 1990 to 1993 was Vice President, Financial Industry, with Digital Europe.

Alice H. Lusk. Ms. Lusk became Senior Vice President, Worldwide Professional Services and Information Systems Operations effective September 23, 1996. From 1992 to 1995, she was Corporate Vice President and Group Executive for Healthcare and Life, Property, Casualty and Workers Compensation Insurance Business Units at EDS, an information technology services company. Ms. Lusk served as President, Healthcare Strategic Business Unit at EDS from 1991 to 1992. Ms. Lusk is a director of Access Health, Inc.

Dennis Roberson. Mr. Roberson became Senior Vice President and Chief Technical Officer in September 1995. Mr. Roberson joined NCR as Vice President, NCR Computer Products and Systems in May 1994. From 1988 to 1994, Mr. Roberson was Vice President, Software, with Digital.

Jose Luis Solla. Mr. Solla became Senior Vice President in November 1995, responsible for all sales and services activities in the Europe/Middle East/Africa Region. Mr. Solla joined AT&T Iberia as a Country Leader in 1995. During 1995, Mr. Solla also held the position of Area Manager, Iberia with Olivetti, an office and computer equipment company. Mr. Solla joined Olivetti Spain in 1992 and held the position of Managing Director until 1995. Prior to 1992, Mr. Solla was Area Director, ICL Spain, a computer and telecommunications systems company.

Hideaki Takahashi. Mr. Takahashi became Senior Vice President in January 1996, responsible for all sales and services activities in the Asia/Pacific Region. In July 1994, Mr. Takahashi was appointed Vice

President Asia/Pacific Region. From 1992 to 1994, Mr. Takahashi was Vice President, Operations, Japan. In 1992 he became Director, NCR Japan, Ltd. From 1987 to 1992, he was General Manager of NCR's engineering and manufacturing facility in Oiso, Japan.

Michael P. Tarpey. Mr. Tarpey was appointed Senior Vice President of Public Relations in January 1996. From 1994 to 1995, Mr. Tarpey was Public Relations Vice President for AT&T's Consumer Communications Services business. From 1990 to 1993, he was Vice President, Public Relations for AT&T's Business Long Distance Unit.

COMMITTEES OF THE NCR BOARD OF DIRECTORS

Shortly after the Distribution Date, the NCR Board of Directors is expected to establish the following committees: the Audit and Finance Committee, the Compensation Committee, and the Committee on Directors. The NCR Board of Directors may also establish other committees to facilitate its work.

The Audit and Finance Committee, which is expected to be comprised of at least three non-employee directors, will be primarily responsible for providing a means of direct contact and communication between NCR's independent accountants and the NCR Board of Directors. The Audit and Finance Committee will review (a) NCR's accounting principles and policies; (b) NCR's internal and independent auditors' reports; (c) the adequacy of NCR's internal controls; (d) NCR's annual audited financial statements; and (e) compliance with NCR's Code of Conduct and key regulatory issues. The Audit and Finance Committee will also be responsible for recommending to the Board of Directors the appointment of NCR's independent accountants, reviewing, approving and recommending to the Board of Directors NCR's financial policies and strategies, and reviewing significant capital or other expenditures.

The Compensation Committee will consist of at least three non-employee directors. Its primary functions will be to review the performance of NCR's executive officers and make recommendations to the Board of Directors with respect to the compensation of NCR's directors and executive officers. In addition, the Compensation Committee will review NCR's executive compensation plans in relation to its corporate strategies, NCR's stock option and other incentive plans, and NCR's plans for management succession and development.

The Committee on Directors will establish procedures for the selection and retention of directors, review the composition of the NCR Board of Directors and the qualifications of persons identified as prospective directors, and recommend for approval by the Board of Directors the candidates to be nominated for election as directors. The Committee on Directors will consist of Mr. Nyberg and at least two non-employee directors.

COMPENSATION OF DIRECTORS

NCR expects that each non-employee director will receive an annual retainer of approximately \$30,000, consisting of cash, deferred equity compensation, or a combination thereof. The equity portion of the retainer is expected to be granted on the date of each annual stockholders meeting and to vest pro rata over the year that service is rendered. Cash payments would be made pro rata on a quarterly basis.

The deferred equity component of the retainer will be in the form of deferred shares credited to an NCR Common Stock equivalent account. Dividend payments on NCR Common Stock, if any, will be reinvested in additional deferred shares. It is further contemplated that, at the time of the grant, NCR's non-employee directors will be entitled to elect either (a) to defer until retirement the receipt of shares of NCR Common Stock with a value equivalent to that of their respective vested deferred shares, or (b) to receive such shares annually over a predetermined period of time.

NCR also plans to offer its new non-employee directors a one-time stock option or deferred share grant upon their election to the Board of Directors. It is contemplated that the amount of this grant will be one to two times the annual retainer.

In addition to an annual retainer, NCR's non-employee directors will receive stock option grants at each annual stockholders meeting with a value, based on a specified formula, of approximately \$30,000. Such stock

option grants will vest pro rata during the subsequent year of service and will be fully exercisable one year from the date of the grant. The options will have an exercise price equal to the fair market value of the underlying shares of NCR Common Stock on the date of the grant.

ANNUAL MEETING

The NCR Bylaws provide that the Company's annual meetings of stockholders will be held during the 31 day period commencing the third Thursday of April of each year at NCR's principal office or on such other date and at such other place and time as may be fixed by resolution of the NCR Board of Directors. The first annual meeting for which proxies will be solicited from stockholders will be held in 1997.

STOCK OWNERSHIP OF EXECUTIVE OFFICERS AND DIRECTORS

No present or future executive officer or director currently owns any shares of NCR Common Stock, all of which are currently owned by AT&T. Such executive officers and directors will receive shares of NCR Common Stock in the Distribution in respect of shares of AT&T Common Stock held by them on the Record Date. In addition, with certain exceptions, existing benefit plan awards under NCR and AT&T benefit plans based on AT&T Common Stock will be converted into comparable awards based on NCR Common Stock under the NCR Management Stock Plan (the "NCR Stock Plan") as described below. See "-- NCR Stock Incentive Plans" and "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement." The following table sets forth the number of shares of AT&T Common Stock beneficially owned on , 1996 by each of NCR's directors, the executive officers named in the Summary Compensation Table below, and all directors and executive officers of NCR as a group. Except as otherwise noted, the individual director or executive officer or his or her family members had sole voting and investment power with respect to such securities.

NAME	BENEFICIALLY OWNED(1)(2)

Lars Nyberg.....	
Raymond G. Carlin.....	
Robert R. Carpenter(3).....	
Anthony Fano.....	
John L. Giering.....	
Directors and Executive Officers as a Group (16 persons).....	

- (1) No individual director, director nominee or named executive officer beneficially owns 1% or more of the outstanding AT&T Common Stock, nor do the directors and executive officers as a group.
- (2) Includes beneficial ownership of the following number of shares of AT&T Common Stock which may be acquired within 60 days of , 1996 pursuant to stock options awarded under employee incentive compensation plans of AT&T. Mr. Nyberg - ; Mr. Carlin - ; Mr. Carpenter - ; Mr. Fano - ; Mr. Giering - ; and all other executive officers as a group - .
- (3) Does not include share units representing shares of AT&T Common Stock held in elective deferred compensation accounts.

To the knowledge of AT&T and NCR, no person or entity beneficially owns more than 5% of the outstanding AT&T Common Stock. Options to purchase NCR Common Stock and other awards based on NCR Common Stock are expected to be granted in the future to NCR directors, officers and employees under NCR's benefit plans. See "-- NCR Stock Incentive Plans" and "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement."

EXECUTIVE COMPENSATION

The following table sets forth certain compensation information for Lars Nyberg, the Chairman of the Board, Chief Executive Officer and President of NCR, and the four other executive officers of NCR as of December 31, 1995 who, based on employment with NCR, AT&T or their respective subsidiaries, were the most highly compensated executive officers for the year ended December 31, 1995. Information set forth in the table reflects compensation earned by such individuals for services with NCR, AT&T or their respective subsidiaries.

SUMMARY COMPENSATION TABLE

NAME AND POSITION(1)	YEAR	ANNUAL COMPENSATION(2)			LONG TERM COMPENSATION(2)			ALL OTHER COMPENSATION(\$)(6)
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION(\$)(3)	AWARDS	PAYOUTS		
					AT&T RESTRICTED STOCK AWARD(\$)(4E)	AT&T OPTIONS (#)	AT&T LTIP PAYOUTS (\$)(5)	
Lars Nyberg(7)..... Chairman of the Board, Chief Executive Officer and President	1995	295,384	760,506	122,198	990,942(4a) 45,036(4b) 2,222,500(4c)	438,484	0	0
	1994	0	0	0		0	0	0
	1993	0	0	0		0	0	0
Raymond G. Carlin..... Senior Vice President Americas Region	1995	265,000	64,382	9,080	178,054(4a) 39,774(4b)	13,200	50,000	5,625
	1994	215,771	115,700	9,859	27,049(4b)	8,760	49,140	5,625
	1993	156,780	58,821	11,481	23,520(4b)	4,500	63,000	5,635
Robert R. Carpenter..... Senior Vice President Worldwide Customer Support Services	1995	305,000	167,900	62,451	171,806(4a)	6,219	92,598	25,904
	1994	283,333	220,400	39,671	0	5,278	88,856	20,374
	1993	235,000	110,900	29,261	0	5,278	51,549	21,371
Anthony Fano..... Senior Vice President Retail Systems Group	1995	286,000	45,383	94,772	204,452(4a)	15,380	80,900	5,625
	1994	225,000	120,998	9,785	501,165(4d)	9,220	79,560	5,625
	1993	196,000	93,379	9,510	0	9,140	102,000	11,230
John L. Giering..... Senior Vice President & Chief Financial Officer	1995	310,000	84,476	15,523	303,832(4a)	21,280	144,000	399,149
	1994	297,570	167,364	14,143	0	20,120	141,570	281,495
	1993	273,000	122,276	25,808	0	20,420	181,500	252,784

(1) Includes the Chief Executive Officer and the four other most highly compensated executive officers as measured by salary and bonus.

(2) Compensation deferred at the election of named executive officers is included in the category (e.g., salary, bonus, long term incentive plan payouts, etc.) and year it would have otherwise been reported had it not been deferred.

(3) Includes (a) dividend equivalents paid with respect to long-term performance shares prior to the end of the three-year performance period, (b) tax payment reimbursements, (c) the value of certain personal benefits and perquisites, (d) relocation reimbursements, and (e) payments of above-market interest on deferred compensation.

(4) (a) During 1995, awards classified as performance share awards were granted to Messrs. Nyberg, Carlin, Carpenter, Fano, and Giering. At the time of such grant, the payout of such awards was tied to achieving specified levels of performance, customer satisfaction, or employee satisfaction. The target amount would be earned if 100% of each participant's specific objectives was achieved over a three-year period. At its December 1995 meeting, the Compensation Committee of the AT&T Board recommended and approved that the performance amounts for the 1995-1997 performance cycle be deemed to have been met at the target level. This action was taken in acknowledgment that AT&T's restructuring had rendered the original performance criteria inapplicable and of the difficulty of establishing revised criteria while the restructuring was in process. Awards will be distributed as common stock, or as cash in such an amount equal to the value of these shares, or partly in common stock and partly in cash. As a result of such action, this award will vest in one installment and be payable in the first quarter of 1998 if the participant remains in the employ of NCR for the three full years ending December 31, 1997, with certain exceptions

in the case of death, disability, or retirement. Dividend equivalents on such awards are paid in cash. The number of shares of AT&T Common Stock represented by the awards made for the 1995-1997 performance cycle for Messrs. Nyberg, Carlin, Carpenter, Fano, and Giering, respectively, were 10,555, 2,123, 1,798, 2,291, and 3,104. The value of such awards at the date of grant is reflected in the table above.

A similar determination was made by such Compensation Committee with respect to the 1994-1996 cycle for similar awards. Accordingly, such awards will vest in one installment and be payable in the first quarter of 1997 if the participant remains in the employ of NCR through December 31, 1996, subject to the same exceptions described above. The number of shares of AT&T Common Stock represented by the 1994-96 awards for Messrs. Nyberg, Carlin, Carpenter, Fano, and Giering, respectively, were 8,783, 1,364, 1,553, 1,705, and 2,818. The value of such awards at the date of grant is reflected in the table above.

(b) Messrs. Nyberg and Carlin received 834 and 754 restricted shares of AT&T Common Stock, respectively, in 1995, and Mr. Carlin received 514 and 448 restricted shares of AT&T Common Stock in 1994 and 1993, respectively, in each case pursuant to the Officer Plan (as defined below). Dividends on these shares are reinvested in additional shares of restricted stock. The value of such awards at the date of grant is reflected in the table above.

(c) During 1995, Mr. Nyberg received a special restricted stock unit grant of 35,000 shares of AT&T Common Stock. The grant to Mr. Nyberg is part of an AT&T special equity incentive/retention program. The grant vests four years after the date of grant and carries stringent penalties for competition and other specified adverse activities. Dividends on such units are paid in cash. The grant to Mr. Nyberg will not be converted into awards based on NCR Common Stock on the Distribution Date but will remain restricted stock units based on AT&T Common Stock. The value of this award at the date of grant is reflected in the table above.

(d) In March 1994, Mr. Fano received a phantom stock grant equivalent to 9,546 shares of AT&T Common Stock. The phantom stock vests after four years, except in the event of death or disability, in which event the grant vests ratably over the four-year period. The phantom stock is payable in cash, and dividends are reinvested in additional shares of phantom stock. The value of this award at the date of grant is reflected in the table above.

(e) The aggregate value at December 31, 1995 (based on an AT&T Common Stock price of \$64 1/2 per share) for the 1995-1997 and 1994-1996 performance share awards for Messrs. Nyberg, Carlin, Carpenter, Fano, and Giering, respectively, was \$1,252,135, \$225,783, \$216,977, \$258,741, and \$383,450. The aggregate value at December 31, 1995 (based on an AT&T Common Stock price of \$64 1/2 per share) for awards of restricted shares of AT&T Common Stock, restricted stock units, or phantom share units for Messrs. Nyberg, Carlin, and Fano, respectively, was \$2,311,293, \$110,682, and \$615,717.

- (5) Includes distribution in 1995 to Messrs. Carlin, Carpenter, Fano, and Giering of performance units for the three-year performance period ended December 31, 1994.
- (6) Includes in 1995 for Mr. Carpenter, AT&T contributions to the AT&T Savings Plan of \$6,000, AT&T contributions under a non-qualified savings plan of \$5,201, and premiums for split-dollar life insurance policies of \$14,885. Also, includes in 1995 for each of Mr. Fano and Mr. Carlin, NCR contributions to the Savings Plan of \$5,625. For Mr. Giering, includes in 1995, NCR contributions to the Savings Plan of \$5,625 and accrued interest of \$393,524 on a lump-sum amount payable in 1997 pursuant to an employment agreement. See "-- Employment Agreements."
- (7) Mr. Nyberg became Chairman of the Board, Chief Executive Officer and President of NCR effective June 1995. For a summary of his employment agreements, see "-- Employment Agreements" below.

OPTION AND SAR GRANTS OF AT&T COMMON STOCK TO EXECUTIVE OFFICERS

The following tables disclose information regarding stock options and stock appreciation rights granted to the executive officers named in the Summary Compensation Table above in respect of shares of AT&T Common Stock under the AT&T 1987 Long Term Incentive Plan (the "AT&T Stock Plan").

OPTION GRANTS IN LAST FISCAL YEAR

NAME(1)	INDIVIDUAL GRANTS				GRANT DATE PRESENT VALUE (\$)(4)
	NUMBER OF SHARES UNDERLYING OPTIONS GRANTED(2)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES(3)	EXERCISE PRICE (\$/Sh)	EXPIRATION DATE	
Lars Nyberg.....	38,484		54.0000	7/5/05	451,032
	400,000	3.29%	63.5000	9/25/05	5,384,000
Raymond G. Carlin.....	13,200	0.10%	49.9375	1/3/05	175,428
Robert R. Carpenter.....	6,219	0.05%	49.9375	1/3/05	83,894
Anthony Fano.....	15,380	0.12%	49.9375	1/3/05	204,400
John L. Giering.....	21,280	0.16%	49.9375	1/3/05	282,811

(1) Includes the Chief Executive Officer and the four other most highly compensated executive officers as measured by salary and bonus.

(2) Includes the regular annual January 1995 grant of options to Messrs. Carlin, Carpenter, Fano, and Giering. For Mr. Nyberg, includes a July 1995 grant in connection with his initial employment and a special AT&T September 1995 equity incentive/retention grant following the announcement of AT&T's restructuring. The options granted in January 1995 to Messrs. Fano, and Giering vest in equal annual installments over four years. Grants to Messrs. Carlin and Carpenter, and to Mr. Nyberg in January and July, respectively, vest in equal annual installments over three years. Options granted in September 1995 to Mr. Nyberg become exercisable four years after the date of grant provided that applicable price performance criteria have been satisfied. Regardless of price performance, all options granted in September 1995 will vest six years after the date of grant. All options expire on the tenth anniversary of the date of grant.

(3) Percent of total options granted based on total options granted to AT&T employees.

(4) In accordance with Commission rules, the Black-Scholes option pricing model was chosen to estimate the grant date present value of the options set forth in this table. NCR's use of this model should not be construed as an endorsement of its accuracy at valuing options. All stock option valuation models, including the Black-Scholes model, require certain assumptions to be made. The following assumptions were made for purposes of calculating the Grant Date Present Value: for the January grant, an option term of 7 years, a standard deviation of 17.69%, a dividend yield of 2.77%, an interest rate of 7.83%, and a 3% per year discount for each year in the vesting period for risk of forfeiture over the three or four-year vesting schedule, as appropriate; for the July grant, an option term of 7 years, a standard deviation of 15.72%, a dividend yield of 2.66%, an interest rate of 6.10%, and a 3% per year discount for each year in the vesting period for risk of forfeiture over a three-year vesting schedule; and for the September grant, an option term of 7 years, a standard deviation of 15.72%, a dividend yield of 2.66%, an interest rate of 6.40%, and a 3% per year discount for each year in the vesting period for risk of forfeiture over the four-year cliff vesting period. The real value of the options in this table depends upon the actual performance of the stock underlying the options during the applicable period.

AGGREGATED OPTION/STOCK APPRECIATION RIGHTS
EXERCISES IN 1995 AND YEAR-END VALUES

NAME(1)	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED(\$)	UNEXERCISED	VALUE OF
			OPTIONS/SARS AT YEAR END(2)	IN-THE-MONEY OPTIONS/SARS AT YEAR END(2)
			----- EXERCISABLE/ UNEXERCISABLE	----- EXERCISABLE/ UNEXERCISABLE
Lars Nyberg.....	0	0	0	0
Raymond G. Carlin.....	8,095	205,458	438,484	913,703
Robert R. Carpenter.....	5,278	156,031	4,440	57,503
Anthony Fano.....	7,974	228,758	23,385	340,804
John L. Giering.....	0	0	21,556	425,318
			6,219	92,119
			15,155	306,490
			29,625	445,818
			34,050	691,408
			52,850	800,669

(1) Includes the Chief Executive Officer and the four other most highly compensated executive officers as measured by salary and bonus. Sets forth information regarding options regardless of year of grant.

(2) None of the individuals set forth in the table above have stock appreciation rights.

EMPLOYMENT AGREEMENTS

AT&T entered into letter employment agreements with Lars Nyberg on April 18, 1995 (the "1995 Agreement") and June 7, 1996 (the "1996 Agreement") providing for Mr. Nyberg's employment with NCR. The 1995 Agreement provides for an initial base salary of \$600,000 per year, a guaranteed 1995 annual incentive award of \$590,000, and awards under the AT&T Stock Plan of 10,555 performance units and options to purchase 38,484 shares of AT&T Common Stock. The 1995 Agreement also provides for an award to Mr. Nyberg of 7,397 performance units that were payable in the first quarter of 1996 and 8,783 performance units that are payable in the first quarter of 1997. At the time of the Distribution, such performance units will be converted into comparable awards based on NCR Common Stock under the NCR Stock Plan, as more fully set forth below under "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement."

The 1996 Agreement supplements the 1995 Agreement and provides for an annual bonus of \$375,000, payable by NCR to Mr. Nyberg on June 1 of each of the years 1996 through 1998, and a bonus of \$3,875,000, payable by NCR to Mr. Nyberg on June 1, 1999, provided in each case that Mr. Nyberg is employed by NCR on such dates. In the event his employment is terminated as a result of death, Disability, involuntary termination other than for Cause, or Termination for Good Reason (as such terms are defined in the 1996 Agreement), Mr. Nyberg (or his estate) will receive a one-time payment of \$5,000,000, less any bonus payments already received. The 1996 Agreement also provides for a bonus of \$2,000,000 to be paid to Mr. Nyberg on or after June 1, 1999 upon execution of an employment contract with NCR for an additional two-year period beyond June 1, 1999.

The 1996 Agreement provides that, after the Distribution, 400,000 stock options for AT&T Common Stock and 35,000 AT&T restricted stock units that were granted to Mr. Nyberg in September 1995 will continue to become exercisable or vest, as applicable, in accordance with the terms under which such awards were granted, and that such restricted stock units will not be converted into comparable awards based on NCR Common Stock but will remain outstanding. The 1996 Agreement also provides that, after the Distribution, NCR will provide Mr. Nyberg with (i) a grant of options to purchase a number of shares of NCR Common Stock such that the market price per share of NCR Common Stock at the date of grant multiplied by such number of shares equals \$5,000,000, and (ii) a grant of a number of restricted shares of NCR Common Stock such that the market price per share of NCR Common Stock at the date of grant multiplied by such number

of restricted shares equals \$5,000,000. Such options and restricted shares will become exercisable or vest, as applicable, in September 1999. Finally, the 1996 Agreement also provides for a lump-sum cash payment by AT&T to Mr. Nyberg of \$1,900,000 upon consummation of the Distribution in lieu of benefits and entitlements payable to Mr. Nyberg under a special pension arrangement established for him by AT&T.

AT&T and NCR entered into an employment agreement with John L. Giering on September 23, 1991, which provides for Mr. Giering's employment as Senior Vice President, Finance and Administration of NCR, commencing on the date of the agreement and ending on December 31, 1996. Thereafter, Mr. Giering's employment with NCR will be "at will" and upon such terms and conditions as NCR and Mr. Giering may agree. Pursuant to the terms of the employment agreement, Mr. Giering is entitled to receive a lump sum payment of \$2,275,000 plus interest, within 45 business days following December 31, 1996.

AT&T entered into an employment agreement with Robert R. Carpenter on March 2, 1992, which provides for Mr. Carpenter's employment with AT&T through March 2, 1997. Pursuant to the terms of the employment agreement, if Mr. Carpenter is terminated by AT&T other than for cause (as defined in the agreement) during the term of the agreement, Mr. Carpenter will be entitled to the greater of \$225,000 or 100% of his annual base salary in effect on the date of termination. NCR entered into a letter agreement with Mr. Carpenter on February 18, 1994, which provides for Mr. Carpenter's assignment to NCR as Senior Vice President -- Worldwide Services, but which does not negate any rights under the 1992 agreement.

SAVINGS PLAN

All eligible NCR employees in the United States may elect to participate in the NCR Savings Plan (the "Savings Plan"). The Savings Plan is a qualified plan under the Code. A participant in the Savings Plan may elect to contribute, on a "pre-tax" basis, up to a fixed percentage (ranging from 7% to 16% depending on a participant's pay) of his or her pay, collected through payroll deductions. A participant also can contribute, on an "after-tax" basis, provided, however, that a participant's total contribution (both pre-tax and after-tax) cannot exceed a fixed percentage (ranging from 11% to 20% depending on a participant's pay) of his or her pay. By law, no participant can contribute more than \$9,500 on a pre-tax basis in 1996. NCR makes matching contributions equal to 75% of the amount contributed by the participating employee up to 3% of pay and matching contributions equal to 50% of the amount contributed by the participating employee from 4% to 6% of pay.

Participants may invest both their own contributions and NCR's matching contributions to the Savings Plan in one or more of several funds, including a company stock fund consisting of shares of AT&T Common Stock. At the Distribution Date, an investment fund consisting solely of shares of NCR Common Stock will be added to the Savings Plan. During the one-year period following the Distribution Date, participants will not be able to direct investments into the AT&T Common Stock fund, but will be able to transfer investments out of such fund. At the end of such one-year period, all remaining investments in the AT&T Common Stock fund will be automatically transferred to the Saving Plan's money market fund and the AT&T Common Stock fund will be terminated.

A participant's contributions to the Savings Plan are always fully vested; matching contributions by NCR vest in one-fifth increments over a five-year period which begins on the first day of the employee's employment and vest no later than the employee's attainment of age 65. Also, in the event of death, disability or termination of employment due to a reduction-in-force, a participant becomes fully vested in all matching contributions made by NCR and is entitled to full distribution of all amounts held for his or her account under the Savings Plan. If a participant's employment is terminated for any other reason, all non-vested NCR matching contributions will be forfeited. Subject to a tax penalty, withdrawals may be made from the Savings Plan during a participant's employment in the case of a "hardship" (as defined in the Savings Plan). A participant may receive a loan from his or her vested account balances of up to the lesser of \$50,000 or 50% of the vested account balances.

RETIREMENT BENEFITS

Employees of NCR are covered by a variety of retirement plans. The NCR Pension Plan (the "Pension Plan") is a qualified, non-contributory defined benefit plan which provides retirement benefits to most employees based in the United States who are not covered by a collective bargaining agreement, including executive officers of NCR, who have completed one year of service and meet certain age requirements. Benefits payable under the Pension Plan are funded solely by contributions made by NCR on an actuarial basis to a trust. Generally, benefits are based on a participant's years of credited service with NCR and its subsidiaries and the participant's Modified Average Pay (as defined in the Pension Plan). For each year of credited service, a participant receives between 1.3% and 1.7% of his or her Modified Average Pay. Benefits payable under the Pension Plan will vest after a participant has completed five years of service with NCR or its subsidiaries. In addition, all benefits vest at age 65. The Pension Plan also provides an additional benefit (the "PensionPlus benefits") equivalent to 1.5% of a participant's Compensation (as defined in the Pension Plan) paid in each month since January 1, 1992 and 2% of Compensation paid in 1991.

NCR also sponsors several qualified, non-contributory defined benefit plans for non-exempt employees at certain manufacturing locations and for certain employees represented by collective bargaining units. Benefits under these plans are generally based upon a specific dollar amount and years of service.

The NCR Nonqualified Excess Plan (the "Excess Plan") provides supplemental retirement benefits to the employees of NCR whose retirement benefits under the Pension Plan are affected by Code limits. The supplemental pension benefits provided by the Excess Plan equal the difference between the benefits under the Pension Plan without regard to Code limits and the actual pension benefits payable under the Pension Plan. The supplemental benefits under the Excess Plan will be paid at the same time and in the same form as the benefits under the Pension Plan. The Excess Plan is a nonqualified plan, funded from general corporate assets.

NCR also maintains two nonqualified, unfunded supplemental retirement plans for executive officers designated as participants thereunder by NCR's Board of Directors (the "Plan Committee"). The NCR Senior Executive Retirement, Death & Disability Plan (the "Senior Plan") covers three active executive officers. The Retirement Plan for Officers of NCR (the "Officer Plan") is generally designed to replace the Senior Plan for executive officers appointed after November 30, 1988 and covers 12 active executive officers.

The Senior Plan provides monthly benefits upon termination of employment based upon 4% of a final average monthly pay per year of service. Final average monthly pay is determined by taking into account the participant's highest consecutive 36 months of compensation (i.e., salary, any Management Incentive Plan (the "MIP") award and 50% of certain long-term incentive plan awards) during the last 6 years of employment. The benefit is actuarially reduced to the extent that the participant is under age 62 at the time of termination. The benefit is offset by the participant's Social Security primary insurance amount, by the benefit under the Pension Plan, the Excess Plan or under any other pension, profit sharing, savings or other retirement plan of NCR, an NCR affiliate or a prior employer, and any disability income benefits received pursuant to a disability income plan sponsored by NCR. The Senior Plan also provides for disability benefits in the event that a participant's employment is terminated due to total disability and for death benefits in a reduced amount. No benefits are payable under the Senior Plan if a participant voluntarily terminates employment with NCR before attaining age 55, or is involuntarily terminated by the Company before attaining age 52. The Plan Committee has discretion to disallow benefits in the event that a participant engages in certain competition with NCR during the three-year period following termination of employment with NCR.

The Senior Plan contains a change in control provision that, upon the occurrence of any of certain enumerated events, enhances the benefits of an officer who has been a participant for at least one year prior to a change in control. Upon termination of employment for any reason, certain executive officers identified by NCR's Board of Directors ("Designated Officer") are entitled to an additional five years of service and a guaranteed minimum compensation amount for purposes of calculating the pension benefit under the Senior Plan, and may commence receiving benefits at any time after attaining age 50, subject to more favorable early retirement reduction factors. Other NCR officers who are not Designated Officers become entitled to these enhanced benefits if involuntarily terminated within three years after a change in control, or if terminated for

any reason thereafter. The change in control provision was triggered when NCR's stockholders approved the merger of NCR with a wholly owned subsidiary of AT&T.

Messrs. Giering and Fano are entitled to benefits under the Senior Plan that are enhanced by the change in control provision.

The Officer Plan provides for monthly benefits upon termination of employment based upon 2.5% of career average monthly salary for service as an executive officer, including salary, the MIP award and certain long-term incentive plan awards. The monthly benefit is actuarially reduced to the extent that the participant is under age 62 at the time of termination. The monthly benefit is offset by the participant's benefit under the Pension Plan (other than the PensionPlus benefits) and any employer-provided benefit under any other retirement plan of NCR, an NCR affiliate or a prior employer, and any disability income benefits received pursuant to a disability income plan sponsored by NCR. The Officer Plan permits participants to elect a joint and survivor form of annuity providing for reduced lifetime benefits and an annuity for the life of the participant's surviving spouse. Under the Officer Plan, no benefit is payable if the officer terminates employment prior to one year from the effective date of participation in the plan. In addition, a participant whose employment is terminated prior to age 55 for any reason other than death receives no benefits, unless he or she has been employed by NCR for at least ten years prior to termination of employment. The Officer Plan also provides death benefits in reduced amount. The Plan Committee has discretion to disallow benefits in the event that a participant engages in certain competition with NCR during the three-year period following termination of employment with NCR. Officers participating in the Officer Plan also have received annual grants of restricted AT&T Common Stock ("Restricted Stock") equal to 15% of annual base pay. The Restricted Stock vests when the officer reaches age 55 while still employed by AT&T, or upon death, retirement or total and permanent disability, and the restrictions on transferability lapse at age 62. After the Distribution, this program will be discontinued and outstanding awards will be converted into awards based on NCR Common Stock.

The Officer Plan contained a change of control provision that became effective when NCR's stockholders approved the merger of NCR with a wholly owned subsidiary of AT&T. Officers who had been participants in the Officer Plan for at least one year prior to the effective date of the merger became eligible for certain enhanced pension benefits. Upon termination of employment for any reason, executive officers were entitled to an additional five years of service and a guaranteed minimum compensation amount for purposes of calculating the pension benefit under the Officer Plan, and could commence receiving benefits at any time after attaining age 50, subject to more favorable early retirement reduction factors. Officers who were not executive officers became entitled to these enhanced benefits if involuntarily terminated within three years after the merger, or if terminated for any reason thereafter.

In 1995, Mr. Nyberg entered into an individual pension arrangement with AT&T that required certain minimum service requirements. Since this arrangement terminates upon the Distribution, pursuant to the 1996 Agreement, Mr. Nyberg will not attain the minimum service requirements. Upon the Distribution, AT&T has agreed to pay \$1.9 million to Mr. Nyberg in lieu of all potential benefits and entitlements under his individual pension arrangements.

NCR also maintains two nonqualified, unfunded supplemental retirement plans for officers meeting specified requirements. The Supplemental Pension Plan for Transfers Between AT&T and NCR (the "Transfer Plan") pays a benefit to an individual who transfers employment directly from AT&T to NCR at a level of "D-Band" (middle management) or above, who serves a total of at least five years at the "E-Band" level or above at NCR (officer/key employee), and who is eligible for an immediate pension from both AT&T and NCR at the time of termination of employment with NCR. The benefit equals the difference, if any, between the total retirement benefits that the participant would have received if he or she had remained with AT&T, and the total retirement benefits actually received from AT&T and NCR. NCR intends to amend the Transfer Plan effective as of the Distribution Date to allow no further participants in the plan. Current participants as of the Distribution Date will continue to be entitled to a benefit, provided the eligibility requirements are satisfied at termination of employment. The Transfer Plan covers three active executive officers.

The NCR Mid-Career Hire Supplemental Pension Plan (the "Mid-Career Plan") pays a benefit to an employee hired by NCR for the first time at age 35 or over, at a level of D-Band or higher, who is working at a level of E-Band or higher at termination of employment from NCR, and whose total service with NCR and its affiliates at the E-Band level is five or more years. An employee is also eligible if he or she transfers to NCR from AT&T and was covered by the AT&T Mid-Career Pension Plan. The benefit equals 1% of annual pay for each "Pension Credit Year," which is each year worked for NCR, up to a maximum equal to the number of years between age 30 and the age on the date of hire with NCR. NCR intends to amend the Mid-Career Plan effective as of the Distribution Date to cease recognition of service with AT&T after the Distribution Date. The Mid-Career Plan covers five active executive officers.

Certain of NCR's non-qualified executive pension plan benefits are supported by a benefits trust, the assets of which are subject to the claims of NCR's creditors.

If Messrs. Nyberg, Carlin, Fano, and Giering continue in their current positions, at current salaries and at target bonus levels and retire at age 62 from NCR, the estimated annual pension amounts payable from NCR's qualified and non-qualified defined benefit pension plans, including supplemental pension plans, would be \$823,685, \$423,512, \$301,880, and \$391,200, respectively. For Mr. Carpenter, the estimated annual pension amount so payable under AT&T's qualified and non-qualified defined benefit pension plans, including supplemental pension plans, would be \$

NCR STOCK INCENTIVE PLANS

Substitute Awards. Prior to the Distribution, eligible employees of NCR participated in the AT&T Stock Plan under which they were granted stock option awards and other equity-based awards. On the Distribution Date, with certain exceptions, such awards will be converted into comparable awards based on NCR Common Stock under the NCR Stock Plan as described under "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement."

NCR Stock Plan. NCR intends to adopt, with the approval of AT&T in its capacity as the sole stockholder of NCR, the NCR Stock Plan. The NCR Stock Plan will be administered by the Compensation Committee of the NCR Board of Directors. In order to assure that compensation paid pursuant to the NCR Stock Plan can qualify as "performance-based compensation" not subject to the limitations on deductibility of certain executive compensation in excess of \$1 million, NCR intends to seek stockholder approval of the material terms of the performance goals under the NCR Stock Plan at either its 1997 or 1998 annual meeting of stockholders. Such stockholder approval is not required for any other purpose.

The NCR Stock Plan provides for the grant of incentive stock options that qualify under Section 422 of the Code ("ISOs"), nonstatutory 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 or other securities of NCR (collectively, "Awards"). No determination has been made as to the number of employees of NCR who will participate in the NCR Stock Plan. However, as described under "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement," employees of NCR who hold awards under the AT&T Stock Plan ("AT&T Stock Awards") (approximately 850 individuals as of August 31, 1996) are expected to receive Awards under the NCR Stock Plan (the "Substitute Awards") in substitution therefor, following the consummation of the Distribution. NCR expects that additional awards under the NCR Stock Plan will be made.

The NCR Stock Plan contains a formula for establishing an annual limit on the number of shares of NCR Common Stock that may be awarded (or with respect to which non-stock Awards may be made) in any given year, except that Substitute Awards will not be counted against such limit. Subject to customary anti-dilution adjustments, the total number of shares of NCR Common Stock available for grant under the NCR Stock Plan is % for 1997 and % in each calendar year thereafter of the total outstanding shares of NCR Common Stock as of the first day of such year for which the NCR Stock Plan is in effect; provided that such number will be increased in any year by the number of shares of NCR Common Stock available for grant under the NCR Stock Plan in previous years but not covered by Awards granted thereunder in such years; provided, further, that no more than million shares of NCR Common Stock will be cumulatively available

for the grant of ISOs. Any shares of NCR Common Stock issued by NCR throughout the assumption or substitution of outstanding grants from an acquired company ("Rollover Awards") will not reduce the number of shares of NCR Common Stock available for grants thereunder. In addition, no one individual may be granted Awards with respect to more than _____ shares of NCR Common Stock in any one year (not including Substitute Awards or Rollover Awards).

The Compensation Committee, which will be comprised of at least three non-employee directors, none of whom may receive any Awards under the NCR Stock Plan, will administer the NCR Stock Plan after the Distribution. Except in the case of Substitute Awards and Rollover Awards, the purchase price per share of NCR Common Stock purchasable under stock options granted pursuant to the NCR Stock Plan will be determined by the Compensation Committee, in its sole discretion, provided that such purchase price will not be less than the Fair Market Value (as defined in the NCR Stock Plan) of a share of NCR Common Stock on the date of grant of the stock options. The NCR Stock Plan also provides that, unless the Compensation Committee determines otherwise at the time of grant with respect to a particular award, in the event of a Change in Control (as defined in the NCR Stock Plan), with certain exceptions, Awards will, among other things, become fully exercisable and vested, earned and payable in full, or otherwise free of all restrictions, limitations and other conditions, as applicable to the particular type of Award.

NCR intends to adopt a new NCR Long Term Incentive Program, offered under the NCR Stock Plan, after the Distribution Date. Awards for the 1996-1998 performance cycle will be offered under the NCR Stock Plan, with performance targets to be established by NCR's Compensation Committee.

NCR also expects to grant certain executive officers and key employees (62 individuals) options to acquire shares of NCR Common Stock, which shares have an aggregate fair market value at time of grant of \$27 million, including grants for shares of NCR Common Stock, which shares have a fair market value of \$1 million to each of Messrs. Carlin, Carpenter, Fano, and Giering. Such options will have an exercise price equal to the fair market value of the NCR Common Stock on the Distribution Date, will vest at the end of two years, and will expire five years after the date of grant. See "-- Employment Agreements."

NCR WorldShares Plan. NCR intends to adopt, with the approval of AT&T in its capacity as the sole stockholder of NCR, the NCR WorldShares Plan ("WorldShares Plan") effective as of the Distribution Date.

The WorldShares Plan provides for the grant of nonstatutory stock options to substantially all NCR's employees in the United States and abroad. The WorldShares Plan will be administered by the Compensation Committee of the NCR Board of Directors (the "Administrator"). The Administrator will have the discretion to modify the terms and conditions of the options, substitute alternative benefits (including phantom stock grants), or establish subplans, for foreign jurisdictions where it deems necessary to accomplish the purposes of the WorldShares Plan.

NCR intends to grant nonstatutory stock options, or substitute benefits where deemed necessary by the Administrator in foreign jurisdictions, to substantially all NCR's employees following the Distribution Date for a number of shares of NCR Common Stock with a value as of the Distribution Date of \$3,000, or of \$4,500 if certain performance goals for NCR are met in 1996. Such options will have an exercise price of the market value of the NCR Common Stock on the Distribution Date and will have a five year expiration period. Participants will be fully vested and able to exercise their options one year after the date of grant.

Copies of the NCR Stock Plan and the WorldShares Plan will be filed as Exhibits to the Registration Statement, and the foregoing summaries are qualified in their entirety by reference thereto. See "Available Information."

OTHER BENEFIT PLANS

Prior to the Distribution Date, eligible employees of NCR participated in the 1994 Employee Stock Purchase Plan for NCR (the "1994 Stock Purchase Plan"), which provided full-time employees of NCR and of designated participating subsidiaries who completed six months of eligible service with an opportunity to purchase AT&T Common Stock through payroll deductions. Effective at the Distribution Date, the 1994

Stock Purchase Plan will terminate. NCR intends to adopt, with the approval of AT&T in its capacity as the sole shareholder of NCR, the 1997 NCR Employee Stock Purchase Plan (the "New Stock Purchase Plan") that will provide eligible employees with an opportunity to purchase NCR Common Stock through payroll deductions. The New Stock Purchase Plan will allow participants to purchase NCR Common Stock through payroll deductions during monthly purchase periods. Eligible employees on each offering date will each be allowed to purchase shares of NCR Common Stock through payroll deductions of up to 10% of compensation. The purchase price will be 85% of the fair market value of a share of NCR Common Stock on the last day of the applicable purchase period. The New Stock Purchase Plan is expected to remain in effect until December 31, 2006, unless terminated prior thereto in accordance with its terms.

Prior to the Distribution Date, eligible management and key employees participated in the NCR MIP, which paid an annual cash bonus if certain specified objectives were met. In 1996, the objectives were based on NCR's worldwide profits and asset turnover, levels of customer satisfaction and employee satisfaction, and discretionary objectives that varied by work groups. MIP bonuses for a particular year are paid in the first quarter of the following year. To receive a MIP bonus, an employee must be employed throughout the applicable year, or terminate employment during the year on account of retirement, death, disability or transfer of employment, in which cases a prorated bonus is awarded. NCR intends to continue the MIP after the Distribution Date.

NCR also maintains a number of benefit plans that provide certain welfare benefits to both active and retired employees of NCR, including medical, dental, vision, prescription drug, short- and long-term disability, life insurance, severance and other benefits.

ARRANGEMENTS AMONG AT&T, NCR AND LUCENT

For the purposes of governing certain of the relationships among AT&T, Lucent and NCR following the Distribution, AT&T, NCR and, in certain cases, Lucent have entered into, or expect to enter into, a series of agreements. These agreements include (a) the Separation and Distribution Agreement, dated as of February 1, 1996, as amended and restated as of March 29, 1996, by and among AT&T, Lucent and NCR (the "Separation and Distribution Agreement") and certain ancillary agreements related thereto (collectively, the "Ancillary Agreements," and, collectively with the Separation and Distribution Agreement, the "Initial Transaction Agreements") executed prior to the initial public offering of Lucent Common Stock and (b) the Distribution Agreement, dated as of _____, 1996, by and between AT&T and NCR (the "NCR Distribution Agreement") and certain ancillary agreements related thereto (collectively, the "NCR Ancillary Agreements," and, collectively with the NCR Distribution Agreement, the "NCR Transaction Agreements," and, collectively with the NCR Distribution Agreement and the Initial Transaction Agreements, the "Transaction Agreements"). The Initial Transaction Agreements include the Interim Services and Systems Replication Agreement; the Patent License Agreement and other patent-related agreements; the Technology License Agreement and other technology-related agreements; the Tax Sharing Agreement (as such terms are defined in the Initial Transaction Agreements) and other tax-related agreements; certain agreements providing for the assignment of, and the establishment of transitional arrangements with respect to, real property; the Technology Access and Development Project Agreement governing the future commercial relationship between NCR and Bell Labs; and agreements pursuant to which NCR will sell certain products to Lucent. The NCR Transaction Agreements include the NCR Employee Benefits Agreement and the AT&T Volume Purchase Agreement (as such terms are defined in the NCR Distribution Agreement.)

Certain of the Transaction Agreements summarized below have been filed (or incorporated by reference) as exhibits to the Registration Statement and the summaries of such agreements are qualified in their entirety by reference to the full text of such agreements. See "Available Information." Certain capitalized terms used in this Section without definition have the respective meanings assigned to them in the Transaction Agreements.

NCR DISTRIBUTION AGREEMENT

The NCR Distribution Agreement provides that, subject to the terms and conditions thereof, AT&T will effect the Distribution.

CONDITIONS; TERMINATION

Pursuant to the NCR Distribution Agreement, the AT&T Board has the sole discretion to determine the Record Date and the Distribution Date and all appropriate procedures in connection with the Distribution, provided that the Distribution will not occur prior to such time as each of the following conditions have been satisfied or waived by the AT&T Board in its sole discretion:

(i) a private letter ruling from the IRS shall have been obtained, and shall continue in effect, to the effect that, among other things, the Distribution will qualify as a tax-free distribution for federal income tax purposes under Section 355 of the Code, and such ruling shall be in form and substance satisfactory to AT&T in its sole discretion;

(ii) any material Governmental Approvals and Consents necessary to consummate the Distribution shall have been obtained and be in full force and effect;

(iii) no order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Distribution shall be in effect and no other event shall have occurred or failed to occur that prevents the consummation of the Distribution;

(iv) the Registration Statement on Form 10 of which this Information Statement forms a part shall have been declared effective by the Commission;

(v) AT&T shall have received a favorable response from the Staff of the Commission to a request for a no-action letter concerning, among other matters, whether the Distribution and related transactions may be effected without registration of the NCR Common Stock (and related Preferred Share Purchase Rights) under the Securities Act;

(vi) the NCR Common Stock (and related Preferred Share Purchase Rights) shall have been accepted for listing on a mutually agreed stock exchange or quotations system, which is expected to be the NYSE; and

(vii) the AT&T Board shall have formally approved the Distribution;

provided that the satisfaction of such conditions will not create any obligation on the part of AT&T, NCR or any other Person to effect or to seek to effect the Distribution or in any way limit AT&T's right to terminate the NCR Distribution Agreement or alter the consequences of any such termination from those specified therein.

The NCR Distribution Agreement may be terminated at any time prior to the Distribution Date by AT&T. In the event of any such termination, no party thereto (or any of its directors or officers) will have any Liability or further obligation to any other party.

RELEASES AND INDEMNIFICATION

The NCR Distribution Agreement provides for a full and complete discharge effective as of the Distribution Date of all Liabilities whatsoever existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Distribution Date, between or among NCR or any member of the NCR Group, on the one hand, and AT&T or any member of the AT&T Services Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the Distribution Date), except as expressly set forth in the NCR Distribution Agreement.

Pursuant to the NCR Distribution Agreement, NCR has agreed to indemnify, defend and hold harmless AT&T and each other AT&T Indemnitee from and against any and all Liabilities of the AT&T Indemnitees relating to, arising out of or resulting from any of the following, in each case whether arising before, on or after the Distribution Date: (i) the failure of NCR or any other member of the NCR Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of any member of the NCR Group in accordance with their respective terms, whether prior to or after the Distribution Date or the date thereof; (ii) the NCR Business, any Liability of any member of the NCR Group or any NCR Covered Liability; (iii) any Asset (including contracts, agreements, real property and leasehold interests) of any member of the NCR Group at any time (other than Assets transferred to any member of the AT&T Services Group prior to the Distribution Date), and contracts, agreements, letters of credit or other commitments or obligations for which NCR has primary responsibility; (iv) the operation of the NCR Business, as conducted at any time prior to, on or after the Distribution Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority)); (v) any guarantee, indemnity, representation, warranty or other Liability of or made by any member of the AT&T Services Group in respect of any Liability or alleged Liability of any member of the NCR Group; (vi) any breach by NCR or any member of the NCR Group of the NCR Distribution Agreement, the Separation and Distribution Agreement, any Ancillary Agreement or any of the NCR Ancillary Agreements; (vii) any Liabilities relating to, arising out of or resulting from the NCR Business (including any NCR Covered Liabilities) for which AT&T has agreed to indemnify and hold harmless the Lucent Indemnitees pursuant to the Separation and Distribution Agreement; (viii) actions taken by any member of the AT&T Group on behalf of any member of the NCR Group pursuant to the Separation and Distribution Agreement or any Ancillary Agreement; (ix) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in this Information Statement or the Form 10; and (x) any Liability relating to, arising out of or resulting from any actual or threatened Action or other claim alleging that any Liability was improperly allocated to the

NCR Group or that any Asset was improperly withheld from the NCR Group, in each case pursuant to any of the Transaction Agreements.

Pursuant to the NCR Distribution Agreement, AT&T has agreed to indemnify, defend and hold harmless NCR and each other NCR Indemnitee from and against any and all Liabilities of the NCR Indemnitees relating to, arising out of or resulting from any of the following, in each case whether arising before, on or after the Distribution Date: (i) the failure of AT&T or any other member of the AT&T Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of the AT&T Services Group whether prior to or after the Distribution Date or the date thereof; (ii) the AT&T Services Business or any Liability of the AT&T Services Group; and (iii) any breach by AT&T or any member of the AT&T Services Group of any Transaction Agreement; provided however that such provision will not apply to any Liability relating to the NCR Business.

The NCR Distribution Agreement also specifies certain procedures with respect to claims subject to indemnification and related matters. The dispute resolution procedures (including the arbitration provisions) of the Separation and Distribution Agreement apply to disputes under the NCR Transaction Agreements, unless otherwise expressly provided therein. See "--Separation and Distribution Agreement -- Dispute Resolution" below.

NO REPRESENTATIONS OR WARRANTIES

Except as expressly set forth in any Transaction Agreement, no party to any Transaction Agreement or any other agreement or document contemplated by any Transaction Agreement either has or is representing or warranting in any way as to the Assets, businesses or Liabilities retained, transferred or assumed as contemplated thereby, as to any consents or approvals required in connection therewith, as to the value or freedom from any Security Interests of, or any other matter concerning, any Assets of such party, or as to the absence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other Asset, including any accounts receivable, of any party, or as to the legal sufficiency of any assignment, document or instrument delivered thereunder to convey title to any Asset or thing of value upon the execution, delivery and filing thereof. Except as may expressly be set forth in any Transaction Agreement, all such Assets were, or are being, transferred, or are being retained, on an "as is," "where is" basis (and, in the case of any real property, by means of a quitclaim or similar form deed or conveyance) and the respective transferees will bear the economic and legal risks that any conveyance will prove to be insufficient to vest in the transferee good and marketable title, free and clear of any Security Interest.

QUALIFICATION AS TAX-FREE DISTRIBUTION

Pursuant to the NCR Distribution Agreement, each of AT&T and NCR has agreed that it will not take, or permit any member of its respective Group to take, any action after the Distribution Date which could reasonably be expected to prevent the Distribution from qualifying as a tax-free distribution within the meaning of Section 355 of the Code or any other transaction contemplated by the NCR Distribution Agreement or any other Transaction Agreement which is intended by the parties to be tax-free from failing so to qualify. In addition, each of AT&T and NCR has agreed that it will not take, or permit any member of its respective group to take, any action after the Distribution Date which could reasonably be expected to have a material adverse impact on the known tax consequences to the other party (except that each party may take any actions in the ordinary course or in connection with any tax audit or filing).

The NCR Distribution Agreement provides that, notwithstanding anything to the contrary in any Transaction Agreement, if as a result of the acquisition of all or a portion of the capital stock or assets of NCR, the Distribution fails to qualify as a tax-free distribution under Section 355 of the Code, then NCR will be liable for any and all increases in Tax attributable thereto.

AMENDMENTS; FURTHER ASSURANCES

No provision of the NCR Distribution Agreement or any NCR Ancillary Agreement will be deemed waived, amended, supplemented or modified by any party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment, supplement or modification.

In addition to the actions specifically provided for elsewhere in the NCR Distribution Agreement, each of the parties thereto has agreed to use its reasonable best efforts, prior to, on and after the Distribution Date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by the NCR Distribution Agreement and the NCR Ancillary Agreements.

FRACTIONAL SHARES

The NCR Distribution Agreement provides that as soon as practicable after the Distribution Date, AT&T will direct the Distribution Agent to determine the number of fractional shares of NCR Common Stock allocable to each holder of record or beneficial owner of AT&T Common Stock as of the Record Date who receives certificates for shares of NCR Common Stock or who would be entitled to less than one whole share of NCR Common Stock, to aggregate all such fractional shares and sell the whole shares obtained by aggregating such fractional shares either in open market transactions or otherwise, in each case at then prevailing trading prices, and to cause to be distributed to each such holder or for the benefit of each such beneficial owner, in lieu of a fractional share, such holder's or owner's ratable share of the proceeds of such sale, after making appropriate deductions of the amount required to be withheld for federal income tax purposes and after deducting an amount equal to all brokerage charges, commissions and transfer taxes attributed to such sale.

ADDITIONAL CAPITAL CONTRIBUTIONS

It is expected that, pursuant to the NCR Distribution Agreement, AT&T will (i) make additional contributions of capital to NCR prior to the Distribution Date and (ii) contribute intercompany advances outstanding from AT&T to NCR as of June 30, 1996. The consolidated financial statements included elsewhere herein reflect these advances in shareholder's equity as having been contributed. The additional capital contributions are expected to consist of \$419 million in cash and the contribution of additional cash in an amount sufficient to retire or defease a total of \$68 million of NCR debt (including payment of related expenses). A portion of the \$419 million in cash may be provided by means of additional intercompany advances from AT&T to NCR after June 30, 1996 that will be contributed at the Distribution Date. See "Capitalization."

SEPARATION AND DISTRIBUTION AGREEMENT

The Separation and Distribution Agreement sets forth the agreements among AT&T, NCR and Lucent with respect to the principal corporate transactions required to effect the separation of the Lucent business from AT&T and NCR and to effect the transactions relating to the Lucent initial public offering and distribution of shares of Lucent Common Stock. In addition, the Separation and Distribution Agreement sets forth certain on-going agreements governing the relationship among AT&T, NCR and Lucent.

RELEASES AND INDEMNIFICATION

The Separation and Distribution Agreement provides for a full and complete release and discharge as of the closing date of the Lucent initial public offering (April 10, 1996) (the "Closing Date") of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Closing Date, between or among Lucent or any member of the Lucent Group, on the one hand, and AT&T, NCR or any member of the AT&T Services Group or the NCR Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the Closing Date), except as expressly set forth in the Separation and Distribution Agreement.

Except as provided in the Separation and Distribution Agreement, Lucent has agreed to indemnify, defend and hold harmless each of AT&T and NCR, each member of the AT&T Group and the NCR Group, and each of their respective directors, officers and employees, from and against all Liabilities relating to, arising out of or resulting from (i) the failure of Lucent or any member of the Lucent Group or any other

Person to pay, perform or otherwise promptly discharge any Lucent Liabilities, any Environmental Liabilities of a Subsidiary of Lucent not directly assumed by Lucent, or any Lucent Contract, in accordance with their respective terms, (ii) the Lucent Business, any Lucent Liability, the Environmental Liabilities referred to above or any Lucent Contract, (iii) any breach by Lucent or any member of the Lucent Group of the Separation and Distribution Agreement or any of the Ancillary Agreements, and (iv) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the Prospectus or the registration statement of which it forms a part relating to the initial public offering of the Lucent Common Stock. Also, in the Separation and Distribution Agreement, Lucent has indemnified the members of the AT&T Group, subject to limited exceptions, against any claims of patent, copyright or trademark infringement or trade secret misappropriation with respect to any product, software or other material provided by or ordered from Lucent Business (whether alone or in combination with other items provided by Lucent Business or third parties) prior to the Closing Date.

AT&T has agreed to indemnify, defend and hold harmless Lucent, each member of the Lucent Group and each of their respective directors, officers and employees from and against all Liabilities relating to, arising out of or resulting from (i) the failure of AT&T or any member of the AT&T Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of the AT&T Group other than Lucent Liabilities or the NCR Covered Liabilities, (ii) the AT&T Services Business or any Liability of the AT&T Group other than Lucent Liabilities and the NCR Covered Liabilities, and (iii) any breach by AT&T or any member of the AT&T Services Group of the Separation and Distribution Agreement or any of the Ancillary Agreements.

NCR has agreed to indemnify, defend and hold harmless Lucent, each member of the Lucent Group and each of their respective directors, officers and employees from and against all liabilities relating to, arising out of or resulting from (i) the failure of NCR or any member of the NCR Group or any other Person to pay, perform or otherwise promptly discharge any Exclusive NCR Contingent Liability or any Shared NCR Percentage of any Shared Contingent Liability, and (ii) any breach by NCR or any member of the NCR Group of the Separation and Distribution Agreement or any of the Ancillary Agreements, or any other agreement that is not contemplated to be terminated as of the Closing Date pursuant to the Separation and Distribution Agreement. NCR has also agreed to indemnify, defend and hold harmless each AT&T Indemnitee from and against any and all Liabilities of the AT&T Indemnitees relating to, arising out of or resulting from any NCR Covered Liability.

The Separation and Distribution Agreement also specifies certain procedures with respect to claims subject to indemnification and related matters.

CONTINGENT LIABILITIES AND CONTINGENT GAINS

The Separation and Distribution Agreement provides for indemnification by Lucent, AT&T and NCR with respect to Contingent Liabilities primarily relating to their respective businesses or otherwise assigned to them ("Exclusive Contingent Liabilities"), subject to the sharing provisions described below. In the event the aggregate Value (as defined herein) of all amounts paid by Lucent, AT&T or NCR (in each case, together with any members of its respective Group) in respect of any single Exclusive Contingent Liability of such Group or any set or group of Related Exclusive Contingent Liabilities of such Group is in excess of \$100 million, NCR, AT&T and Lucent will share such portion in excess of \$100 million (the "Excess Portion") in accordance with the following percentages:

(i) if the Exclusive Contingent Liability primarily relates to the business of AT&T, AT&T will bear 75% of such Excess Portion, Lucent will bear 22% of such Excess Portion, and NCR will bear 3% of such Excess Portion;

(ii) if the Exclusive Contingent Liability primarily relates to the business of Lucent, Lucent will bear 50% of such Excess Portion, AT&T will bear 47% of such Excess Portion, and NCR will bear 3% of such Excess Portion; and

(iii) if the Exclusive Contingent Liability primarily relates to the business of NCR, NCR will bear 50% of such Excess Portion, AT&T will bear 37% of such Excess Portion, and Lucent will bear 13% of such Excess Portion.

For purposes of the foregoing, the term "Value" is defined as the aggregate amount of all cash payments, the fair market value of all non-cash payments and the incremental cost of providing any goods or services made or provided in respect of any Exclusive Contingent Liability or Related Exclusive Contingent Liabilities, net of: (a) any Insurance Proceeds received or realized in respect of the applicable Exclusive Contingent Liability or Related Exclusive Contingent Liabilities, (b) any Tax benefits associated with such payments or the provision of such goods or services (calculated in the manner specified in the Separation and Distribution Agreement), (c) any amounts received pursuant to certain specified third party agreements in respect of the Exclusive Contingent Liability or Related Exclusive Contingent Liabilities, (d) any other amounts recovered (including by way of set off) from a third party in connection with any such Action or threatened Action and (e) the amount of any reserve, account payable or similar accrual in respect of the Exclusive Contingent Liability or Related Exclusive Contingent Liabilities (net of any offsetting receivables in respect of such Exclusive Contingent Liability or Related Exclusive Contingent Liabilities), in each case as reflected on the Lucent Balance Sheet or the audited consolidated balance sheet of AT&T, including the notes thereto, as of December 31, 1995 (and without giving effect to any subsequent adjustment of any such reserve, account payable, accrual or offsetting receivable).

As a result of the foregoing provisions, if the Value of amounts paid in respect of any Exclusive Contingent Liability or Related Exclusive Contingent Liabilities of AT&T or Lucent exceeds \$100 million, NCR will be required to pay 3% of the Excess Portion, notwithstanding the fact that the Exclusive Contingent Liability or Related Exclusive Contingent Liabilities do not relate to the business and operations of NCR or any other member of the NCR Group. Conversely, if the Value of amounts paid in respect of any NCR Exclusive Contingent Liability or Related Exclusive Contingent Liabilities exceeds \$100 million, NCR will be entitled to reimbursement from AT&T and Lucent of 50%, in the aggregate, of the Excess Portion, notwithstanding the fact that the Exclusive Contingent Liability or Related Exclusive Contingent Liabilities do not relate to the business and operations of AT&T or Lucent or the members of their Groups.

The Separation and Distribution Agreement also provides for the sharing of Shared Contingent Liabilities, which are defined as (a) any Contingent Liabilities that are not Exclusive AT&T Contingent Liabilities, Exclusive Lucent Contingent Liabilities or Exclusive NCR Contingent Liabilities, (b) any RBOC Liability, and (c) certain specifically identified Liabilities, including certain Liabilities relating to terminated, divested or discontinued businesses or operations of AT&T or its current or former Affiliates. With respect to any Shared Contingent Liability, the parties have agreed that AT&T will be responsible for 75%, Lucent for 22% and NCR for 3% of such Shared Contingent Liability. AT&T will assume the defense of, and may seek to settle or compromise, any Third Party Claim that is a Shared Contingent Liability, and the costs and expenses thereof will be included in the amount to be shared by the parties.

The Separation and Distribution Agreement provides that Lucent, AT&T and NCR will have the exclusive right to any benefit received with respect to any Contingent Gain that primarily relates to the business of, or that is expressly assigned to, Lucent, AT&T or NCR, respectively (an "Exclusive Contingent Gain"). Each of Lucent, AT&T and NCR will have sole and exclusive authority to manage, control and otherwise determine all matters whatsoever with respect to an Exclusive Contingent Gain that primarily relates to its respective business. The parties have agreed to share any benefit that may be received from any Contingent Gain that is not an Exclusive Contingent Gain (a "Shared Contingent Gain"), with AT&T receiving 75%, Lucent receiving 22% and NCR receiving 3% of any such benefit. The parties have agreed that AT&T will have the sole and exclusive authority to manage, control and otherwise determine all matters whatsoever with respect to any Shared Contingent Gain. Pursuant to the Separation and Distribution Agreement, each of Lucent and NCR acknowledges that AT&T may elect not to pursue any Shared Contingent Gain for any reason whatsoever (including a different assessment of the merits of any Action, claim or right than Lucent or NCR or any business reasons that are in the best interests of AT&T or a member of the AT&T Services Group, without regard to the best interests of any member of Lucent Group or

the NCR Group) and that no member of the AT&T Group will have any liability to any Person (including any member of Lucent Group or the NCR Group) as a result of any such determination.

The Separation and Distribution Agreement provides for the establishment of a Contingent Claims Committee comprised of one representative designated from time to time by each of AT&T, Lucent and NCR and sets forth procedures for the purpose of resolving disagreements among the parties as to Contingent Gains and Contingent Liabilities.

DISPUTE RESOLUTION

The Separation and Distribution Agreement contains provisions that govern, except as otherwise provided in any Ancillary Agreement, the resolution of disputes, controversies or claims ("disputes") that may arise between or among the parties. These provisions contemplate that efforts will be made to resolve disputes by escalation of the matter to senior management (or other mutually agreed) representatives of the parties. If such efforts are not successful, any party may submit the dispute to mandatory, binding arbitration, subject to the provisions of the Separation and Distribution Agreement. The Separation and Distribution Agreement contains procedures for the selection of a sole arbitrator of the dispute and for the conduct of the arbitration hearing, including certain limitations on discovery rights of the parties. These procedures are intended to produce an expeditious resolution of any such dispute.

In the event that any dispute is, or is reasonably likely to be, in excess of \$100 million, or in the event that an arbitration award in excess of \$100 million is issued in any arbitration proceeding commenced under the Separation and Distribution Agreement, subject to certain conditions, any party may submit such dispute to a court of competent jurisdiction and the arbitration provisions contained in the Separation and Distribution Agreement will not apply. In the event that the parties do not agree that the amount in controversy is in excess of \$100 million, the Separation and Distribution Agreement provides for arbitration of such disagreement.

CERTAIN BUSINESS TRANSACTIONS

The Separation and Distribution Agreement states that, subject to the terms and conditions thereof, no member of any Group will have any duty to refrain from engaging in the same or similar activities or lines of business as any member of any other Group, or from doing business with any potential or actual supplier or customer of any member of any other Group.

EMPLOYEE BENEFITS AGREEMENT

AT&T and NCR expect to enter into the NCR Employee Benefits Agreement pursuant to which NCR will assume or retain, as applicable, and agree to pay, perform, fulfill and discharge, in accordance with their respective terms, with certain exceptions: (i) all Liabilities to or relating to persons who are, as of the Distribution Date, NCR employees and former employees ("NCR Individuals") relating to, arising out of or resulting from employment by AT&T, an AT&T Entity, NCR or an NCR Entity before the Close of the Distribution Date (including Liabilities under NCR Plans); (ii) all other Liabilities to or relating to NCR Individuals and other employees or former employees of NCR or an NCR Entity, and their dependents and beneficiaries, relating to, arising out of or resulting from employment with NCR or an NCR Entity after the Close of the Distribution Date (including Liabilities under NCR Plans); (iii) all Liabilities relating to, arising out of or resulting from any other actual or alleged employment relationship with NCR or an NCR Entity; (iv) all other Liabilities relating to, arising out of or resulting from obligations, liabilities and responsibilities expressly assumed or retained by NCR, an NCR Entity, or an NCR Plan pursuant to the NCR Employee Benefits Agreement; and (v) all Liabilities relating to, arising out of or resulting from NCR Plans (other than Liabilities to AT&T employees under certain executive benefit plans).

The NCR Employee Benefits Agreement will also provide that NCR will use its reasonable best efforts to take all actions necessary or appropriate so that, with certain exceptions, each outstanding Award based on AT&T Common Stock granted under any AT&T Long Term Incentive Plan held by any NCR employee as of the Close of the Distribution Date will be replaced, effective immediately after the Distribution Date, with an Award based on NCR Common Stock, as described below. Pursuant to the NCR Employee Benefits

Agreement, each such Award consisting of an AT&T Option will be replaced, effective immediately after the Distribution Date, with an NCR Option. Such NCR Option will provide for the purchase of a number of shares of NCR Common Stock equal to the number of shares of AT&T Common Stock subject to such AT&T Option as of the Close of the Distribution Date, multiplied by the Ratio, (as defined below) and then rounded down to the nearest whole share. The per-share exercise price of such NCR Option will equal the per-share exercise price of such AT&T Option as of the Close of the Distribution Date divided by the Ratio. Each such Award consisting of AT&T performance shares or AT&T stock units will be replaced, with certain exceptions, with a new performance share award or a new stock unit award, as the case may be, consisting of a number of NCR performance shares or NCR stock units, as the case may be, equal to the number of AT&T performance shares or AT&T stock units, as the case may be, constituting such Award as of the Close of the Distribution Date, multiplied by the Ratio, and then rounded down to the nearest whole share.

Each such Award consisting of non-vested restricted shares of AT&T Common Stock or restricted stock units relating to shares of AT&T Common Stock, with certain exceptions, will be replaced with either a replacement Award or such other form of compensation not based on NCR Common Stock as NCR may determine. Any such replacement Award will be a new Award consisting of a number of non-vested restricted shares of NCR Common Stock and/or restricted stock units relating to shares of NCR Common Stock equal to the number of non-vested restricted shares or restricted stock units of AT&T Common Stock constituting such Award as of the Close of the Distribution Date multiplied by the Ratio, and then rounded down to the nearest whole share.

Each replacement Award described above will otherwise have the same terms and conditions as were applicable to the corresponding AT&T Award as of the Close of the Distribution Date, except that references to AT&T and its Affiliates will be amended to refer to NCR and its Affiliates and dividend equivalent payments, if any, with respect to dividends, the record date for which is payable after the Distribution Date will be paid with reference to dividends, if any, on NCR Common Stock. For purposes of the replacements described above, the "Ratio" means the amount obtained by dividing (a) the average of the daily high and low per-share prices of the AT&T Common Stock during each of the five trading days immediately preceding the Distribution Date by (b) the average of the daily high and low per-share prices of the NCR Common Stock on a when-issued basis during each of the five trading days immediately preceding the Distribution Date.

If, at any time after the Close of the Distribution Date, AT&T is required to deliver shares of AT&T Common Stock, or shares of AT&T Common Stock vest, pursuant to an Award that NCR fails to replace as summarized above, with certain exceptions, NCR will pay AT&T the following amounts: (i) with respect to each such Award that is an AT&T Option, the Spread on such Option; (ii) with respect to the vesting or delivery of shares of AT&T Common Stock pursuant to such an Award (other than an AT&T Option), the Value of such AT&T Common Stock on the date of such vesting or delivery and (iii) with respect to each such Award, the amount of any withholding taxes with respect thereto which are not paid or reimbursed to AT&T by the holder of such Award. The "Spread" on an Option means the excess, if any, of the Value of the purchased shares on the date of exercise of such Option over the price paid for such shares. The "Value" of a share of AT&T Common Stock on a given date means the average of the high and the low per-share prices of the AT&T Common Stock as listed on the NYSE on such date, or if there is no trading on the NYSE on such date, on the most recent previous date on which such trading takes place. NCR will also pay cash in lieu of fractional shares or other interests in the case of all of the foregoing replacements and substitutions.

PURCHASE AGREEMENTS

NCR and AT&T expect to enter into the AT&T Volume Purchase Agreement and certain related agreements, including a General Procedures Agreement (the "AT&T Procedures Agreement"), pursuant to which NCR will provide products and services to AT&T and certain affiliates of AT&T (other than Lucent). The AT&T Volume Purchase Agreement provides that payments through _____, made to NCR for purchases of products and services by AT&T and such affiliates will total at least \$ _____ million cumulatively.

The AT&T Procedures Agreement sets forth certain terms, conditions and procedures with respect to transactions between NCR and AT&T, including provisions governing (i) ordering and delivery, (ii) payment

terms, (iii) certain intellectual property matters, (iv) warranties and indemnities, (v) product support and documentation, (vi) site preparation, installation, maintenance and other services, and (vii) dispute resolution. NCR and AT&T also expect to enter into an agreement setting forth the specific terms and conditions applicable to the provision by NCR to AT&T of certain product support and maintenance services.

NCR and Lucent have entered into a Volume Purchase Agreement (the "Lucent Volume Purchase Agreement") under which Lucent has committed to purchase at least \$150 million of products and services from NCR during the three-year period ending December 31, 1998.

INTERIM SERVICES AND SYSTEMS REPLICATION AGREEMENT

NCR, AT&T and Lucent have entered into the Interim Services and Systems Replication Agreement, governing the provision by each to one or more of the others, on an interim basis, of certain data processing and telecommunications services (including voice telecommunications and data transmission), and certain corporate support services (including accounting, financial management, tax, payroll, stockholder and public relations, legal, human resources administration, procurement, real estate management and other administrative functions), each as specified and on the terms set forth therein and in the schedules thereto. Specified charges for such services are generally intended to allow the providing company to recover the fully allocated direct costs of providing the services, plus all out-of-pocket costs and expenses, but without any profit. The Interim Services and System Replication Agreement also provides for the provision of certain additional services identified from time to time after the Closing Date that a party reasonably believes were inadvertently or unintentionally omitted from the specified services, or that are essential to effectuate an orderly transition under the Separation and Distribution Agreement (so long as the provision of such services would not significantly disrupt the providing party's operations).

In addition, the Interim Services and Systems Replication Agreement provides for the replication and transfer, from each party to one or more of the others, of certain computer systems, including hardware, software, data storage or maintenance and support components, specified therein and in the schedules thereto. Except where otherwise specified, the costs and expenses of separating or replicating a system are intended to be borne by the parties in proportion to their prior usage of the system. Costs and expenses of purchasing new hardware or obtaining new software licenses will be borne by the party purchasing the new hardware or licensing the new software.

With limited exceptions, these interim services are not expected to extend beyond January 1, 1998 and many are expected to terminate at or prior to the Distribution.

PATENT LICENSES AND RELATED MATTERS

Lucent, AT&T and NCR have executed and delivered assignments and other agreements, including a patent license agreement, related to patents owned or controlled by AT&T and its subsidiaries. The patent assignments divide ownership of patents, patent applications and foreign counterparts among Lucent, AT&T and NCR, with the substantial portion of those previously owned or controlled by AT&T and its subsidiaries (other than NCR) being assigned to Lucent and the substantial portion of those previously owned or controlled by NCR and its subsidiaries being retained by NCR. Certain patents and patent applications previously owned or controlled by AT&T and its subsidiaries were assigned to NCR. A small number of the patents assigned to Lucent are jointly owned with NCR. The patents that Lucent jointly owns with NCR are subject to a defensive protection agreement under which Lucent holds most ownership rights in the patents exclusively. Under this defensive protection agreement, NCR has the ability, subject to specified restrictions, to assert infringement claims under the patents against companies that assert patent infringement claims against NCR, and has consent rights in the event Lucent wishes to license the patents to certain third parties. The defensive protection agreement also provided for a one-time payment from NCR to Lucent, which has been paid.

The patent license agreement entered into by Lucent, AT&T and NCR provides for cross-licenses to each company, under each of the other company's patents that are covered by the licenses, to use, lease, sell and import any and all products and services of the businesses in which the licensed company (including

specified related companies) is now or hereafter engaged. Except for the payment of specified up-front amounts, such cross-licenses are royalty-free. The cross-licenses also permit each company, subject to specified limitations, to have third parties make items under the other companies' patents, as well as to pass through to customers certain rights under the other companies' patents with respect to products and services furnished to customers by the licensed company. In addition, the rights granted to Lucent and AT&T include the right to license third parties under each of the other company's patents to the extent necessary to meet existing patent licensing obligations.

The cross-licenses between AT&T and NCR cover all of each company's patents, including patents issued on patent applications filed on or before December 31, 1999, except for certain patents and patents on filed applications owned or controlled by AT&T Wireless. The cross-licenses between Lucent and NCR cover all of each company's patents, including patents issued on patent applications filed on or before December 31, 1999. In the event of a change in control of NCR or certain acquisitions by NCR, the licenses granted to NCR under the patent license agreement will extend only to a specific annual volume of products and services of a kind offered by NCR prior to the change in control or specified acquisition.

TECHNOLOGY LICENSES AND RELATED MATTERS

Lucent, AT&T and NCR have executed and delivered assignments and other agreements, including the Technology License Agreement, related to technology previously owned or controlled by AT&T and its subsidiaries. Technology includes copyrights, mask works and other intellectual property other than trademarks, trade names, trade dress, service marks and patent rights. The technology assignments divide ownership of technology among Lucent, AT&T and NCR, with Lucent and AT&T owning technology that was developed by or for, or purchased by, Lucent's business or AT&T's services business, respectively, and NCR owning technology that was developed by or for, or purchased by, NCR. Technology that is not covered by any of these categories is owned jointly by Lucent and AT&T or, in the case of certain specified technology, owned jointly by Lucent, AT&T and NCR.

The Technology License Agreement entered into by Lucent, AT&T and NCR provides for royalty-free cross-licenses to each company to use the other companies' technology existing as of the Closing Date, except for specified portions of each company's technology as to which use by the other companies is restricted or prohibited.

TAX AGREEMENTS

TAX ALLOCATION AGREEMENTS

The parties have entered into agreements to govern the allocation of consolidated or combined federal and state and local income tax liabilities (the "Tax Allocation Agreements") among AT&T, Lucent, NCR and all other domestic subsidiaries of AT&T for the period before the Distribution Date. The Tax Allocation Agreement applies to Lucent in respect of the period prior to the date of the Lucent Distribution. No party will pay an amount of income tax greater than the income tax it would have paid had it filed its income tax return as a separate entity (prior to credits), except in cases in which the consolidated or combined group as a whole realizes a detriment from consolidation or combination. The Tax Allocation Agreements also provide that profitable entities will compensate loss entities to the extent that the losses are utilized in the consolidated tax return. No loss entity, however, will be compensated for an amount of losses in excess of the amount of losses that it would have shown had it filed its income tax return separately. Consolidated or combined credits allowed against tax on a consolidated or combined income tax return will be allocated to each entity in proportion to the creditable expenditures by such entity (or, in the case of credits not based on expenditures, in proportion to its contribution to such credits). To the extent that the consolidated or combined group is subject to alternative minimum tax ("AMT"), such AMT will be allocated proportionately among those members of the group that would have owed AMT had they filed their income tax return separately.

TAX SHARING AGREEMENT

The Tax Sharing Agreement, by and among Lucent, AT&T and NCR (the "Tax Sharing Agreement"), governs contingent tax liabilities and benefits, tax contests and other tax matters with respect to tax returns

filed with respect to tax periods ending or deemed to end on or before the Distribution Date. The Tax Sharing Agreement applies to Lucent in respect of the period prior to the date of the Lucent Distribution. Under the Tax Sharing Agreement, Adjustments (as defined in the Tax Sharing Agreement) to Taxes (other than state, local, or municipal income or franchise taxes) that are clearly attributable to the business of one party will be borne solely by that party. Under the Tax Sharing Agreement, Adjustments to state, local, or municipal income or franchise taxes will be borne by each party in accordance with a specified formula. Adjustments to all other Tax liabilities will be borne 75% by AT&T, 22% by Lucent and 3% by NCR.

REAL ESTATE AGREEMENTS

AT&T, Lucent and NCR have executed a series of instruments that assign AT&T's worldwide real estate portfolio, consisting of both owned and leased property, among the parties. Generally, such real estate was assigned by reference to which party was the dominant tenant in the applicable facility. The parties also have agreed to share, pursuant to intercompany leases, subleases and sub-subleases, certain facilities, consisting predominantly of office space and laboratory sites.

With certain exceptions the terms of such leases, subleases and sub-subleases are substantially the same regardless of which company is tenant or landlord. In the case of owned real estate to be leased, the lease terms will be either two or three years, except that a limited number of leases for smaller premises may be terminated on 90 days' notice by the tenant. In the case of subleases or sub-subleases of property, the lease term will generally coincide with the remaining term of the primary lease or sublease, respectively. In the case of owned property, rent payments are generally determined by reference to prevailing market rents or previously specified internal budget levels. In the case of subleases of third-party leases, or sub-subleases, rent payments are generally determined by reference to the rent specified in the underlying lease or sublease, plus an administrative fee. The leases, subleases and sub-subleases provide generally that the owner, landlord or sub-landlord will provide property services for specified fees. In the case of owned property, furniture becomes the property of the owner, but may be used by the tenant. In the case of leased property, the furniture becomes the property of the occupant.

OTHER AGREEMENTS

Pursuant to the Technology Access and Development Project Agreement, NCR will have access to the results of certain Bell Labs research and development activities, and Bell Labs will perform specific research and development projects on a contract basis for NCR. NCR will pay a periodic retainer fee for such access and an additional fee for each research and development project. Such agreement will terminate on December 31, 1999, but is subject to renewal by mutual consent.

Prior to _____, 1996, AT&T owned approximately 86% of the common stock of AT&T Capital. In 1993, in connection with the initial public offering of a minority interest in AT&T Capital, AT&T and AT&T Capital entered into an operating agreement (the "Operating Agreement") pursuant to which AT&T provides AT&T Capital with the right to be the preferred provider of leasing and financing services for AT&T's products. The Operating Agreement expires in August 2000. NCR, as a subsidiary of AT&T, has operated under the Operating Agreement and, pursuant to the terms thereof, has entered into a comparable operating agreement with AT&T Capital having the same term. In connection therewith, NCR has also agreed that AT&T Capital and certain subsidiaries will be entitled to use certain of NCR's marks for use in connection with the provision of financing services under the operating agreement in accordance with the existing license agreement between AT&T and AT&T Capital. NCR has further agreed that it will continue to be bound by the provisions of an intercompany agreement between AT&T and AT&T Capital to the extent NCR is currently bound thereby under which NCR will continue to give AT&T Capital the right to bid for the provision of leasing and financing services in connection with NCR's internal equipment purchasing and leasing in the United States, Canada, the United Kingdom, France, and Germany.

AT&T and NCR have also entered into a trademark licensing agreement pursuant to which NCR will be entitled to use the "AT&T" name and related logo for a specified royalty in connection with the sale of certain of its products to a specified customer for up to two years.

DESCRIPTION OF NCR CAPITAL STOCK

AUTHORIZED CAPITAL STOCK

Immediately after the Distribution, NCR's authorized capital stock will consist of _____ million shares of preferred stock, par value \$0.01 per share (the "Preferred Stock"), and _____ million shares of NCR Common Stock. Immediately following the Distribution, approximately _____ shares of NCR Common Stock are expected to be outstanding. All of the shares of NCR Common Stock that will be outstanding immediately following the Distribution will be validly issued, fully paid and nonassessable, free of preemptive rights. The following summarizes certain Charter provisions as they are expected to be in effect after the Distribution.

COMMON STOCK

The holders of NCR Common Stock will be entitled to one vote for each share on all matters voted on by stockholders, including elections of directors, and, except as otherwise required by law or provided in any resolution adopted by the NCR Board of Directors with respect to any series of Preferred Stock, the holders of such shares will possess all voting power. There is no cumulative voting in the election of directors. Subject to any preferential rights of any outstanding series of Preferred Stock created by the NCR Board of Directors from time to time, the holders of NCR Common Stock will be entitled to such dividends as may be declared from time to time by the NCR Board of Directors from funds available therefor, and upon liquidation will be entitled to receive pro rata all assets of NCR available for distribution to such holders. See "Dividend Policy."

PREFERRED STOCK

The Charter authorizes the NCR Board of Directors to establish one or more series or classes of Preferred Stock and to determine, with respect to any series of Preferred Stock, the terms and rights of such series.

NCR believes that the ability of the NCR Board of Directors to issue one or more series of Preferred Stock will provide NCR with flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs which might arise. The authorized shares of Preferred Stock, as well as shares of NCR Common Stock, will be available for issuance without further action by NCR's stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which NCR's securities may be listed or traded. The NYSE currently requires stockholder approval as a prerequisite to listing shares in several instances, including where the present or potential issuance of shares could result in an increase in the number of shares of common stock, or in the amount of voting securities, outstanding of at least 20%. If the approval of NCR's stockholders is not required for the issuance of shares of Preferred Stock or NCR Common Stock, the NCR Board of Directors may determine not to seek stockholder approval.

Although the NCR Board of Directors has no intention at the present time of doing so, it could issue a series of Preferred Stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt. The NCR Board of Directors will make any determination to issue such shares based on its judgment as to the best interests of NCR and its stockholders. The NCR Board of Directors, in so acting, could issue Preferred Stock having terms that could discourage an acquisition attempt through which an acquiror may be able to change the composition of the NCR Board of Directors, including a tender offer or other transaction that some, or a majority, of NCR's stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then current market price of such stock.

As of the Distribution Date, _____ Junior Preferred Shares (as defined herein) will be reserved for issuance upon exercise of the Rights. See "Certain Antitakeover Effects -- Rights Plan."

Copies of the Charter, Bylaws and Rights Plan are filed as Exhibits to the Registration Statement and the summaries thereof in this Information Statement are qualified in their entirety by reference thereto. See "Available Information."

CERTAIN ANTITAKEOVER EFFECTS

BOARD OF DIRECTORS

The Charter provides that the directors, other than those who may be elected in accordance with the terms of any Articles Supplementary relating to any series of Preferred Stock created from time to time, will be divided into three classes. Each such class will consist, as nearly as may be possible, of one-third of the total number of directors. The Charter also provides that except as otherwise fixed by or pursuant to the provisions of any Articles Supplementary, NCR will have directors, which number may be increased or decreased from time to time in such lawful manner as the Bylaws provide. The Bylaws provide that the number of directors may be increased to not more than 20 or decreased to not less than 3 from time to time by a majority of the total number of directors which NCR would have if there were no vacancies (the "Whole Board"). 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 then outstanding, voting together as a single class.

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.

These provisions would preclude a third party from removing incumbent directors and simultaneously gaining control of the NCR Board of Directors by filling the vacancies created by removal with its own nominees. Under the classified board provisions described above, it would take at least two elections of directors for any individual or group to gain control of the NCR Board of Directors. Accordingly, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of NCR.

STOCKHOLDER ACTION BY UNANIMOUS WRITTEN CONSENT; LIMITATIONS ON CALL OF SPECIAL MEETINGS

The Charter provides that except as may be provided in any Articles Supplementary, any corporate action upon which a vote of stockholders is required or permitted may be taken without a meeting or vote of stockholders only with the unanimous written consent of stockholders entitled to vote thereon. As a practical matter, this provision will make action by written consent impossible in a public corporation such as NCR after the Distribution Date.

The Charter further provides that except as otherwise required by the GCL or as provided in any Articles Supplementary, special meetings of stockholders of NCR for any purpose or purposes may be called only by the Board of Directors or by the President of NCR. No business other than that stated in the notice will be transacted at any such special meeting. Each of the Board of Directors, the President and Secretary of NCR will have the maximum power and authority permitted by the GCL with respect to the establishment of the date of any special meeting of stockholders, the establishment of the record date for stockholders entitled to vote thereat, the imposition of conditions on the conduct of any special meeting of stockholders and all other matters relating to the call, conduct, adjournment or postponement of any such special meeting, regardless of whether the meeting was convened by the Board of the Directors, the President, the stockholders of NCR or otherwise. Under current provisions of the GCL and the Bylaws, the holders of a majority of the outstanding shares of NCR Common Stock may require the Secretary of NCR to call a special meeting of stockholders of NCR.

These provisions may have the effect of delaying consideration of a stockholder proposal until the next annual meeting unless a special meeting is called by the NCR Board of Directors, the President or a majority of the holders of the shares of NCR Common Stock.

ADVANCE NOTICE PROCEDURES

The Bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or to bring other business before an annual meeting of stockholders of NCR (the "Stockholder Notice Procedure"). The Stockholder Notice Procedure provides that only persons who are nominated by, or at the direction of, the Board of Directors, or by a stockholder who has given timely written notice to the Secretary of NCR prior to the meeting at which directors are to be elected, will be eligible for election as directors of NCR. The Stockholder Notice Procedure also provides that at an annual meeting only such business may be conducted as has been brought before the meeting by, or at the direction of, the NCR Board of Directors, or by a stockholder who has given timely written notice to the Secretary of NCR of such stockholder's intention to bring such business before such meeting. Under the Stockholder Notice Procedure, for notice of stockholder nominations to be made at an annual meeting to be timely, such notice must be received by NCR 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 (except that, in the event that the date of the annual meeting is more than 30 calendar days before or more than 60 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 day on which public announcement of a meeting date is first made by NCR). For purposes of the Stockholder Notice Procedure, the first anniversary of the 1996 annual meeting will be deemed to be _____, 1997.

Notwithstanding the foregoing, in the event that the number of directors to be elected to the NCR Board of Directors is increased and there is no public announcement by NCR naming all of the nominees for director or specifying the size of the increased NCR Board of Directors at least 100 calendar days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice also will be considered timely, but only with respect to nominees for any new positions created by such increase, if it is delivered not later than the close of business on the 10th calendar day following the day on which such public announcement is first made by NCR. Under the Stockholder Notice Procedure, for notice of a stockholder nomination to be made at a special meeting at which directors are to be elected to be timely, such notice must be received by NCR 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 NCR Board of Directors to be elected at such meeting.

In addition, under the Stockholder Notice Procedure, a stockholder's notice to NCR proposing to nominate a person for election as a director or relating to the conduct of business other than the nomination of directors must contain certain specified information. If the chairman of a meeting determines that an individual was not nominated, or other business was not brought before the meeting, in accordance with the Stockholder Notice Procedure, such individual will not be eligible for election as a director, or such business will not be conducted at such meeting, as the case may be.

Although the Stockholder Notice Procedures do not give the NCR Board of Directors any power to approve or disapprove stockholder nominations for the election of directors or proposals for action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if the proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal, without regard to whether consideration of such nominees or proposals might be harmful or beneficial to NCR and its stockholders.

AMENDMENT

The Charter provides that the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class, is required to amend provisions of the Charter relating to stockholder action without a meeting; the calling of special meetings; the number, election and term of NCR's directors; the filling of

vacancies; and the removal of directors. The Charter further provides that the related Bylaws described above (including the Stockholder Notice Procedure) may be amended only by the NCR Board of Directors or by the affirmative vote of the holders of at least 80% of the voting power of the outstanding shares of Voting Stock, voting together as a single class. Other amendments to the Charter require the affirmative vote of the holders of at least a majority of the Voting Stock, voting together as a single class. In all cases, amendments to the Charter require that the Board of Directors of NCR determine that the proposed amendment is advisable.

RIGHTS PLAN

The NCR Board of Directors currently expects to adopt the Rights Plan on or prior to the Distribution Date. Pursuant to the Rights Plan, the NCR Board of Directors will cause to be issued one Right for each outstanding share of NCR Common Stock. The Rights have certain antitakeover effects. The Rights will cause substantial dilution to a person or group of persons that attempts to acquire NCR on terms not approved by the NCR Board of Directors. The Rights should not interfere with any merger or other business combination approved by the NCR Board of Directors prior to the time that a person or group has acquired beneficial ownership of 15% percent or more of the NCR Common Stock since the Rights may be redeemed by NCR until such time.

Each Right will entitle the registered holder to purchase from NCR one one-hundredth of a share of a new series of Series A Junior Participating Preferred Stock, par value \$.01 per share (the "Junior Preferred Shares"), of NCR at a price of \$ per share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights will be set forth in a Rights Agreement (the "Rights Agreement"), between NCR and the designated Rights Agent (the "Rights Agent"). The description set forth below is intended as a summary only and is qualified in its entirety by reference to the form of the Rights Agreement, which will be filed as an exhibit to the Registration Statement. See "Available Information."

Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") have acquired beneficial ownership of 15% or more of the outstanding shares of NCR Common Stock or (ii) 10 business days (or such later date as may be determined by action of the NCR Board of Directors prior to such time as any person becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of such outstanding shares of NCR Common Stock (the earlier of such dates being called the "Rights Distribution Date"), the Rights will be evidenced by the certificates representing the NCR Common Stock.

The Rights Agreement will provide that, until the Rights Distribution Date (or earlier redemption or expiration of the Rights), the Rights will be transferred with and only with the NCR Common Stock. Until the Rights Distribution Date (or earlier redemption or expiration of the Rights), the NCR Common Stock certificates will contain a notation incorporating the Rights Agreement by reference. As soon as practicable following the Rights Distribution Date, separate certificates evidencing the Rights (the "Right Certificates") will be mailed to holders of record of the NCR Common Stock as of the close of business on the Rights Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights will not be exercisable until the Rights Distribution Date. The Rights will expire on December 31, 2006 (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by NCR, in each case, as summarized below.

In the event that any person or group of affiliated or associated persons become an Acquiring Person, proper provision will be made so that each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise that number of shares of NCR Common Stock having a market value of two times the exercise price of the Right. In the event that NCR is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold after a person or group of affiliated or associated persons becomes an Acquiring Person, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then-current exercise price of the Right, that number

of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right.

At any time after the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 15% or more of the then outstanding NCR Common Stock and prior to the acquisition by such person or group of 50% or more of the outstanding NCR Common Stock, the NCR Board of Directors may exchange the Rights (other than Rights owned by such person or group which have become void), in whole or in part, at an exchange ratio of one share of NCR Common Stock, or one one-hundredth of a Junior Preferred Share, per Right (subject to adjustment).

At any time prior to the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 15% or more of the then outstanding NCR Common Stock, the NCR Board of Directors may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time on such basis and with such conditions as the NCR Board of Directors, in its sole discretion, may establish. Immediately upon any redemption of the Rights, the right to exercise the rights will terminate and the only right of the holders of the Rights will be eligible to receive the Redemption Price.

The terms of the Rights may be amended by the NCR Board of Directors without the consent of the holders of the Rights; provided, however, that, from and after such time as any person or group of affiliated or associated persons becomes an Acquiring Person, no such amendment may adversely affect the interests of the holders of the Rights. Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of NCR, including, without limitation, the right to vote or to receive dividends.

The number of outstanding Rights and the number of one one-hundredths of a Junior Preferred Share issuable upon exercise of each Right also will be subject to adjustment in the event of a stock split of the NCR Common Stock or a stock dividend on the NCR Common Stock payable in NCR Common Stock or subdivisions, consolidations or combinations of the NCR Common Stock occurring, in any such case, prior to the Rights Distribution Date. The Purchase Price payable, and the number of Junior Preferred Shares or other securities or property issuable, upon exercise of the Rights will be subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Junior Preferred Shares, (ii) upon the grant to holders of the Junior Preferred Shares of certain rights or warrants to subscribe for or purchase Junior Preferred Shares at a price, or securities convertible into Junior Preferred Shares with a conversion price, less than the then-current market price of the Junior Preferred Shares or (iii) upon the distribution to holders of the Junior Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends paid out of earnings or retained earnings or dividends payable in Junior Preferred Shares) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least one percent in such Purchase Price. No fractional Junior Preferred Shares will be issued (other than fractions which are integral multiples of one one-hundredth of a Junior Preferred Share, which may, at the election of NCR, be evidenced by depositary receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the Junior Preferred Shares on the last trading day prior to the date of exercise.

Junior Preferred Shares purchasable upon exercise of the Rights will not be redeemable. Each Junior Preferred Share will be entitled to a minimum preferential quarterly dividend payment of \$1.00 per share but will be entitled to an aggregate dividend of 100 times the dividend declared per share of NCR Common Stock. In the event of liquidation, the holders of the Junior Preferred Shares will be entitled to a minimum preferential liquidation payment of \$100 per share but will be entitled to an aggregate payment of 100 times the payment made per share of NCR Common Stock. Each Junior Preferred Share will have 100 votes voting together with the NCR Common Stock. Finally, in the event of any merger, consolidation or other transaction in which shares of NCR Common Stock are exchanged, each Junior Preferred Share will be entitled to receive 100 times the amount received per NCR Common Stock. These rights are protected by customary antidilution provisions.

Due to the nature of the Junior Preferred Shares' dividend, liquidation and voting rights, the value of the one one-hundredth interest in a Junior Preferred Share purchasable upon exercise of each Right should approximate the value of one share of NCR Common Stock.

MARYLAND BUSINESS COMBINATION STATUTE

Section 3-602 of the GCL provides that, subject to certain exceptions specified therein, any holder of 10% of the voting stock of a Maryland corporation (an "interested stockholder") may not engage in any merger or other business combination with the corporation for a five-year period following the date that such stockholder becomes an interested stockholder unless prior to such date, the board of directors of the corporation approved the 10% acquisition. After such five-year period, any such business combination must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least 80% of the outstanding Voting Stock and 66 2/3% of the outstanding Voting Stock which is not owned by the interested stockholder, unless certain fair price and other conditions are met.

The provisions of Section 3-602 will apply to NCR. Under certain circumstances, Section 3-602 makes it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a five-year period. Such provisions could make it more difficult to accomplish transactions which NCR's stockholders may otherwise deem to be in their best interests. Such provision may also have the effect of preventing changes in the management of NCR.

GCL BUSINESS COMBINATION VOTE REQUIREMENTS

Pursuant to the GCL, with certain exceptions, the affirmative vote of the holders of at least two-thirds of all votes entitled to be cast on the matter is required to approve any merger, consolidation, share exchange, or transfer of assets outside the ordinary course of business.

CONTROL SHARE ACQUISITION STATUTE

NCR has elected not to be covered by the "Control Share Acquisition Statute" of the GCL.

Copies of the Charter, Bylaws and Rights Plan are filed as Exhibits to the Registration Statement and the summaries thereof in this Information Statement are qualified in their entirety by reference thereto. See "Available Information."

LIABILITY OF DIRECTORS AND OFFICERS; INDEMNIFICATION

NCR's Charter limits the personal liability of its directors and officers to NCR and its stockholders for money damages to the maximum extent permitted by Maryland law. The Charter provides that, to the fullest extent permitted by Maryland statutory or decisional law, as amended or interpreted, no director or officer of NCR will be personally liable to NCR or its stockholders for money damages. No amendment of the Charter or repeal of any of its provisions will limit or eliminate the benefits provided to directors and officers thereunder with respect to any act or omission which occurred prior to such amendment or repeal or with respect to any cause of action, suit or claim that, but for such provision would accrue or arise, prior to such amendment or repeal.

As a result, neither NCR nor any NCR stockholder can hold the directors or officers personally liable for monetary damages, if they acted in good faith, with a reasonable belief that they were acting in the best interests of NCR, and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Under current law, however, such limitation does not apply (a) to the extent that a director or officer received an improper benefit; or (b) to the extent an award was based on a finding that the director or officer was actively and deliberately dishonest and such finding was material to the cause of action.

The NCR Charter provides that NCR will indemnify (a) its directors and officers, whether serving NCR or, at its request, any other entity, to the fullest 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 and to the

fullest extent permitted by law and (b) other employees and agents to such extent as shall be authorized by the Board of Directors or the Bylaws and be permitted by law. The foregoing rights of indemnification are not exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out such indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such bylaws, resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No amendment of the NCR Charter, or of any such bylaw, resolution or contract, or repeal of any of their provisions will limit or eliminate the right to indemnification provided thereunder with respect to acts or omissions occurring prior to such amendment or repeal. The NCR Bylaws currently contain provisions implementing the foregoing.

Under current law, directors and officers will be indemnified when serving in their capacity as directors or officers, 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 brought against him or her and was either committed in bad faith or was the result of active and deliberate dishonesty; (b) the director or officer actually received an improper personal benefit; or (c) in the case of a criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

NCR also expects to purchase insurance for the benefit of its directors and officers in order to protect them against liability, including with respect to the matters covered by the foregoing indemnities.

NCR CORPORATION

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholder of NCR Corporation:

We have audited the consolidated balance sheets of NCR Corporation and subsidiaries (NCR) at December 31, 1995 and 1994 and the related consolidated statements of operations, changes in shareholder's equity, and cash flows for the three years ended December 31, 1995. We have also audited the financial statement schedule of NCR appearing on page S-1 of this Form 10. These financial statements and financial statement schedule are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NCR at December 31, 1995 and 1994, and the consolidated results of their operations, changes in their shareholder's equity, and their cash flows for the three years ended December 31, 1995, in conformity with generally accepted accounting principles. In addition, in our opinion the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

As discussed in Note 3 to the consolidated financial statements, in 1993 NCR changed its methods of accounting for postretirement benefits, postemployment benefits and income taxes.

Coopers & Lybrand L.L.P.
Dayton, Ohio
January 25, 1996

NCR CORPORATION
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (DOLLARS IN MILLIONS)

	SIX MONTHS ENDED JUNE 30		YEARS ENDED DECEMBER 31		
	1996	1995	1995	1994	1993
	-----		-----		
	(UNAUDITED)				
	-----		-----		
REVENUES					
Sales.....	\$1,812	\$2,409	\$ 5,138	\$5,524	\$ 4,460
Services and rentals.....	1,453	1,451	3,024	2,937	2,805
	-----		-----		
TOTAL REVENUES.....	3,265	3,860	8,162	8,461	7,265
OPERATING EXPENSES					
Cost of sales.....	1,300	1,921	4,699	3,736	2,795
Cost of services and rentals.....	1,096	1,103	2,617	2,158	2,044
Selling, general and administrative expenses.....	711	995	2,632	2,169	2,136
Research and development expenses...	184	231	585	500	571
	-----		-----		
TOTAL OPERATING EXPENSES.....	3,291	4,250	10,533	8,563	7,546
	-----		-----		
LOSS FROM OPERATIONS.....	(26)	(390)	(2,371)	(102)	(281)
Interest expense.....	26	46	90	44	41
Other (income), net.....	(3)	(78)	(45)	(130)	(42)
	-----		-----		
LOSS BEFORE INCOME TAXES AND CUMULATIVE EFFECTS OF ACCOUNTING CHANGES.....	(49)	(358)	(2,416)	(16)	(280)
Income tax expense (benefit).....	34	31	(136)	187	138
	-----		-----		
LOSS BEFORE CUMULATIVE EFFECTS OF ACCOUNTING CHANGES.....	(83)	(389)	(2,280)	(203)	(418)
Cumulative effects of accounting changes, net of taxes.....	--	--	--	--	(869)
	-----		-----		
NET LOSS.....	\$ (83)	\$ (389)	\$(2,280)	\$ (203)	\$(1,287)
	=====	=====	=====	=====	=====

The notes on pages F-7 through F-29 are an integral part of the consolidated financial statements

NCR CORPORATION
 CONSOLIDATED BALANCE SHEETS
 (DOLLARS IN MILLIONS)

	AT JUNE 30	AT DECEMBER 31	
	----- 1996 ----- (UNAUDITED)	----- 1995 -----	----- 1994 -----
ASSETS			
Current assets			
Cash and cash equivalents.....	\$ 784	\$ 314	\$ 463
Short-term investments.....	41	24	198
Accounts receivable, net.....	1,175	1,908	1,860
Inventories.....	561	621	952
Deferred income taxes.....	240	320	98
Other current assets.....	119	131	121
	-----	-----	-----
TOTAL CURRENT ASSETS.....	2,920	3,318	3,692
Rental equipment and service parts, net.....	299	258	228
Property, plant and equipment, net.....	950	957	1,234
Other assets.....	765	723	682
	-----	-----	-----
TOTAL ASSETS.....	\$ 4,934	\$5,256	\$5,836
	=====	=====	=====
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Short-term borrowings.....	\$ 40	\$ 45	\$ 73
Accounts payable.....	352	478	493
Taxes payable.....	99	118	47
Payroll and benefits liabilities.....	381	367	392
Customers' deposits and deferred service revenue.....	449	381	353
Other current liabilities.....	936	1,532	640
	-----	-----	-----
TOTAL CURRENT LIABILITIES.....	2,257	2,921	1,998
Long-term debt.....	99	330	642
Pension and indemnity liabilities.....	308	329	264
Postretirement and postemployment benefit liabilities.....	754	718	637
Other liabilities.....	360	276	271
Minority interests.....	297	324	334
	-----	-----	-----
TOTAL LIABILITIES.....	4,075	4,898	4,146
Commitments and contingencies			
Shareholder's equity			
Shareholder's net investment.....	822	310	1,556
Foreign currency translation.....	74	85	149
Other.....	(37)	(37)	(15)
	-----	-----	-----
TOTAL SHAREHOLDER'S EQUITY.....	859	358	1,690
	-----	-----	-----
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY.....	\$ 4,934	\$5,256	\$5,836
	=====	=====	=====

The notes on pages F-7 through F-29 are an integral part of the consolidated financial statements

NCR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN MILLIONS)

	SIX MONTHS ENDED JUNE 30		YEARS ENDED DECEMBER 31		
	1996	1995	1995	1994	1993
	(UNAUDITED)				
OPERATING ACTIVITIES					
Net loss.....	\$ (83)	\$(389)	\$(2,280)	\$ (203)	\$(1,287)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities					
Restructuring and other charges.....	--	--	1,649	--	219
Cumulative effects of accounting changes.....	--	--	--	--	1,171
Depreciation and amortization.....	102	181	350	415	457
Deferred income taxes.....	20	--	(236)	73	(271)
Net (gain) loss on sale of assets.....	11	(44)	(1)	(110)	--
Changes in operating assets and liabilities					
Receivables.....	733	73	(102)	(572)	(60)
Inventories.....	61	(187)	(72)	(171)	(161)
Payables and other current liabilities.....	(658)	149	31	(202)	125
Other operating assets and liabilities.....	90	(164)	(163)	157	(151)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	276	(381)	(824)	(613)	42
INVESTING ACTIVITIES					
Purchases of short-term investments.....	(148)	(384)	(493)	(875)	(892)
Sales of short-term investments.....	131	564	667	820	927
Expenditures for rental equipment & service parts.....	(58)	(104)	(172)	(253)	(216)
Expenditures for property, plant & equipment.....	(100)	(197)	(326)	(371)	(380)
Proceeds from sale of assets.....	42	361	415	260	85
Other investing activities.....	(24)	(73)	(102)	(58)	50
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES.....	(157)	167	(11)	(477)	(426)
FINANCING ACTIVITIES					
Short-term borrowings, net.....	(6)	(3)	(35)	33	(78)
Proceeds from issuance of long-term debt.....	--	--	9	537	--
Repayments of long-term debt.....	(231)	(30)	(312)	(10)	(27)
Transfers from AT&T, net.....	595	345	1,034	770	425
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	358	312	696	1,330	320
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....	(7)	60	(10)	23	6
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	470	158	(149)	263	(58)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	314	463	463	200	258
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 784	\$ 621	\$ 314	\$ 463	\$ 200

The notes on pages F-7 through F-29 are an integral part of the consolidated financial statements

NCR CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
(DOLLARS IN MILLIONS)

	SHAREHOLDER'S NET INVESTMENT	FOREIGN CURRENCY TRANSLATION	OTHER	TOTAL
	-----	-----	-----	-----
January 1, 1993.....	\$ 1,851	\$ (6)	\$ (14)	\$ 1,831
Net loss.....	(1,287)	--	--	(1,287)
Foreign currency translation.....	--	69	--	69
Other, principally additional minimum pension liability.....	--	--	(6)	(6)
Transfers from AT&T, net.....	425	--	--	425
-----	-----	-----	-----	-----
December 31, 1993.....	989	63	(20)	1,032
Net loss.....	(203)	--	--	(203)
Foreign currency translation.....	--	86	--	86
Other, principally additional minimum pension liability.....	--	--	5	5
Transfers from AT&T, net.....	770	--	--	770
-----	-----	-----	-----	-----
December 31, 1994.....	1,556	149	(15)	1,690
Net loss.....	(2,280)	--	--	(2,280)
Foreign currency translation.....	--	(64)	--	(64)
Other, principally additional minimum pension liability.....	--	--	(22)	(22)
Transfers from AT&T, net.....	1,034	--	--	1,034
-----	-----	-----	-----	-----
December 31, 1995.....	\$ 310	\$ 85	\$ (37)	\$ 358
=====	=====	=====	=====	=====

The notes on pages F-7 through F-29 are an integral part of the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS)

1. COMPANY OPERATIONS AND BASIS OF PRESENTATION

Company Operations

NCR Corporation ("NCR" or the "Company") designs, develops, markets, and services information technology products, services, systems, and solutions worldwide. The Company's goal is to be a world-class provider of commercial, open computing systems for High Availability Transaction Processing and Scalable Data Warehousing solutions to customers in all industries. NCR also seeks to take advantage of its expertise and market presence in the retail, financial, and communications industries to provide specific information technology solutions to customers in these targeted industries. NCR's systems and solutions are supported by its Customer Support Services and Professional Services offerings, and its Systemedia business, which develops, produces and markets a complete line of consumable and media products.

NCR's offerings cover a broad range of its customers information technology needs: from consumers' interaction and data collection, with products including point of sale workstations, barcode scanning equipment, and self-service devices such as automated teller machines ("ATMs"); through data processing, with NCR's High Availability Transaction Processing solutions; to data storage, manipulation, and usage, with NCR's Teradata relational database management system and Scalable Data Warehousing offerings. The Company's computing platforms and associated products span midrange servers, massively parallel processing computer systems, computer network servers and software systems, imaging and payment systems, workstations and peripherals, business forms, ink ribbons, customized paper rolls, and other consumable supplies and processing media.

NCR also provides Worldwide Customer Support Services and Professional Services that include hardware maintenance, software maintenance, data warehousing service offerings, end-to-end networking service and design, and the implementation, integration, and support of complex solutions.

NCR is a wholly owned subsidiary of AT&T Corp. ("AT&T"). The Company was merged with a wholly owned subsidiary of AT&T effective September 19, 1991. On September 20, 1995, AT&T announced its intention to separate into three independent public companies: NCR, the continuing AT&T and Lucent Technologies Inc. ("Lucent"). AT&T also announced its intention to distribute all of its interest in NCR (the "Distribution") to its shareholders by December 31, 1996, subject to certain conditions.

Basis of Presentation

The consolidated financial statements reflect the results of operations, financial position, changes in shareholder's equity and cash flows of NCR, as if NCR were a separate entity for all periods presented. The consolidated financial statements have been prepared using the historical basis in the assets and liabilities and historical results of operations related to NCR.

Changes in shareholder's net investment represent capital contributions and interest bearing cash advances made by AT&T to NCR, net income (loss) of NCR and cost allocations from AT&T. NCR's financial requirements are primarily provided through capital contributions and interest bearing cash advances from AT&T. The Company's historical consolidated statements of operations include interest expense relating to such interest bearing cash advances, which were contributed to the Company by AT&T and included in shareholder's net investment. NCR will begin accumulating its retained earnings effective immediately following the date of the Distribution.

General corporate overhead related to AT&T's corporate headquarters and common support functions has been allocated to NCR, to the extent such amounts are applicable to NCR, based on the ratio of NCR's external costs and expenses to AT&T's external costs and expenses. Management believes these allocations are reasonable. However, the costs of these services charged to NCR are not necessarily indicative of the costs that would have been incurred if NCR had performed these functions as a stand-alone entity. As a result of the Distribution, NCR will be required to perform these functions using its own resources or purchased

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

services and will be responsible for the costs and expenses associated with the management of a public corporation.

The financial information included herein may not necessarily reflect the consolidated results of operations, financial position, changes in shareholder's equity and cash flows of NCR in the future or amounts that would have been reported had it been a separate, stand-alone entity during the periods presented.

Interim Information (Unaudited)

The consolidated interim financial statements as of and for the six months ended June 30, 1996 and 1995 included herein are unaudited. Such information reflects all adjustments, consisting solely of normal recurring adjustments, which are in the opinion of management necessary for a fair presentation of the consolidated balance sheet as of June 30, 1996 and the consolidated results of operations and cash flows for the six months ended June 30, 1996 and 1995. The reported results are not necessarily indicative of those expected for the entire year. Certain information and disclosures normally included in annual financial statements in accordance with generally accepted accounting principles have been excluded or omitted in presentation of the consolidated interim financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of NCR and its branches and majority-owned subsidiaries. Long-term investments in affiliated companies representing ownership interests of 20% to 50% are accounted for under the equity method. All significant intercompany transactions and accounts have been eliminated. Investments in which NCR has less than a 20% ownership interest are accounted for under the cost method of accounting. NCR changed the fiscal year for locations outside the U.S. to December from November in 1994 to align the reporting of all operations. This change added \$223 in revenues to 1994; the effect on the reported loss from operations was not significant.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for allowance for uncollectible accounts receivable, inventory obsolescence, product warranty, depreciation and amortization, employee benefit plans, taxes, restructuring charges, and environmental and other contingencies, among others.

Foreign Currency Translation

For most international operations, 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. Translation adjustments, resulting from fluctuations in exchange rates, are recorded as a separate component of shareholder's equity.

Derivative Financial Instruments

In the normal course of business, NCR has entered into various financial instruments, including derivative financial instruments, for purposes other than trading. Derivative financial instruments are not entered into for speculative purposes. Derivatives, used as part of NCR's risk management strategy, must be designated at inception as a hedge, and measured for effectiveness both at inception and on an ongoing basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

For qualifying foreign currency hedges, the gains and losses are deferred and recognized as adjustments of carrying amounts when the underlying hedged transaction is recorded. Gains and losses that do not qualify as hedges are recognized in other income or expense.

Revenue Recognition

Revenue from product sales is generally recognized upon performance of contractual obligations, such as shipment, installation or customer acceptance. Services and rental revenue is recognized proportionately over the contract period or as services are performed.

Research and Development Expenses

Research and development expenses are charged to operations as incurred. 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 recorded as capitalized software and amortized over no more than three years. Capitalized software is subject to an ongoing assessment of recoverability based upon anticipated future revenues and changes in hardware and software technologies. Costs capitalized include direct labor and related overhead. Amortization of software development costs was \$57, \$34, and \$35 in 1995, 1994, and 1993, respectively.

Income Taxes

NCR's operations have been included in the income tax returns filed by AT&T since the merger with a subsidiary of AT&T on September 19, 1991. Income tax expense (benefit) in NCR's consolidated financial statements has been calculated as if NCR had filed separate tax returns for all periods presented.

Cash and Cash Equivalents

All short-term, highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

Inventories

Inventories are stated at the lower of average cost or market.

Property, Plant and Equipment and Service Parts

Property, plant and equipment and rental equipment and service parts are stated at cost less accumulated depreciation. Reworkable service parts and rental equipment are comprised of service parts that can be reconditioned and equipment rented to customers under operating leases. Depreciation is computed over estimated useful lives primarily on the straight line basis. Buildings are depreciated over 25 to 45 years, machinery and equipment over three to ten years and reworkable service parts and rental equipment over three to five years.

3. CHANGES IN ACCOUNTING PRINCIPLES

Postretirement Benefits Other Than Pensions

NCR adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective January 1, 1993. This standard requires accrual of estimated future retiree benefits other than pensions during the years employees are working and accumulating these benefits. Previously, health care benefits were expensed as claims were incurred and life insurance benefits were expensed as plans were funded. NCR recorded a one-time pre-tax charge for the estimated

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

liability of \$351 (\$220 after taxes) at the beginning of 1993. This change in accounting did not affect cash flows.

Postemployment Benefits

NCR adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective January 1, 1993. This standard requires the accrual of estimated future postemployment benefits, including separation and related payments, during the years employees are working and accumulating these benefits, and for disability payments when the disabilities occur. Before this change in accounting, costs for separations were recognized when approved and disability benefits were recognized when paid. NCR recorded a one-time pre-tax charge for the unprovided portion of this liability of \$477 (\$306 after taxes) at the beginning of 1993. This change in accounting did not affect cash flows.

Income Taxes

NCR adopted SFAS No. 109, "Accounting for Income Taxes," effective January 1, 1993. Among other provisions, this standard requires the computation of deferred tax amounts arising from temporary differences using the enacted jurisdictional corporate income tax rates for the years in which the taxes are expected to be paid or refunds received. Before this change in accounting, deferred tax accounts reflected rates in effect when the deferrals were made. The change in calculating deferred tax amounts required by this standard resulted in a one-time charge of \$343 at the beginning of 1993. This change in accounting did not affect cash flows.

Impairment of Long-Lived Assets

Effective October 1, 1995, NCR adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." This standard requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of the standard did not materially impact NCR's consolidated results of operations, financial condition or cash flows because this was essentially the method NCR used in the past to measure and record asset impairments.

Stock-Based Compensation

In its consolidated financial statements for the year ending December 31, 1996, NCR is required to adopt SFAS No. 123, "Accounting for Stock-Based Compensation." This standard establishes a fair value method of accounting for or disclosing stock-based compensation plans. NCR intends to adopt the disclosure provisions of this standard which requires disclosing the pro forma consolidated net income and earnings per share amounts assuming the fair value method was effective on January 1, 1995. The adoption of the disclosure provisions will not affect consolidated results of operations, financial position, or cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

4. SUPPLEMENTARY BALANCE SHEET INFORMATION

	AT DECEMBER 31	
	1995	1994
	-----	-----
ACCOUNTS RECEIVABLE		
Trade.....	\$ 1,592	\$ 1,605
Other.....	384	296
	-----	-----
	1,976	1,901
Allowance for doubtful accounts.....	(68)	(41)
	-----	-----
Accounts receivable.....	\$ 1,908	\$ 1,860
	=====	=====
INVENTORIES		
Finished goods.....	\$ 401	\$ 580
Work in process and raw materials.....	220	372
	-----	-----
Inventories.....	\$ 621	\$ 952
	=====	=====
RENTAL EQUIPMENT AND SERVICE PARTS		
Rental equipment and service parts.....	\$ 737	\$ 762
Less: accumulated depreciation.....	(479)	(534)
	-----	-----
Rental equipment and service parts.....	\$ 258	\$ 228
	=====	=====
PROPERTY, PLANT AND EQUIPMENT		
Land and improvements.....	\$ 80	\$ 85
Buildings and improvements.....	822	801
Machinery and other equipment.....	1,573	1,892
	-----	-----
	2,475	2,778
Less: accumulated depreciation.....	(1,518)	(1,544)
	-----	-----
Property, plant and equipment.....	\$ 957	\$ 1,234
	=====	=====
OTHER ASSETS		
Prepaid pension expense.....	\$ 367	\$ 379
Other.....	356	303
	-----	-----
Other assets.....	\$ 723	\$ 682
	=====	=====
OTHER CURRENT LIABILITIES		
Business restructuring.....	\$ 820	\$ 71
Other.....	712	569
	-----	-----
Other current liabilities.....	\$ 1,532	\$ 640
	=====	=====

5. BUSINESS RESTRUCTURINGS

In 1995 a pre-tax charge of \$1,649 was recorded to provide for restructuring and other charges. NCR's restructuring plans included discontinuing the manufacture of personal computers, consolidating facilities globally, and reducing industry markets served, as well as separating approximately 8,500 employees and contractors, including 3,500 in foreign locations. As of December 31, 1995 approximately 5,600 employees and contractors had separated and the remaining separations were expected to be effected during 1996. The restructuring charges also included costs associated with early termination of building leases and asset write-downs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

The pre-tax total of \$1,649 for 1995 was recorded as \$636 cost of sales, \$294 cost of services, \$616 selling, general and administrative expenses, and \$103 research and development expenses. The charges include \$676 for employee separations and related charges; \$549 for asset write-downs; \$147 for closing, selling and consolidating facilities; \$227 for contract settlements and related charges; and \$50 for other items.

In 1993 a pre-tax charge of \$219 was recorded to provide for restructuring costs. NCR's restructuring plans for 1993 included offering an early retirement program and a separation program to its U.S. based employees in order to better align its cost structure with business strategies. This charge was recorded as \$15 cost of sales, \$90 cost of services, \$95 selling, general and administrative expenses, and \$19 research and development cost. The charges include \$155 for employee separations and other related costs; \$43 for closing, selling and consolidating facilities; and \$21 for other items.

The following table displays a rollforward of the liabilities incurred for business restructurings from December 31, 1993 to December 31, 1995:

TYPE OF COST	DECEMBER 31,	1994			DECEMBER 31,
	1993	ADDITIONS	OTHER	PAYMENTS	1994
	BALANCE				BALANCE
Employee separations.....	\$119	\$ --	\$ 3	\$ (81)	\$ 41
Facility closings.....	47	--	2	(25)	24
Other.....	30	--	(19)	(5)	6
Total.....	\$196	\$ --	\$ (14)	\$ (111)	\$ 71
	====	====	====	=====	====

TYPE OF COST	DECEMBER 31,	1995			DECEMBER 31,
	1994	ADDITIONS	OTHER	PAYMENTS	1995
	BALANCE				BALANCE
Employee separations.....	\$ 41	\$ 589	\$ (6)	\$ (112)	\$512
Facility closings.....	24	147	2	(17)	156
Other.....	6	227	(1)	(42)	190
Total.....	\$ 71	\$ 963	\$ (5)	\$ (171)	\$858
	====	====	====	=====	====

The "Other" column primarily represents releases of prior year reserves.

Management believes that the liabilities for business restructuring of \$858 at December 31, 1995 are adequate to complete its plans.

In 1995, in addition to restructuring liabilities of \$963, asset impairments of \$549 (which reduced related asset balances), \$87 of benefit plan losses, and \$50 of other charges were included in the total restructuring and other charges of \$1,649. Benefit plan losses relate to pension and other employee benefit plans and primarily represent losses in the current year for actuarial changes that otherwise would have been amortized over future periods.

Of the total charges of \$1,649 in 1995, \$818 is expected to result in cash payments subsequent to December 31, 1995.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

6. INCOME TAXES

The following table presents the principal reasons for the difference between the effective tax rate and the United States federal statutory income tax rate for the years ended December 31:

	1995	1994	1993
	-----	-----	-----
Federal income tax expense (benefit) at the statutory tax rate of 35%.....	\$(846)	\$ (6)	\$(98)
Taxes on foreign income.....	62	10	21
Net domestic tax losses and credits.....	664	181	228
Other differences, net.....	(16)	2	(13)
	-----	-----	-----
Income tax expense (benefit).....	\$(136)	\$187	\$138
	=====	=====	=====

The Company's tax provisions result primarily from a provision for income taxes in those foreign tax jurisdictions where the Company's subsidiaries are profitable, and an inability on a stand-alone basis to reflect the tax benefits of the Company's net domestic tax losses and credits. The Company received payments of \$438, \$417 and \$151 under its tax allocation agreement with AT&T for the net domestic tax losses and credits it generated during the years ended December 31, 1995, 1994 and 1993, respectively. These payments were recorded in shareholder's net investment.

NCR paid income taxes of \$73, \$92, and \$58 for the years ended 1995, 1994, and 1993, respectively.

The following table presents the U.S. and foreign components of income before income taxes and cumulative effects of accounting changes and income tax expense (benefit) for the years ended December 31:

	1995	1994	1993
	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECTS OF ACCOUNTING CHANGES			
United States.....	\$(1,727)	\$(353)	\$(470)
Foreign.....	(689)	337	190
	-----	-----	-----
	\$(2,416)	\$ (16)	\$(280)
	=====	=====	=====
INCOME TAX EXPENSE (BENEFIT)			
CURRENT			
Federal.....	\$ --	\$ --	\$ --
State and local.....	18	(4)	9
Foreign.....	82	118	98
DEFERRED			
Federal.....	13	(11)	72
State and local.....	--	(2)	4
Foreign.....	(249)	86	(45)
	-----	-----	-----
Income tax expense (benefit).....	\$ (136)	\$ 187	\$ 138
	=====	=====	=====

Deferred income tax liabilities are taxes NCR expects to pay in future periods. Conversely, deferred income tax assets are taxes recognized for expected reductions in future taxes payable. Deferred income taxes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

arise because of differences in the book and tax bases of certain assets and liabilities. Deferred income tax assets and liabilities included in the balance sheet at December 31 were as follows:

	1995	1994
	-----	-----
DEFERRED INCOME TAX ASSETS:		
Employee pensions and other benefits.....	\$ 326	\$ 285
Business restructuring.....	372	--
Balance sheet reserves and allowances.....	470	330
Net operating losses/credit carryforwards.....	199	63
Other.....	109	75
	-----	-----
Total deferred income tax assets.....	1,476	753
Valuation allowance.....	(472)	(405)
	-----	-----
Net deferred income tax assets.....	1,004	348
	-----	-----
DEFERRED INCOME TAX LIABILITIES:		
Property, plant and equipment.....	53	62
Employee pensions and other benefits.....	124	119
Taxes on undistributed earnings of foreign subsidiaries.....	244	30
Other.....	282	59
	-----	-----
Total deferred income tax liabilities.....	703	270
	-----	-----
Total net deferred income tax assets.....	\$ 301	\$ 78
	=====	=====

A valuation allowance was recorded as a reduction to the Company's estimate of the amount of deferred income tax assets due to the uncertainty of the ultimate realization of future benefits from such assets.

The Company has foreign net operating loss carryforwards of approximately \$430. The net operating loss carryforwards subject to expiration, expire in the years 1997 through 2002.

The Company has not provided for federal income taxes or foreign withholding taxes on approximately \$540 of undistributed earnings of a foreign subsidiary as of December 31, 1995 and December 31, 1994, because such earnings are intended to be reinvested indefinitely. It is not practicable to determine the amount of applicable taxes.

7. DEBT OBLIGATIONS

Debt with scheduled maturities within one year consisted of the following at December 31:

	1995	1994
	-----	-----
Bank debt, foreign.....	\$ 37	\$ 73
Current portion of long-term debt.....	8	--
	-----	-----
Total debt maturing within one year.....	\$ 45	\$ 73
	=====	=====
Weighted average interest rate for short-term bank debt.....	12.11%	12.55%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

Long-term debt consisted of the following at December 31:

	SCHEDULED MATURITY DATE	1995	1994
	-----	----	----
Long-term bank debt 4.86-8.50%.....	1999-2000	\$246	\$546
Medium-term notes 8.95-9.49%.....	1999-2020	80	80
Industrial Revenue Bonds 7.40%.....	2001	3	3
Lease obligations.....		9	13
		----	----
		338	642
Less current portion of long-term debt.....		(8)	--
		----	----
Long-term debt.....		\$330	\$642
		=====	=====

The amount of long-term debt with scheduled maturities during the next five years is \$246 in 1999, \$25 in 2000, and the remainder thereafter.

Interest paid was approximately \$94, \$75, and \$32 in 1995, 1994 and 1993, respectively.

8. EMPLOYEE BENEFIT PLANS

NCR sponsors both defined benefit and defined contribution plans for almost all United States 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 U.S., the benefits are based on a fixed dollar amount per year of service. The assets of the defined benefit plans are included with those of AT&T and Lucent and held as part of a Master Trust managed by AT&T. Assets of the Master Trust are primarily invested in publicly traded common stocks (of which, less than 1% of the Plan Assets are AT&T Stock), corporate and government debt securities, real estate investments, and cash or cash equivalents. NCR's funding policy is generally to contribute annually not less than the minimum required by applicable laws and regulations. The funded status for the defined benefit plans at December 31 was as follows:

PLANS WITH ASSETS IN EXCESS OF THE
ACCUMULATED BENEFIT OBLIGATION

	U.S. PLANS		INTERNATIONAL PLANS	
	1995	1994	1995	1994
	-----	-----	-----	-----
Actuarial present value of plan obligations:				
Vested benefit obligation.....	\$(1,637)	\$(1,362)	\$ (555)	\$ (700)
	=====	=====	=====	=====
Accumulated benefit obligation.....	\$(1,668)	\$(1,375)	\$ (597)	\$ (738)
	=====	=====	=====	=====
Projected benefit obligation.....	\$(1,760)	\$(1,398)	\$ (655)	\$ (935)
Plan assets at fair value.....	1,993	1,716	1,059	1,240
	-----	-----	-----	-----
Plan assets greater than projected benefit obligation.....	233	318	404	305
Unrecognized net gain.....	(128)	(222)	(89)	(30)
Unrecognized net prior service cost.....	78	115	37	42
Unrecognized net asset at transition.....	(78)	(93)	(57)	(60)
	-----	-----	-----	-----
Prepaid pension cost.....	\$ 105	\$ 118	\$ 295	\$ 257
	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

PLANS WITH ASSETS LESS THAN THE
ACCUMULATED BENEFIT OBLIGATION

	U.S. PLANS		INTERNATIONAL PLANS	
	1995	1994	1995	1994
	-----	-----	-----	-----
Actuarial present value of plan obligations:				
Vested benefit obligation.....	\$(80)	\$(59)	\$(358)	\$(144)
	=====	=====	=====	=====
Accumulated benefit obligation.....	\$(81)	\$(65)	\$(384)	\$(159)
	=====	=====	=====	=====
Projected benefit obligation.....	\$(85)	\$(72)	\$(498)	\$(174)
Plan assets at fair value.....	--	--	160	2
	-----	-----	-----	-----
Plan assets less than projected benefit obligation.....	(85)	(72)	(338)	(172)
Unrecognized net (gain) loss.....	17	20	101	(20)
Unrecognized net prior service cost.....	--	7	10	3
Unrecognized net liability at transition.....	--	3	9	7
Additional minimum liability.....	(13)	(23)	(35)	(5)
	-----	-----	-----	-----
Accrued pension liability.....	\$(81)	\$(65)	\$(253)	\$(187)
	=====	=====	=====	=====

The pension cost for the defined benefit plans for the years ended December 31 included the following components:

	1995	1994	1993
	-----	-----	-----
Service costs -- benefits earned during the period.....	\$ 67	\$ 86	\$ 73
Interest cost on the projected benefit obligation.....	209	194	169
Net amortizations and deferrals.....	165	(120)	83
Actual return on assets.....	(430)	(137)	(349)
Charges for special programs.....	80	--	68
	-----	-----	-----
Net pension cost (credit).....	\$ 91	\$ 23	\$ 44
	=====	=====	=====

The weighted average rates and assumptions utilized in the calculation of pension cost for these plans were as follows:

	U.S. PLANS			INTERNATIONAL PLANS		
	1995	1994	1993	1995	1994	1993
	-----	-----	-----	-----	-----	-----
Discount rate.....	7.0 %	8.7 %	7.5%	7.3 %	7.5 %	7.7 %
Rate of increase in future compensation levels.....	4.5 %	4.5 %	4.5%	4.0 %	4.2 %	4.4 %
Long-term rate of return on plan assets.....	9.0 %	9.0 %	10.0%	9.5 %	9.5 %	9.3 %

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. The company matching contributions typically are subject to a maximum percentage or level of compensation. Employee contributions can be either pre-tax, post-tax or a combination thereof. The expense under these plans for 1995, 1994 and 1993 was \$36, \$33, and \$35, respectively.

9. POSTRETIREMENT BENEFITS

Substantially all U.S. employees that reach retirement age while working for the company are eligible to participate in a postretirement benefit plan. The plan provides medical care and life insurance to retirees and their eligible dependents. Non-U.S. employees are typically covered under government sponsored programs,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

and NCR does not provide postretirement benefits other than pensions to non-U.S. retirees. The company generally funds these benefits on a pay-as-you-go basis out of operations. The funded status of the postretirement benefit plans and the accrued liability at December 31 was as follows;

	1995	1994
	-----	-----
Accumulated postretirement benefit obligation		
Retirees.....	\$(358)	\$(295)
Fully eligible active participants.....	(18)	(20)
Other active participants.....	(62)	(56)
	-----	-----
Unfunded accumulated postretirement benefit obligation.....	(438)	(371)
Unrecognized prior service costs.....	35	45
Unrecognized net (gain) loss.....	(36)	(94)
	-----	-----
Accrued postretirement benefit obligation.....	\$(439)	\$(420)
	=====	=====

The postretirement benefit cost included the following components;

	1995	1994	1993
	----	----	----
Service costs -- benefits earned during the period.....	\$ 4	\$ 6	\$11
Interest cost on the projected benefit obligation.....	32	31	28
Net amortizations and deferrals.....	--	3	--
Charges for special programs.....	7	--	29
	---	---	---
Net postretirement benefit cost.....	\$43	\$40	\$68
	===	===	===

The discount rate utilized in determining the expense and liabilities of the postretirement plans was 7.0%, 8.7%, and 7.5% for the years ended December 31, 1995, 1994, and 1993, respectively. NCR also assumed that the growth in the per capita cost of covered health care benefits (the health care cost trend rate) would gradually decline from 9.6% in 1996 to 5.5% by the year 2005 and then remain level. Increasing the assumed trend rate by 1% in each year would raise NCR's accumulated postretirement benefit obligation at December 31, 1995 by approximately \$35 and NCR's 1995 postretirement benefit costs by approximately \$3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

10. SEGMENT INFORMATION

Industry Segment

NCR operates in one industry segment, the information technology industry, which includes designing, developing, marketing, and servicing information technology products, services, systems and solutions worldwide.

Concentrations

No single customer accounts for more than 10% of revenue. As of December 31, 1995, 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 NCR's operations.

A number of NCR's products, systems, and solutions, rely primarily on specific suppliers for microprocessors, 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.

Geographic Segments

Transfers between geographic areas are principally made at market-based prices. The methods followed in developing the geographic area data require the use of estimation techniques and do not take into account the extent to which NCR's product development, manufacturing, and marketing depend upon each other. Thus, the information may not be indicative of results if the geographic areas were independent organizations.

There are various differences between income before income taxes for the United States and foreign operations as shown in Note 6 and operating income shown on the following page. In the following geographic information, interest income, interest expense and non-allocable general, corporate expenses are not included in operating income, while certain corporate operating expenses incurred for the benefit of the geographic areas are included on an allocated basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

	1995 -----	1994 -----	1993 -----
REVENUE FOR THE YEAR ENDED DECEMBER 31			
United States			
Customer.....	\$ 3,577	\$ 4,214	\$ 3,645
Intercompany.....	697	821	710
	-----	-----	-----
	4,274	5,035	4,355
Europe/Middle East/Africa			
Customer.....	2,551	2,375	2,055
Intercompany.....	239	222	192
	-----	-----	-----
	2,790	2,597	2,247
Japan			
Customer.....	1,008	905	737
Intercompany.....	66	75	64
	-----	-----	-----
	1,074	980	801
Asia/Pacific (excluding Japan)			
Customer.....	533	478	361
Intercompany.....	109	82	60
	-----	-----	-----
	642	560	421
Americas (excluding United States)			
Customer.....	493	489	467
Intercompany.....	6	6	6
	-----	-----	-----
	499	495	473
Intercompany eliminations.....	(1,117)	(1,206)	(1,032)
	-----	-----	-----
Consolidated revenue.....	\$ 8,162	\$ 8,461	\$ 7,265
	=====	=====	=====
OPERATING INCOME (LOSS) FOR THE YEAR ENDED DECEMBER 31			
United States.....	\$(1,502)	\$ (232)	\$ (511)
Europe/Middle East/Africa.....	(397)	208	207
Japan.....	(189)	63	48
Asia/Pacific (excluding Japan).....	12	24	50
Americas (excluding United States).....	(64)	(10)	36
	-----	-----	-----
Operating income (loss) before non allocable expenses.....	(2,140)	53	(170)
General corporate expenses, interest, and other income.....	(276)	(69)	(110)
	-----	-----	-----
Consolidated loss before income taxes and cumulative effect of accounting change.....	\$(2,416)	\$ (16)	\$ (280)
	=====	=====	=====
IDENTIFIABLE ASSETS AS OF DECEMBER 31			
United States.....	\$ 1,596	\$ 2,447	\$ 1,737
Europe/Middle East/Africa.....	2,246	1,698	1,311
Japan.....	849	1,100	1,258
Asia/Pacific (excluding Japan).....	344	319	178
Americas (excluding United States).....	221	272	180
	-----	-----	-----
Consolidated total assets.....	\$ 5,256	\$ 5,836	\$ 4,664
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

Excluding restructuring and other charges, operating income (loss) before non-allocable expenses for the year ended December 31, 1995 was \$(747), \$161, \$43, \$53 and \$(1) for the United States, Europe/Middle East/Africa, Japan, Asia/Pacific (excluding Japan) and Americas (excluding United States), respectively. The 1993 restructuring charge of \$219 impacted the United States only.

11. FINANCIAL INSTRUMENTS

In the normal course of business, NCR has entered into various financial instruments, including derivative financial instruments, for purposes other than trading. Derivative financial instruments are not entered into for speculative purposes. These instruments primarily include letters of credit, guarantees of debt, and foreign currency exchange contracts.

Concentration of Credit Risk

Financial instruments which potentially subject NCR to concentrations of credit risk consist primarily of cash, investments, trade receivables, and certain other off-balance sheet instruments. By their nature, all such financial instruments involve risk, including the credit risk of nonperformance by counterparties, and the maximum potential loss may exceed the amount recognized in the balance sheet. At December 31, 1995 and 1994, in management's opinion, there was no significant risk of loss in the event of nonperformance of the counterparties to these financial instruments. Exposure to credit risk is controlled through credit approvals, credit limits and monitoring procedures and management believes that the reserves for losses are adequate. NCR had no significant exposure to any individual customer or counterparty at December 31, 1995 and December 31, 1994, nor does NCR have any major concentration of credit risk related to any financial instruments.

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.

Foreign Currency Exchange Contracts

Foreign exchange contracts are used to manage exposure to changes in currency exchange rates. The use of foreign exchange contracts allows NCR to reduce its exposure to the risk that the eventual dollar net cash inflows and outflows resulting from the sale of products to foreign customers and purchases from foreign suppliers will be adversely affected by changes in exchange rates. The foreign exchange contracts are designated for firmly committed or forecasted purchases and sales. These transactions are generally expected to occur in less than one year. For firmly committed sales and purchases, gains and losses are deferred in other current assets and liabilities. These deferred gains and losses are recognized as adjustments to the underlying hedged transactions when the future sales or purchases are recognized, or immediately if the commitment is canceled. Gains or losses on foreign exchange contracts that are designated for forecasted transactions are recognized in other income as the exchange rates change. At December 31, 1995 and 1994, deferred unrealized gains were \$3 and \$4 and deferred unrealized losses were \$2 and \$8, respectively.

Fair Value of Financial Instruments Including Derivative Financial Instruments

The tables below present the valuation methods and the carrying or notional amounts and estimated fair values of material financial instruments. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

such instruments. They do not represent amounts exchanged by the parties and, therefore, are not a measure of the instruments.

FINANCIAL INSTRUMENT	VALUATION METHOD
Cash and cash equivalents.....	The carrying amount is a reasonable estimate of fair value
Investments.....	Market quotes of similar investments
Short-term debt.....	The carrying amount is a reasonable estimate of fair value
Long-term debt.....	Market quotes of similar debt with similar remaining maturities
Letters of credit.....	Fees paid to obtain the obligations
Foreign currency exchange contracts.....	Market quotes

ON BALANCE SHEET	1995		1994	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets:				
Cash and cash equivalents.....	\$314	\$ 314	\$463	\$ 463
Short-term investments.....	24	24	198	198
Long-term investments.....	42	42	26	26
Liabilities:				
Debt.....	375	389	715	719

DERIVATIVE AND OFF BALANCE SHEET INSTRUMENTS	CONTRACT/ NOTIONAL AMOUNT	CARRYING AMOUNT		FAIR VALUE	
		ASSET	LIABILITY	ASSET	LIABILITY
1995					
Foreign exchange forward contracts....	\$ 890	\$ 8	\$ 5	\$ 7	\$ 6
Foreign exchange swap contracts.....	491	1	8	--	58
Letters of credit.....	82	--	--	--	--
1994					
Foreign exchange forward contracts....	\$ 1,317	\$12	\$15	\$11	\$14
Letters of credit.....	78	--	--	--	--

ADDITIONAL FORWARD CONTRACT INFORMATION	1995	1994
	CONTRACT/ NOTIONAL AMOUNT	CONTRACT/ NOTIONAL AMOUNT
Forward contracts		
British Pounds.....	\$ 285	\$ 558
German Marks.....	118	150
Canadian Dollars.....	109	325
Swiss Francs.....	92	38
Spanish Pesetas.....	75	37
French Francs.....	47	40
Dutch Guilders.....	36	50
Other.....	128	119
	-----	-----
	\$ 890	\$ 1,317
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

12. TRANSACTIONS WITH AT&T AND AFFILIATES (INCLUDING LUCENT AND AT&T CAPITAL)

For the years ended 1995, 1994 and 1993, NCR had the following revenues from AT&T and affiliates:

	YEARS ENDED DECEMBER 31		
	1995	1994	1993
Sales.....	\$415	\$404	\$226
Services and rentals.....	215	118	159
Total.....	\$630	\$522	\$385

At December 31, 1995 and 1994, the related receivables amounted to \$30 and \$119, respectively.

AT&T allocated general corporate overhead expenses amounting to \$96, \$66, and \$46 in 1995, 1994 and 1993, respectively. Interest expense charged by AT&T on certain cash advances was \$29, \$20 and \$16 for the years ended, 1995, 1994, 1993, respectively. The historical financial statements reflect these interest-bearing cash advances in shareholder's net investment.

Additionally, NCR purchased products and services from AT&T and affiliates primarily for long distance, Bell Labs services, PBX systems, and miscellaneous inventory of \$157, \$166, and \$140 for the years ended December 31, 1995, 1994 and 1993, respectively. Amounts payable to AT&T were \$11 and \$25 at December 31, 1995 and 1994.

AT&T's finance subsidiary, AT&T Capital Corporation provides NCR's customers with financing and ancillary services arising from the sale of NCR products. Sales to AT&T Capital Corporation were \$182, \$290 and \$212 for 1995, 1994, and 1993, respectively.

13. CONTINGENCIES

In the normal course of business, NCR is subject to regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment, health and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. Although NCR believes that amounts provided in its financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to discharge alleged liabilities from lawsuits, claims, and other legal proceedings and environmental matters, and to comply with applicable environmental laws, will not exceed the amounts reflected in NCR's financial statements or will not have a material adverse effect on the Company's consolidated financial conditions, results of operations and cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of December 31, 1995 and June 30, 1996 cannot be determined.

Legal Proceedings

Among the lawsuits and claims pending against NCR as of December 31, 1995 and June 30, 1996, there were approximately 100 individual product liability claims alleging that the Company's products, including personal computers, supermarket barcode scanners, cash registers and check encoders, caused so-called "repetitive strain injuries" or "cumulative trauma disorders," such as carpal tunnel syndrome. In such lawsuits, the plaintiff typically alleges that he or she suffers from injuries caused by the design of the product at issue or a failure to warn of alleged hazards. These plaintiffs seek compensatory damages and, in many cases, punitive damages. Most other manufacturers of these products have also been sued by plaintiffs on similar theories. Ultimate resolution of the litigation against the Company may substantially depend on the outcome of similar matters of this type pending in various state and federal courts. The Company has denied the merits and basis for the pending claims against it and intends to continue to contest these cases vigorously.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

Environmental Matters

NCR's facilities and operations are subject to a wide range of environmental protection laws in the United States and other countries related to solid and hazardous waste disposal, the control of air emissions and water discharges, and the mitigation of impacts to the environment from past operations and practices. NCR has investigatory and remedial activities, including characterization and cleanup actions, underway at a number of currently and formerly owned or operated facilities to comply, or to determine compliance, with applicable environmental protection laws. NCR has been identified, either by a governmental agency or by a private party seeking contribution to site cleanup costs, as a potentially responsible party ("PRP") at a number of sites pursuant to a variety of statutory schemes, both state and federal, including the Federal Water Pollution Control Act ("FWPCA") and comparable state statutes, and the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), and comparable state statutes.

In February 1996, NCR received notice from the United States Department of the Interior, Fish & Wildlife Service ("USF&WS") that USF&WS considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages to the Fox River and related Green Bay environment ("Fox River System") due to, among other things, sediment contamination in the Fox River System allegedly resulting from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. USF&WS and two Indian Tribes have stated their intention to conduct a Natural Resource Damage Assessment to determine and quantify the nature and extent of alleged injury to natural resources. In addition, NCR has been identified, along with a number of other companies, by the Wisconsin Department of Natural Resources ("WDNR") with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. NCR is also actively pursuing discussions with the WDNR regarding the Company's alleged liability. NCR's share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be predicted with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of identified remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. At this point, NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply and believes the claims described above are the responsibility of the buyer and its former parent company pursuant to the terms of the sales agreement. In this connection, the Company has commenced litigation against the buyer to enforce its position.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR accrues environmental provisions when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. Management expects that the amounts provided as of December 31, 1995 and June 30, 1996 will be paid out over the period of investigation, negotiation, remediation, and restoration for the applicable sites, which may be 30 years or more. Provisions for estimated losses from environmental remediation are, depending on the site, based primarily on internal and third-party environmental studies, estimates as to the number, and participation level of any other PRPs, the extent of the contamination, and the nature of required remedial and restoration actions. Accruals are adjusted as further information develops or circumstances change. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amount of such liabilities, without deductions for insurance or third-party indemnity claims. In those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

14. 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 noncancelable leases as of December 31, 1995, follow:

	1996	1997	1998	1999	2000	LATER YEARS	TOTAL
	----	----	----	----	----	-----	-----
Operating Leases.....	\$54	\$43	\$37	\$33	\$22	\$76	\$ 265

Total rental expense for all operating leases amounted to \$96 in 1995, \$81 in 1994, and \$109 in 1993.

15. SUBSEQUENT EVENTS (UNAUDITED)

For the purposes of governing certain of the relationships among AT&T, Lucent and NCR following the Distribution, AT&T, NCR and, in certain cases, Lucent have entered, or expect to enter, into a series of agreements. These agreements include (a) the Separation and Distribution Agreement, dated as of February 1, 1996, as amended and restated as of March 29, 1996, by and among AT&T, Lucent and NCR (the "Separation and Distribution Agreement") and certain ancillary agreements related thereto executed prior to the initial public offering of Lucent Common Stock and (b) the Distribution Agreement, by and between AT&T and NCR (the "NCR Distribution Agreement") and certain ancillary agreements related thereto. This summary is qualified in all respects by the terms of the Separation and Distribution Agreement, the NCR Distribution Agreement and the other agreements referred to below, copies of which are filed as exhibits to the Registration Statement on Form 10.

Separation and Distribution Agreement

The Separation and Distribution Agreement, among other things, provides that NCR will indemnify AT&T and Lucent for all contingent liabilities relating to NCR's present and former business and operations or otherwise assigned to NCR. In addition, the Separation and Distribution Agreement provides for the sharing of contingent liabilities not allocated to one of the parties, in the following proportions: AT&T: 75%, Lucent: 22%, and NCR: 3%. The Separation and Distribution Agreement also provides that each party will share specified portions of contingent liabilities related to the business of any of the other parties that exceed specified levels.

NCR Distribution Agreement

The NCR Distribution Agreement is expected to provide that, subject to the terms and conditions thereof, AT&T will effect the Distribution. The NCR Distribution Agreement, among other things, contains certain mutual release and indemnification provisions and specifies the procedures necessary to effect the Distribution. It is expected that, pursuant to the NCR Distribution Agreement, AT&T will (i) make additional contributions of capital to NCR prior to the Distribution Date and (ii) contribute intercompany advances outstanding from AT&T to NCR as of June 30, 1996. The consolidated financial statements included elsewhere herein reflect these advances in shareholder's equity as having been contributed. The additional capital contributions are expected to consist of \$419 million in cash and the contribution of additional cash in an amount sufficient to retire or defease a total of \$68 million of NCR debt (including payment of related expenses). A portion of the \$419 million in cash may be provided by means of additional intercompany advances from AT&T to NCR after June 30, 1996 that will be contributed at the Distribution Date. See "Capitalization."

Federal, State and Local Tax Allocation Agreements

NCR has entered into agreements with AT&T, Lucent and AT&T's other domestic subsidiaries that apply to income taxes attributable to the period before the Distribution Date. The agreements set forth

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

principles to be applied in allocating tax liabilities among those entities filing income tax returns on a consolidated or combined basis.

Tax Sharing Agreement

NCR has entered into an agreement with AT&T and Lucent that governs contingent tax liabilities and benefits, tax contests and other tax matters with respect to tax periods ending or deemed to end on the date of the distribution of the common stock of NCR. Under such agreement, adjustments to taxes that are clearly attributable to the business of one party will be borne solely by that party. Adjustments to all other tax liabilities generally will be borne 75% by AT&T, 22% by Lucent and 3% by NCR. The Tax Sharing Agreement applies to Lucent in respect of the period prior to the date of the Lucent spin-off.

Purchase Agreements

NCR and AT&T expect to enter into a Volume Purchase Agreement (the "AT&T Volume Purchase Agreement") and certain related agreements, including a General Procedures Agreement (the "AT&T Procedures Agreement"), pursuant to which NCR will provide products and services to AT&T and certain affiliates of AT&T (other than Lucent). The AT&T Volume Purchase Agreement provides that payments through made to NCR for purchases of products and services by AT&T and certain of its affiliates will total at least \$ million cumulatively. The AT&T Procedures Agreement sets forth certain terms, conditions and procedures with respect to transactions between NCR and AT&T, including provisions governing (i) ordering and delivery, (ii) payment terms, (iii) certain intellectual property matters, (iv) warranties and indemnities, (v) product support and documentation, (vi) site preparation, installation, maintenance and other services, and (vii) dispute resolution. NCR and AT&T also expect to enter into an agreement setting forth the specific terms and conditions applicable to the provision by NCR to AT&T of certain product support and maintenance services.

NCR and Lucent have entered into a Volume Purchase Agreement under which Lucent committed to purchase at least \$150 million of products and services from NCR during the three-year period ending December 31, 1998.

Interim Services and Systems Replication Agreement; Real Estate Sharing

NCR, AT&T and Lucent have entered into an agreement governing the provision by each to one or more of the others on an interim basis of certain data processing and telecommunications services and certain corporate support services on specified terms. Specified charges are generally intended to allow the providing company to recover the fully allocated direct costs of providing the services, plus all out-of-pocket costs and expenses, but without any profit. This agreement also provides for the provision of certain additional services identified from time to time that a party reasonably believes were inadvertently or unintentionally omitted from the specified services or that are essential to effectuate an orderly transition of the separation of AT&T, Lucent and NCR. This agreement also provides for the replication and transfer of certain computer systems on specified terms. With limited exceptions, these interim services are not expected to extend beyond January 1, 1998 and many are expected to terminate at or prior to year-end 1997.

AT&T, NCR and Lucent also have entered into various leases and sublease arrangements for the sharing of certain facilities for a transitional period on commercial terms. In the case of owned real estate to be leased, the lease terms will be either two or three years, except that a limited number of leases may be terminated on 90 days' notice by the tenant. In the case of subleases or sub-subleases of property, the lease term will generally coincide with the remaining term of the primary lease or sublease, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

Technology Access and Development Project Agreement

Pursuant to the Technology Access and Development Project Agreement dated as of February 1, 1996 between Lucent and NCR, NCR will have access to the results of certain Bell Labs research and development activities, and Bell Labs will perform specific research and development projects on a contract basis for NCR. NCR will pay a periodic retainer fee for such access and an additional fee for each research and development project. Such agreement will terminate on December 31, 1999, but is subject to renewal by mutual consent.

Patent Licenses and Related Agreements

NCR, Lucent and AT&T have executed and delivered assignments and other agreements, including a patent license agreement, related to patents owned or controlled by AT&T and its subsidiaries. The patent assignments divide ownership of patents, patent applications and foreign counterparts among NCR, Lucent and AT&T, with the substantial portion of those previously owned or controlled by AT&T and its subsidiaries (other than NCR) being assigned to Lucent and the substantial portion of those previously owned or controlled by NCR and its subsidiaries being retained by NCR. Certain patents and patent applications previously owned or controlled by AT&T and its subsidiaries were assigned to NCR. A small number of the patents assigned to Lucent are jointly owned with NCR. The patents that Lucent jointly owns with NCR are subject to a defensive protection agreement under which Lucent holds most ownership rights in the patents exclusively. Under this defensive protection agreement, NCR has the ability, subject to specified restrictions, to assert infringement claims under the patents against companies that assert patent infringement claims against NCR, and has consent rights in the event Lucent wishes to license the patents to certain third parties. The defensive protection agreement also provided for a one-time payment from NCR to Lucent, which has been paid.

The patent license agreement entered into by Lucent, AT&T and NCR provides for cross-licenses to each company, under each of the other company's patents that are covered by the licenses, to use, lease, sell and import any and all products and services of the businesses in which the licensed company (including specified related companies) is now or hereafter engaged. Except for the payment of specified up-front amounts, such cross-licenses are royalty-free. The cross-licenses also permit each company, subject to specified limitations, to have third parties make items under the other companies' patents, as well as to pass through to customers certain rights under the other companies' patents with respect to products and services furnished to customers by the licensed company. In addition, the rights granted to Lucent and AT&T include the right to license third parties under each of the other company's patents to the extent necessary to meet existing patent licensing obligations.

The cross-licenses between AT&T and NCR cover all of each company's patents, including patents issued on patent applications filed on or before December 31, 1999, except for certain patents and patents on filed applications owned or controlled by AT&T Wireless. The cross-licenses between Lucent and NCR cover all of each company's patents, including patents issued on patent applications filed on or before December 31, 1999. In the event of a change in control of NCR or certain acquisitions by NCR, the licenses granted to NCR under the patent license agreement will extend only to a specific annual volume of products and services of a kind offered by NCR prior to the change in control or specified acquisition.

Technology Licenses and Related Agreements

NCR, Lucent and AT&T have executed and delivered assignments and other agreements, including the Technology License Agreement, related to technology previously owned or controlled by AT&T and its subsidiaries, including copyrights, mask works and other intellectual property other than trademarks, trade names, trade dress, service marks and patent rights. The technology assignments divide ownership of technology among NCR, Lucent and AT&T, with NCR owning technology that was developed by or for, or

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

purchased by, NCR. The Technology License Agreement provides for royalty-free cross-licenses to each company to use certain of the other companies' technology.

AT&T Capital Corporation Agreement

In 1993, in connection with the initial public offering of a minority interest in AT&T Capital, AT&T and AT&T Capital entered into an operating agreement (the "Operating Agreement") pursuant to which AT&T provides AT&T Capital with the right to be the preferred provider of leasing and financing services for AT&T's products. The Operating Agreement expires in August 2000. NCR, as a subsidiary of AT&T, has operated under the Operating Agreement and, pursuant to the terms thereof, has entered into a comparable operating agreement with AT&T Capital having the same term. In connection therewith, NCR has also agreed that AT&T Capital and certain subsidiaries will be entitled to use certain of NCR's marks for use in connection with the provision of financing services under the Operating Agreement in accordance with the existing license agreement between AT&T and AT&T Capital. NCR has further agreed that it will continue to be bound by the provisions of an intercompany agreement between AT&T and AT&T Capital to the extent NCR is currently bound thereby, under which NCR will continue to give AT&T Capital the right to bid for the provision of leasing and financing services in connection with NCR's internal equipment purchasing and leasing in the United States, Canada, United Kingdom, France, and Germany.

Stock Based Plans

Prior to the Distribution, eligible employees of NCR and its subsidiaries participated in the AT&T equity-based plans, under which they received stock options and other equity-based awards. On the Distribution Date, with certain exceptions, such awards are expected to be converted into comparable awards based on NCR Common Stock (the "Substitute Awards") under NCR equity-based plans as summarized below. In addition, as of the Distribution, NCR intends to adopt the NCR Management Stock Plan (the "NCR Stock Plan").

The NCR Stock Plan will provide for the grant of incentive stock options, nonstatutory 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 or other securities of NCR. The total number of shares of NCR Common Stock available for grant under the NCR Stock Plan is expected to be % of the outstanding shares of NCR Common Stock in the 1997 calendar year and % of the outstanding shares of NCR Common Stock in each calendar year thereafter, with certain exceptions and subject to certain adjustments. Shares issuable pursuant to Substitute Awards are not included in the foregoing limits.

NCR also intends to adopt the NCR WorldShares Plan ("WorldShares Plan") effective as of the Distribution Date. The WorldShares Plan provides for the grant of nonstatutory stock options to substantially all NCR's employees in the United States and abroad. The number of shares of NCR Common Stock available for grant under the WorldShares Plan is expected to be approximately % of the outstanding shares of NCR Common Stock. NCR intends to grant each participant an option to purchase a number of shares of NCR Common Stock with a value as of the Distribution Date of three thousand dollars or of four thousand five hundred dollars if certain performance goals for NCR are met in 1996. Such options will have an exercise price of the market value of the NCR Common Stock on the Distribution Date and will have a five year expiration period. Participants will be fully vested and able to exercise their options one year after the date of grant.

Employee Benefits Agreement

AT&T and NCR expect to enter into an Employee Benefits Agreement (the "Employee Benefits Agreement") pursuant to which NCR will assume or retain, with certain exceptions, all liabilities to or relating to past, current and future NCR employees and benefit plans. The Employee Benefits Agreement also provides that NCR will use its reasonable best efforts to take all actions necessary or appropriate so that, with

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

certain exceptions, each outstanding Award granted under any AT&T Long Term Incentive Plan held by any NCR employee will be replaced with an Award based on NCR Common Stock otherwise containing the same terms. Pursuant to the Employee Benefits Agreement, each Award consisting of an AT&T Option that is outstanding and held by an NCR employee as the close of the Distribution Date will be replaced, effective immediately after the Distribution Date, with an NCR option. Such NCR option will provide for the purchase of a number of shares of NCR Common Stock equal to the number of shares of AT&T Common Stock subject to such AT&T Option as of the close of the Distribution Date, multiplied by the Ratio (as defined below), and then rounded down to the nearest whole share. The per-share exercise price of such NCR option will equal the per-share exercise price of such AT&T Option as of the close of the Distribution Date divided by the Ratio.

Each Award consisting of AT&T performance shares or AT&T stock units that is outstanding and held by an NCR employee as of the close of the Distribution Date will be replaced, effective immediately after the Distribution Date, with a new performance share award or a new stock unit award, as the case may be, consisting of a number of NCR performance shares or NCR stock units, as the case may be, equal to the number of AT&T performance shares or AT&T stock units, as the case may be, constituting such Award as of the close of the Distribution Date, multiplied by the Ratio, and then rounded down to the nearest whole share.

Each Award that consists of non-vested restricted shares of AT&T Common Stock or restricted stock units relating to shares of AT&T Common Stock that is outstanding and held by an NCR employee, as of the close of the Distribution Date will be replaced, with certain exceptions, effective immediately after the Distribution Date, with either a replacement Award or such other form of compensation not based on NCR Common Stock as NCR may determine. Any such replacement Award will be a new Award consisting of a number of non-vested restricted shares of NCR Common Stock and/or restricted stock units relating to shares of NCR Common Stock equal to the number of non-vested restricted shares or restricted stock units of AT&T Common Stock constituting such Award as of the close of the Distribution Date multiplied by the Ratio, and then rounded down to the nearest whole share.

If, at any time after the close of the Distribution Date, AT&T is required to deliver shares of AT&T Common Stock, or shares of AT&T Common Stock vest, pursuant to an Award that NCR fails to replace as summarized above, with certain exceptions, NCR will be required to pay AT&T specified amounts determined pursuant to the Employee Benefits Agreement. For purposes of the replacements described above, the "Ratio" means the amount obtained by dividing (a) the average of the daily high and low per-share prices of the AT&T Common Stock during each of the five trading days immediately preceding the Distribution Date by (b) the average of the daily high and low per-share prices of the NCR Common Stock on a when-issued basis during each of the five trading days immediately preceding the Distribution Date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN MILLIONS)

16. QUARTERLY INFORMATION (UNAUDITED)

	FIRST -----	SECOND -----	THIRD -----	FOURTH -----	TOTAL -----
1995					
Total revenues.....	\$1,818	\$2,042	\$ 2,033	\$2,269	\$ 8,162
Gross margin.....	420	416	(508)	518	846
Net income (loss).....	(146)	(243)	(1,585)	(306)	(2,280)
1994					
Total revenues.....	\$1,527	\$2,011	\$ 1,979	\$2,944	\$ 8,461
Gross margin.....	479	610	580	898	2,567
Net income (loss).....	(94)	(77)	(41)	9	(203)

-
- (1) First quarter of 1995 includes a pre-tax gain on the sale of the Microelectronics components business of \$51
 - (2) Third quarter of 1995 includes a pre-tax charge of \$1,597 to cover restructuring and other costs (See Note 5 of Notes to Consolidated Financial Statements)
 - (3) Fourth quarter of 1995 includes a pre-tax charge of \$52 to cover restructuring and other costs (See Note 5 of Notes to Consolidated Financial Statements)
 - (4) Fourth quarter of 1994 includes revenue of \$223 for an additional month of international sales, resulting from the change to conform international and domestic reporting periods
 - (5) Fourth quarter of 1994 includes a pre-tax gain of \$110 for gain on sale of assets

EXHIBIT NO.	DESCRIPTION
2	Form of Distribution Agreement, dated as of _____, 1996, by and between AT&T Corp. and NCR Corporation
3.1	Form of Amended and Restated Charter of NCR Corporation
3.2	Form of Bylaws of NCR Corporation
4.1	Form of Common Stock Certificate of NCR Corporation*
4.2	Form of Preferred Share Purchase Rights Plan of NCR Corporation
10.1	Separation and Distribution Agreement, dated as of February 1, 1996 and amended and restated as of March 29, 1996 (incorporated by reference to Exhibit 10.1 to the Lucent Technologies Inc. Registration Statement on Form S-1 (No. 333-00703) dated April 3, 1996 (the "Lucent Registration Statement"))
10.2	Employee Benefits Agreement, dated as of _____, 1996, by and between AT&T Corp. and NCR Corporation*
10.3	Volume Purchase Agreement, dated as of _____, 1996, by and between AT&T Corp. and NCR Corporation*
10.4	Patent License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation and Lucent Technologies Inc. (incorporated by reference to Exhibit 10.7 to the Lucent Registration Statement)
10.5	Amended and Restated Technology License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation and Lucent Technologies Inc. (incorporated by reference to Exhibit 10.8 to the Lucent Registration Statement)
10.6	Tax Sharing Agreement, dated as of February 1, and amended and restated as of March 29, 1996, by and among AT&T Corp., NCR Corporation and Lucent Technologies Inc. (incorporated by reference to Exhibit 10.6 to the Lucent Registration Statement)
10.7	Interim Service and Systems Application Agreement by and among AT&T Corp., Lucent Technologies Inc. and NCR Corporation, dated as of February 1, 1996 (incorporated by reference to Exhibit 10.4 to the Lucent Registration Statement)
10.8	Form of NCR Management Stock Plan*
10.9	Form of NCR WorldShares Plan*
10.10	NCR Senior Executive Retirement, Death & Disability Plan*
10.11	The Retirement Plan for Officers of NCR*
10.12	Employment Agreements*
21	Subsidiaries of NCR Corporation
27	Financial Data Schedule

- - - - -
* To be filed by amendment.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

NCR CORPORATION

By /s/ LARS NYBERG

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

September 26, 1996

NCR CORPORATION

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(DOLLARS IN MILLIONS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		COLUMN D DEDUCTIONS	BALANCE AT END OF PERIOD
		CHARGED TO COSTS & EXPENSES	CHARGED TO OTHER ACCOUNTS		
Year Ended December 31, 1995					
Allowance for doubtful accounts...	\$ 65	\$ 61	\$ --	\$ 58	\$ 68
Deferred tax asset valuation allowance.....	405	67	--	--	472
Inventory valuation reserves.....	64	514(a)		248	330
Reserves related to business restructuring.....	71	963	--	176	858
Year Ended December 31, 1994					
Allowance for doubtful accounts...	\$ 43	\$ 38	\$ --	\$ 16	\$ 65
Deferred tax asset valuation allowance.....	449	--	--	44	405
Inventory valuation reserves.....	54	59	--	49	64
Reserves related to business restructuring.....	196	--	--	125	71
Year Ended December 31, 1993					
Allowance for doubtful accounts...	\$ 39	\$ 27	\$ --	\$ 23	\$ 43
Deferred tax asset valuation allowance.....	304	145	--	--	449
Inventory valuation reserves.....	37	54	--	37	54
Reserves related to business restructuring.....	99	219	--	122	196

(a) Includes \$417 restructuring reserve in the third quarter of 1995.

EXHIBIT INDEX

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* To be filed by amendment.

FORM OF
DISTRIBUTION AGREEMENT
BY AND BETWEEN
AT&T CORP.
AND
NCR CORPORATION

DATED AS OF _____, 1996

DISTRIBUTION AGREEMENT

THIS DISTRIBUTION AGREEMENT, dated as of _____, 1996, is by and between AT&T and NCR. Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in Article I hereof.

WHEREAS, the Board of Directors of AT&T has determined that it is in the best interests of AT&T and its shareholders to separate AT&T's existing businesses into three independent businesses;

WHEREAS, in furtherance of the foregoing, AT&T, NCR and Lucent have executed and delivered the Separation and Distribution Agreement providing for, among other things, the initial public offering of shares of Lucent Common Stock (which was consummated on April 10, 1996) and for the pro rata distribution by AT&T of all of its shares of Lucent Common Stock to the shareholders of AT&T;

WHEREAS, AT&T, NCR and Lucent have also executed and delivered the Ancillary Agreements (as such term is defined in the Separation and Distribution Agreement) governing certain additional matters relating to the Lucent Distribution;

WHEREAS, the Board of Directors of AT&T has also determined that AT&T will distribute to its shareholders all of the capital stock of NCR held directly or indirectly by AT&T, subject to the terms and conditions set forth herein;

WHEREAS, the NCR Distribution is intended to qualify as a tax-free spin-off under Section 355 of the Code;

WHEREAS, it is appropriate and desirable to set forth certain agreements that will govern certain matters relating to the NCR Distribution and the relationship of AT&T and NCR and their respective Subsidiaries following the NCR Distribution.

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

ARTICLE I
DEFINITIONS

For the purpose of this Agreement the following terms shall have the following meanings:

1.1. ACTION has the meaning set forth in the Separation and Distribution Agreement.

1.2. ADJUSTMENT has the meaning set forth in the Tax Sharing Agreement.

1.3. AFFILIATE has the meaning set forth in the Separation and Distribution Agreement.

1.4. AGENT means the distribution agent to be appointed by AT&T to distribute, or make book entry credits for, the shares of NCR Common Stock held by AT&T pursuant to the NCR Distribution.

1.5. AGREEMENT means this Distribution Agreement, including all of the Schedules hereto.

1.6. ANCILLARY AGREEMENTS has the meaning set forth in the Separation and Distribution Agreement.

1.7. APPLICABLE DEADLINE has the meaning set forth in the Separation and Distribution Agreement.

1.8. ARBITRATION ACT has the meaning set forth in the Separation and Distribution Agreement.

1.9. ARBITRATION DEMAND NOTICE has the meaning set forth in the Separation and Distribution Agreement.

1.10. ASSETS has the meaning set forth in the Separation and Distribution Agreement.

1.11. AT&T means AT&T Corp., a New York corporation.

1.12. AT&T COMMON STOCK means the Common Stock, \$1.00 par value per share, of AT&T.

1.13. AT&T GROUP has the meaning set forth in the Separation and Distribution Agreement.

1.14. AT&T INDEMNITEES has the meaning set forth in Section 4.2 hereof.

1.15. AT&T SERVICES BUSINESS has the meaning set forth in the Separation and Distribution Agreement.

1.16. AT&T SERVICES GROUP means each member of the AT&T Group other than any member of the NCR Group.

1.17. AT&T VOLUME PURCHASE AGREEMENT means the Volume Purchase Agreement, dated as of the date hereof, as amended, by and between AT&T and NCR.

1.18. CLOSING DATE has the meaning set forth in the Separation and Distribution Agreement.

1.19. CODE means the Internal Revenue Code of 1986, as amended.

1.20. COMMISSION means the Securities and Exchange Commission.

1.21. CONSENTS means any consents, waivers or approvals from, or notification requirements to, any third parties.

1.22. DETERMINATION REQUEST has the meaning set forth in the Separation and Distribution Agreement.

1.23. EXCHANGE ACT means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

1.24. GOVERNMENTAL APPROVALS has the meaning set forth in the Separation and Distribution Agreement.

1.25. GOVERNMENTAL AUTHORITY has the meaning set forth in the Separation and Distribution Agreement.

1.26. GROUP means any of the AT&T Services Group, the Lucent Group or the NCR Group, as the context requires.

1.27. INDEMNIFYING PARTY has the meaning set forth in Section 4.4(a) hereof.

1.28. INDEMNITEE has the meaning set forth in Section 4.4(a) hereof.

1.29. INDEMNITY PAYMENT has the meaning set forth in Section 4.4(a) hereof.

1.30. INSURANCE PROCEEDS has the meaning set forth in the Separation and Distribution Agreement.

1.31. IPO has the meaning set forth in the Separation and Distribution Agreement.

1.32. LIABILITIES has the meaning set forth in the Separation and Distribution Agreement.

1.33. LUCENT means Lucent Technologies Inc., a Delaware corporation.

1.34. LUCENT COMMON STOCK means the Common Stock, \$.01 par value per share, of Lucent.

1.35. LUCENT DISTRIBUTION means the distribution by AT&T on a pro rata basis to holders of AT&T Common Stock of all of the outstanding shares of Lucent Common Stock owned by AT&T as set forth in Article IV of the Separation and Distribution Agreement.

1.36. LUCENT GROUP has the meaning set forth in the Separation and Distribution Agreement.

1.37. LUCENT INDEMNITEES has the meaning set forth in the Separation and Distribution Agreement.

1.38. NCR means NCR Corporation, a Maryland corporation.

1.39. NCR ANCILLARY AGREEMENTS means the AT&T Volume Purchase Agreement, the NCR Employee Benefits Agreement, the Procedures Agreement and the agreements related or supplemental to this Agreement or to any of the foregoing.

1.40. NCR BUSINESS means (a) the computer products, computer systems, data processing and information solutions business and operations as conducted by NCR and its Subsidiaries; (b) except as otherwise expressly provided herein or in the Separation and Distribution Agreement, any terminated, divested or discontinued businesses or operations (i) that at the time of termination, divestiture or discontinuation primarily related to the NCR Business as then conducted, or (ii) that were conducted by NCR, by any Person that at any time was an Affiliate of NCR prior to the acquisition of NCR by AT&T, or by any Person that at any time was controlled by NCR; (c) the terminated, divested or discontinued businesses and operations listed or described on Schedule 1.75 to the Separation and Distribution Agreement; and (d) any business or operation conducted by NCR or any Affiliate of NCR at any time on or after the NCR Distribution Date.

1.41. NCR COMMON STOCK means the Common Stock, par value \$.01 per share, of NCR.

1.42. NCR COVERED LIABILITIES has the meaning set forth in the Separation and Distribution Agreement.

1.43. NCR DISTRIBUTION means the distribution by AT&T on a pro rata basis to holders of AT&T Common Stock of all of the outstanding shares of NCR Common Stock owned by AT&T on the NCR Distribution Date as set forth in Article II of this Agreement.

1.44. NCR DISTRIBUTION DATE means the date determined pursuant to Section 2.3 of this Agreement on which the NCR Distribution occurs.

1.45. NCR EMPLOYEE BENEFITS AGREEMENT means the Employee Benefits Agreement, dated as of the date hereof, as amended, by and between AT&T and NCR.

1.46. NCR FORM 10 means the Registration Statement on Form 10 to be filed by NCR with the Commission in connection with the NCR Distribution.

1.47. NCR GROUP has the meaning set forth in the Separation and Distribution Agreement.

1.48. NCR INDEMNITEES has the meaning set forth in Section 4.3(a) hereof.

1.49. NCR INFORMATION STATEMENT means the Information Statement constituting a part of the NCR Form 10, which will be mailed to AT&T shareholders in connection with the NCR Distribution.

1.50. NCR INSURANCE POLICIES means the insurance policies written by insurance carriers unaffiliated with AT&T pursuant to which NCR or one or more of its Subsidiaries (or their respective officers or directors) will be insured parties after the NCR Distribution Date.

1.51. NCR RECORD DATE means the time at which the transfer agent for the AT&T Common Stock closes its transfer records for AT&T Common Stock on the date to be determined by the AT&T Board of Directors as the record date for determining shareholders of AT&T entitled to receive the special dividend of shares of NCR Common Stock in the NCR Distribution.

1.52. NYSE means The New York Stock Exchange, Inc.

1.53. PERSON has the meaning set forth in the Separation and Distribution Agreement.

1.54. PREFERRED SHARE PURCHASE RIGHTS mean the Rights to be issued pursuant to a Rights Agreement substantially in the form of the Rights Agreement attached as an Exhibit to the NCR Form 10.

1.55. PROCEDURES AGREEMENT means the Procedures Agreement, dated as of the date hereof, as amended, by and between AT&T and NCR.

1.56. RESTRUCTURING ADJUSTMENT has the meaning set forth in the Tax Sharing Agreement.

1.57. SECURITIES ACT means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

1.58. SECURITY INTEREST has the meaning set forth in the Separation and Distribution Agreement.

1.59. SEPARATION has the meaning set forth in the Separation and Distribution Agreement.

1.60. SEPARATION AND DISTRIBUTION AGREEMENT means the Separation and Distribution Agreement, dated as of February 1, 1996, as amended and restated as of March 29, 1996, by and among AT&T, Lucent and NCR, including the Schedules thereto.

1.61. SHARED CONTINGENT LIABILITY has the meaning set forth in the Separation and Distribution Agreement.

1.62. SUBSIDIARY has the meaning set forth in the Separation and Distribution Agreement.

1.63. TAX SHARING AGREEMENT has the meaning set forth in the Separation and Distribution Agreement.

1.64. TAXES has the meaning set forth in the Tax Sharing Agreement.

1.65. THIRD PARTY CLAIM has the meaning set forth in Section 4.5(a) hereof.

1.66. TRANSACTION AGREEMENTS means, collectively, this Agreement, the NCR Ancillary Agreements, the Separation and Distribution Agreement and the Ancillary Agreements.

ARTICLE II THE DISTRIBUTION

2.1. THE DISTRIBUTION. (a) Subject to Section 2.3 hereof, on or prior to the NCR Distribution Date, AT&T will deliver to the Agent for the benefit of holders of record of AT&T Common Stock on the NCR Record Date, a single stock certificate representing all of the outstanding shares of NCR Common Stock then beneficially owned by AT&T or any of its wholly owned Subsidiaries, and shall cause the transfer agent for the shares of AT&T Common Stock to instruct the Agent on the NCR Distribution Date either to distribute, or make book-entry credits for, the appropriate number of such shares of NCR Common Stock to each such holder of AT&T Common Stock or designated transferee or transferees of such holder.

(b) Subject to Section 2.4, each holder of AT&T Common Stock on the NCR Record Date (or such holder's designated transferee or transferees) will be entitled to receive in the NCR Distribution a number of shares of NCR Common Stock equal to the number of shares of AT&T Common Stock held by such holder on the NCR Record Date multiplied by a fraction, the numerator of which is the number of shares of NCR Common Stock beneficially owned by AT&T or any of its wholly owned Subsidiaries on the NCR Record Date and the denominator of which is the number of shares of AT&T Common Stock outstanding on the NCR Record Date.

(c) Each of NCR and AT&T, as the case may be, will provide to the Agent all share certificates and any information required in order to complete the NCR Distribution on the terms contemplated hereby.

2.2. ACTIONS PRIOR TO THE NCR DISTRIBUTION. (a) AT&T and NCR shall prepare and mail, prior to the NCR Distribution Date, to the holders of AT&T Common

Stock, the NCR Information Statement, which shall set forth appropriate disclosure concerning NCR, the NCR Distribution and such other matters as AT&T and NCR may determine. AT&T and NCR shall prepare, and NCR shall file with the Commission, the NCR Form 10, which shall include or incorporate by reference the NCR Information Statement. NCR shall use its reasonable best efforts to cause the NCR Form 10 to be declared effective under the Exchange Act as soon as practicable following the filing thereof.

(b) AT&T and NCR shall take all such action as may be necessary or appropriate under the securities or blue sky laws of the United States (and any comparable laws under any foreign jurisdiction) in connection with the NCR Distribution.

(c) NCR shall prepare and file, and shall use its reasonable best efforts to have approved, an application for the listing of the NCR Common Stock (and related Preferred Share Purchase Rights) to be distributed in the NCR Distribution on the NYSE or another mutually agreeable stock exchange or quotations system.

2.3. CONDITIONS TO THE NCR DISTRIBUTION. The AT&T Board shall have the sole discretion to determine the NCR Record Date and the NCR Distribution Date, and all appropriate procedures in connection with the NCR Distribution, provided that the NCR Distribution shall not occur prior to such time as each of the following conditions shall have been satisfied or shall have been waived by the AT&T Board in its sole discretion:

(a) a private letter ruling from the Internal Revenue Service shall have been obtained, and shall continue in effect, to the effect that, among other things, the NCR Distribution will qualify as a tax-free distribution for federal income tax purposes under Section 355 of the Code, and such ruling shall be in form and substance satisfactory to AT&T in its sole discretion;

(b) any material Governmental Approvals and Consents necessary to consummate the NCR Distribution shall have been obtained and be in full force and effect;

(c) no order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the NCR Distribution shall be in effect and no other event shall have occurred or failed to occur that prevents the consummation of the NCR Distribution;

(d) the NCR Form 10 shall have been declared effective by the Commission;

(e) AT&T shall have received a favorable response from the Staff of the Commission to a request for a no-action letter concerning, among other matters, whether the NCR Distribution and related transactions may be effected without registration of the NCR Common Stock (and related Preferred Share Purchase Rights) under the Securities Act;

(f) the NCR Common Stock (and related Preferred Share Purchase Rights) shall have been accepted for listing by the NYSE or another mutually agreeable stock exchange or quotations system; and

(g) the AT&T Board shall have formally approved the Distribution;

provided that the satisfaction of such conditions shall not create any obligation on the part of AT&T, NCR or any other Person to effect or to seek to effect the NCR Distribution or in any way limit AT&T's right to terminate this Agreement as set forth in Section 7.1 or alter the consequences of any such termination from those specified in Section 7.2.

2.4. FRACTIONAL SHARES. No certificates representing fractional shares of NCR Common Stock will be distributed to holders of AT&T Common Stock in the NCR Distribution. Holders that receive certificates in the NCR Distribution and holders that receive less than one whole share of NCR Common Stock in the NCR Distribution will receive cash in lieu of such fractional shares as contemplated hereby. As soon as practicable after the NCR Distribution Date, AT&T shall direct the Agent to determine the number of fractional shares of NCR Common Stock allocable to each holder of record or beneficial owner of AT&T Common Stock as of the Record Date that will receive cash in lieu of such fractional shares, to aggregate all such fractional shares and sell the whole shares obtained by aggregating such fractional shares either in open market transactions or otherwise, in each case at then prevailing trading prices, and to cause to be distributed to each such holder or for the benefit of each such beneficial owner, in lieu of any fractional share, such holder's or owner's ratable share of the proceeds of such sale, after making appropriate deductions of the amount required to be withheld for federal income tax purposes and after deducting an amount equal to all brokerage charges, commissions and transfer taxes attributed to such sale. AT&T and the Agent shall use their reasonable best efforts to aggregate the shares of AT&T Common Stock that may be held by any beneficial owner thereof through more than one account in determining the fractional share allocable to such beneficial owner.

ARTICLE III
CERTAIN AGREEMENTS RELATING TO THE NCR DISTRIBUTION

3.1. NCR ANCILLARY AGREEMENTS. Effective as of the date hereof, each of AT&T and NCR are executing and delivering each of the NCR Ancillary Agreements.

3.2. THE NCR BOARD. NCR and AT&T shall take all actions which may be required to elect or otherwise appoint as directors of NCR, on or prior to the NCR Distribution Date, the persons named in the NCR Form 10 to constitute the Board of Directors of NCR on the NCR Distribution Date.

3.3. NCR CHARTER, BYLAWS AND RIGHTS. Prior to the NCR Distribution Date, (a) AT&T shall cause Articles of Amendment and Restatement of NCR, substantially in the form filed with the NCR Form 10, to be filed for record with the Maryland State Department of Assessments and Taxation and to be in effect on the NCR Distribution Date,

and (b) the Board of Directors of NCR shall amend the Bylaws of NCR so that the NCR Bylaws are substantially in the form filed with the NCR Form 10. Prior to the NCR Record Date, the Board of Directors of NCR shall declare a dividend of the Preferred Share Purchase Rights so that each share of NCR Common Stock issued and outstanding on the NCR Distribution Date shall initially have one Preferred Share Purchase Right attached thereto.

3.4. TERMINATION OF INTERCOMPANY AGREEMENTS. (a) Except as set forth in Section 3.4(b) or Section 2.4(b) of the Separation and Distribution Agreement or Schedule 2.4(b)(ii) thereto, in furtherance of the releases and other provisions of Section 4.1 hereof, NCR and each member of the NCR Group, on the one hand, and AT&T and the respective members of the AT&T Services Group, on the other hand, hereby terminate any and all agreements, arrangements, commitments or understandings, whether or not in writing, between or among NCR and/or any member of the NCR Group, on the one hand, and AT&T and/or any member of the AT&T Services Group, on the other hand, effective as of the NCR Distribution Date. No such terminated agreement, arrangement, commitment or understanding (including any provision thereof which purports to survive termination) shall be of any further force or effect after the NCR Distribution Date. Each party shall, at the reasonable request of any other party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 3.4(a) shall not apply to any of the following agreements, arrangements, commitments or understandings (or to any of the provisions thereof): (i) the Transaction Agreements (and each other agreement or instrument expressly contemplated by any Transaction Agreement to be entered into by any of the parties hereto or any of the members of their respective Groups); (ii) any agreements, arrangements, commitments or understandings listed or described on Schedule 3.4(b)(ii); (iii) any agreements, arrangements, commitments or understandings to which any Person other than the parties hereto and their respective Affiliates is a party; (iv) except as set forth in Schedule 3.4(b)(iv), any intercompany accounts payable or accounts receivable accrued as of the NCR Distribution Date that are reflected in the books and records of the parties or otherwise documented in writing in accordance with past practices; (v) any agreements, arrangements, commitments or understandings to which AT&T Capital Corporation, any member of the Lucent Group, or any other non-wholly owned Subsidiary of AT&T or NCR, as the case may be, is a party (it being understood that directors' qualifying shares or similar interests will be disregarded for purposes of determining whether a Subsidiary is wholly owned); (vi) any written Tax sharing or Tax allocation agreements to which any member of any Group is a party; and (vii) any other agreements, arrangements, commitments or understandings that any of the Transaction Agreements expressly contemplates will survive the NCR Distribution Date.

3.5. DISCLAIMER OF REPRESENTATIONS AND WARRANTIES. Each of AT&T (on behalf of itself and each member of the AT&T Services Group) and NCR (on behalf of itself and each member of the NCR Group) understands and agrees that, except as expressly set forth in any Transaction Agreement, no party to any Transaction Agreement or any other agreement or document contemplated by any Transaction Agreement either has or is

representing or warranting in any way as to the Assets, businesses or Liabilities retained, transferred or assumed as contemplated hereby or thereby, as to any consents or approvals required in connection therewith, as to the value or freedom from any Security Interests of, or any other matter concerning, any Assets of such party, or as to the absence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other Asset, including any accounts receivable, of any party, or as to the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any Asset or thing of value upon the execution, delivery and filing hereof or thereof. Except as may expressly be set forth in any Transaction Agreement, all such Assets were, or are being, transferred, or are being retained, on an "as is," "where is" basis (and, in the case of any real property, by means of a quitclaim or similar form deed or conveyance) and the respective transferees shall bear the economic and legal risks that any conveyance shall prove to be insufficient to vest in the transferee good and marketable title, free and clear of any Security Interest.

3.6. NON-U.S. PLAN. On or prior to the NCR Distribution Date, NCR and AT&T shall use their reasonable best efforts to consummate, or to cause to be consummated, the transactions set forth on Schedule 3.6 hereto.

3.7. LETTERS OF CREDIT AND RELATED MATTERS. In the event that at any time, whether prior to or after the NCR Distribution Date, AT&T identifies any letters of credit, interest rate or foreign exchange contracts or other financial or other contracts that relate primarily to the NCR Business but for which any member of the AT&T Services Group has contingent, secondary, joint, several or other Liability of any nature whatsoever, NCR will at its expense take such actions and enter into such agreements and arrangements as AT&T may request to effect the release or substitution of the member of the AT&T Services Group.

ARTICLE IV MUTUAL RELEASES; INDEMNIFICATION

4.1. RELEASE OF PRE-CLOSING CLAIMS. (a) Except as provided in Section 4.1(c), effective as of the NCR Distribution Date, NCR does hereby, for itself and each other member of the NCR Group, their respective Affiliates (other than any member of the AT&T Services Group or the Lucent Group), successors and assigns, and all Persons who at any time prior to the NCR Distribution Date have been shareholders, directors, officers, agents or employees of any member of the NCR Group (in each case, in their respective capacities as such), remise, release and forever discharge AT&T, the members of the AT&T Services Group, their respective Affiliates (other than any member of the NCR Group or the Lucent Group), successors and assigns, and all Persons who at any time prior to the NCR Distribution Date have been shareholders, directors, officers, agents or employees of any member of the AT&T Services Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing

or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the NCR Distribution Date, including in connection with the actions or decisions taken or omitted to be taken in connection with, and the other activities relating to, the structuring or implementation of any of the Separation, the IPO, the Lucent Distribution or the NCR Distribution.

(b) Except as provided in Section 4.1(c), effective as of the NCR Distribution Date, AT&T does hereby, for itself and each other member of the AT&T Services Group, their respective Affiliates (other than AT&T Capital Corporation or any of its Subsidiaries, any member of the NCR Group or the Lucent Group), successors and assigns, and all Persons who at any time prior to the NCR Distribution Date have been shareholders, directors, officers, agents or employees of any member of the AT&T Services Group other than AT&T Capital Corporation or any of its Subsidiaries (in each case, in their respective capacities as such), remise, release and forever discharge NCR, the respective members of the NCR Group, their respective Affiliates (other than any member of the AT&T Services Group or the Lucent Group), successors and assigns, and all Persons who at any time prior to the NCR Distribution Date have been shareholders, directors, officers, agents or employees of any member of the NCR Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the NCR Distribution Date, including in connection with the transactions and all other activities to implement any of the Separation, the IPO, the Lucent Distribution or the NCR Distribution.

(c) Nothing contained in Section 4.1(a) or (b) shall impair any right of any Person to enforce the Transaction Agreements, or any agreements, arrangements, commitments or understandings that are specified in the Separation and Distribution Agreement, in Section 3.4(b) or the Schedules hereto or thereto not to terminate as of the Closing Date or the NCR Distribution Date, as the case may be, in each case in accordance with its terms. Nothing contained in Section 4.1(a) or (b) shall release any Person from:

(i) any Liability provided in or resulting from any agreement among any members of the AT&T Services Group or the NCR Group that is specified in the Separation and Distribution Agreement, in Section 3.4(b) or the applicable Schedules hereto or thereto as not to terminate as of the Closing Date or as of the NCR Distribution Date, as the case may be, or any other Liability so specified as not to terminate as of the Closing Date or NCR Distribution Date;

(ii) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under, any Transaction Agreement;

(iii) any Liability that the parties may have with respect to indemnification or contribution pursuant to this Agreement for claims brought against the parties by third Persons, which Liability shall be governed by the provisions of this Article IV and by the Separation and Distribution Agreement, and, if applicable, by the appropriate provisions of the Ancillary Agreements or NCR Ancillary Agreements; or

(iv) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 4.1; provided that the parties agree not to bring suit or permit any of their Subsidiaries to bring suit against any such Person with respect to any Liability to the extent that such Person would be released with respect to such Liability by this Section 4.1 but for the provisions of this clause (iv).

(d) NCR shall not make, and shall not permit any member of the NCR Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against AT&T, any member of the AT&T Services Group, or any other Person released pursuant to Section 4.1(a), with respect to any Liabilities released pursuant to Section 4.1(a). AT&T shall not, and shall not permit any member of the AT&T Services Group, to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against NCR or any member of the NCR Group, or any other Person released pursuant to Section 4.1(b), with respect to any Liabilities released pursuant to Section 4.1(b).

(e) It is the intent of each of AT&T and NCR by virtue of the provisions of this Section 4.1 to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the NCR Distribution Date, between or among NCR or any member of the NCR Group, on the one hand, and AT&T or any member of the AT&T Services Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the NCR Distribution Date), except as expressly set forth in Section 4.1(c). At any time, at the request of any other party, each party shall cause each member of its respective Group to execute and deliver releases reflecting the provisions hereof.

4.2. INDEMNIFICATION BY NCR. NCR shall indemnify, defend and hold harmless AT&T, each member of the AT&T Services Group and each of their respective directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "AT&T Indemnitees"), from and against any and all Liabilities of the AT&T Indemnitees relating to, arising out of or resulting from any of the following items (without duplication), in each case whether arising before, on or after the NCR Distribution Date:

(a) the failure of NCR or any other member of the NCR Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of any mem-

ber of the NCR Group in accordance with their respective terms, whether prior to or after the NCR Distribution Date or the date hereof;

(b) the NCR Business (including any claim by any creditor of AT&T UK Holdings Ltd. to the extent relating to the NCR Business conducted by such entity), any Liability of any member of the NCR Group or any NCR Covered Liability;

(c) any Asset (including contracts, agreements, real property and leasehold interests) of any member of the NCR Group at any time (other than Assets transferred to any member of the AT&T Services Group prior to the NCR Distribution Date), and any contract, agreement, letter of credit or other commitment or obligation listed on Schedule 4.2 hereof;

(d) the operation of the NCR Business, as conducted at any time prior to, on or after the NCR Distribution Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority));

(e) any guarantee, indemnity, representation, warranty or other Liability of or made by any member of the AT&T Services Group in respect of any Liability or alleged Liability of any member of the NCR Group;

(f) any breach by NCR or any member of the NCR Group of this Agreement, the Separation and Distribution Agreement, any Ancillary Agreement or any of the NCR Ancillary Agreements;

(g) any Liabilities relating to, arising out of or resulting from the NCR Business (including any NCR Covered Liabilities) for which AT&T has agreed to indemnify and hold harmless the Lucent Indemnitees pursuant to Section 5.3(a) of the Separation and Distribution Agreement;

(h) actions taken by any member of the AT&T Group on behalf of any member of the NCR Group pursuant to the Separation and Distribution Agreement or any Ancillary Agreement;

(i) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the NCR Information Statement or NCR Form 10; and

(j) any Liability relating to, arising out of or resulting from any actual or threatened Action or other claim alleging that any Liability was improperly allocated to the NCR Group or that any Asset was improperly withheld from the NCR Group, in each case pursuant to any of the Transaction Agreements.

Nothing in this Agreement shall be deemed to amend or modify Section 5.3(c) of the Separation and Distribution Agreement and the provisions of the Separation and Distribution Agreement shall govern matters covered thereby.

4.3. INDEMNIFICATION BY AT&T. (a) AT&T shall indemnify, defend and hold harmless NCR, each member of the NCR Group and each of their respective directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "NCR Indemnitees"), from and against any and all Liabilities of the NCR Indemnitees relating to, arising out of or resulting from any of the following items (without duplication), in each case whether arising before, on or after the NCR Distribution Date:

(i) the failure of AT&T or any other member of the AT&T Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of the AT&T Services Group whether prior to or after the NCR Distribution Date or the date hereof;

(ii) the AT&T Services Business (including any claim by any creditor of AT&T UK Holdings Ltd. to the extent relating to the AT&T Services Business conducted by such entity) or any Liability of the AT&T Services Group; and

(iii) any breach by AT&T or any member of the AT&T Services Group of this Agreement, the Separation and Distribution Agreement, any Ancillary Agreement or any of the NCR Ancillary Agreements;

provided however that this Section 4.3 shall not apply to any Liability relating to the NCR Business.

4.4. INDEMNIFICATION OBLIGATIONS NET OF INSURANCE PROCEEDS AND OTHER AMOUNTS. (a) The parties intend that any Liability subject to indemnification or reimbursement pursuant to this Article IV will be net of Insurance Proceeds that actually reduce the amount of the Liability. Accordingly, the amount which any party (an "Indemnifying Party") is required to pay to any Person entitled to indemnification hereunder (an "Indemnitee") will be reduced by any Insurance Proceeds theretofore actually recovered by or on behalf of the Indemnitee in reduction of the related Liability. If an Indemnitee receives a payment (an "Indemnity Payment") required by this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives Insurance Proceeds, then the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds recovery had been received, realized or recovered before the Indemnity Payment was made.

(b) An insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other third party shall be entitled to a "windfall"

(i.e., a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of the indemnification provisions hereof.

4.5. PROCEDURES FOR INDEMNIFICATION OF THIRD PARTY CLAIMS. (a)

If an Indemnitee shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the AT&T Services Group or the NCR Group of any claim or of the commencement by any such Person of any Action (collectively, a "Third Party Claim") with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to Section 4.2 or 4.3, or any other Section of this Agreement or any NCR Ancillary Agreement, such Indemnitee shall give such Indemnifying Party written notice thereof within 20 days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the failure of any Indemnitee to give notice as provided in this Section 4.5(a) shall not relieve the related Indemnifying Party of its obligations under this Article IV, except to the extent that such Indemnifying Party is actually prejudiced by such failure to give notice.

(b) If the Indemnitee or any other party to this Agreement believes that the Third Party Claim is or may be a Shared Contingent Liability, such Indemnitee or other party may make a Determination Request in accordance with the Separation and Distribution Agreement at any time following any notice given by the Indemnitee to an Indemnifying Party pursuant to Section 4.5(a). AT&T may make such a Determination Request at any time. Unless each of AT&T, NCR and Lucent has acknowledged that the applicable Third Party Claim (including any Third Party Claim set forth on Schedule 6.6 to the Separation and Distribution Agreement) is not a Shared Contingent Liability or unless a determination to such effect has been made in accordance with the Separation and Distribution Agreement, AT&T shall be entitled (but not obligated) to assume the defense of such Third Party Claim as if it were the Indemnifying Party hereunder. In any such event, AT&T shall be entitled to reimbursement of all the costs and expenses (including allocated costs of in-house counsel and other personnel) of such defense once a final determination or acknowledgment is made as to the status of the Third Party Claim from the applicable party or parties that would have been required to pay such amounts if the status of the Third Party Claim had been determined immediately; provided that, if such Third Party Claim is determined to be a Shared Contingent Liability, such costs and expenses shall be shared as provided in Section 5.5(c) of the Separation and Distribution Agreement.

(c) AT&T shall assume the defense of, and may seek to settle or compromise, any Third Party Claim that is a Shared Contingent Liability, and the costs and expenses (including allocated costs of in-house counsel and other personnel) thereof shall be included in the calculation of the amount of the applicable Shared Contingent Liability in determining the reimbursement obligations of the other parties with respect thereto pursuant to Section 6.4 of the Separation and Distribution Agreement. Any Indemnitee in respect of a Shared Contingent Liability shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but all fees and expenses of such counsel shall be the expense of such Indemnitee.

(d) Other than in the case of a Shared Contingent Liability, an Indemnifying Party may elect to defend (and, unless the Indemnifying Party has specified any reservations or exceptions, to seek to settle or compromise), at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel, any Third Party Claim. Within 30 days after the receipt of notice from an Indemnitee in accordance with Section 4.5(a) (or sooner, if the nature of such Third Party Claim so requires), the Indemnifying Party shall notify the Indemnitee of its election whether the Indemnifying Party will assume responsibility for defending such Third Party Claim, which election shall specify any reservations or exceptions. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but the fees and expenses of such counsel shall be the expense of such Indemnitee except as set forth in the next sentence. In the event that (i) the Third Party Claim is not a Shared Contingent Liability and (ii) the Indemnifying Party has elected to assume the defense of the Third Party Claim but has specified, and continues to assert, any reservations or exceptions in such notice, then, in any such case, the reasonable fees and expenses of one separate counsel for all Indemnitees shall be borne by the Indemnifying Party.

(e) Other than in the case of a Shared Contingent Liability, if an Indemnifying Party elects not to assume responsibility for defending a Third Party Claim, or fails to notify an Indemnitee of its election as provided in Section 4.5(d), such Indemnitee may defend such Third Party Claim at the cost and expense (including allocated costs of in-house counsel and other personnel) of the Indemnifying Party.

(f) Unless the Indemnifying Party has failed to assume the defense of the Third Party Claim in accordance with the terms of this Agreement, no Indemnitee may settle or compromise any Third Party Claim that is not a Shared Contingent Liability without the consent of the Indemnifying Party. No Indemnitee may settle or compromise any Third Party Claim that is a Shared Contingent Liability without the consent of AT&T.

(g) In the case of a Third Party Claim that is not a Shared Contingent Liability, no Indemnifying Party shall consent to entry of any judgment or enter into any settlement of the Third Party Claim without the consent of the Indemnitee if the effect thereof is to permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly, against any Indemnitee. In the case of a Third Party Claim that is a Shared Contingent Liability, AT&T shall not consent to entry of any judgment or enter into any settlement of the Third Party Claim without the consent of the Indemnitee if the effect thereof is to permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly, against any Indemnitee.

(h) The provisions of Section 4.5 and Section 4.6 shall not apply to Taxes (which are covered by the Tax Sharing Agreement).

4.6. ADDITIONAL MATTERS. (a) Any claim on account of a Liability which does not result from a Third Party Claim shall be asserted by written notice given by the Indemnitee to the related Indemnifying Party. Such Indemnifying Party shall have a period

of 30 days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such 30-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not respond within such 30-day period or rejects such claim in whole or in part, such Indemnitee shall be free to pursue such remedies as may be available to such party as contemplated by any Transaction Agreement.

(b) In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense (including allocated costs of in-house counsel and other personnel) of such Indemnifying Party, in prosecuting any subrogated right, defense or claim; provided, however, that AT&T shall be entitled to control the prosecution of any such right, defense or claim in respect of any Shared Contingent Liability.

(c) In the event of an Action in which the Indemnifying Party is not a named defendant, if either the Indemnified Party or Indemnifying Party shall so request, the parties shall endeavor to substitute the Indemnifying Party for the named defendant or, in the case of a Shared Contingent Liability, add the Indemnifying Party as a named defendant, if at all practicable. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in this Section and, subject to Section 6.4 of the Separation and Distribution Agreement with respect to Shared Contingent Liabilities, the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts' fees and all other external expenses, and the allocated costs of in-house counsel and other personnel), the costs of any judgment or settlement, and the cost of any interest or penalties relating to any judgment or settlement.

4.7. REMEDIES CUMULATIVE. The remedies provided in this Article IV shall be cumulative and, subject to the provisions of Article IX of the Separation and Distribution Agreement, shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

4.8. SURVIVAL OF INDEMNITIES. The rights and obligations of each of AT&T and NCR and their respective Indemnitees under this Article IV shall survive the sale or other transfer by any party of any Assets or businesses or the assignment by it of any Liabilities.

4.9. RELATIONSHIP TO SEPARATION AND DISTRIBUTION AGREEMENT DISPUTE RESOLUTION PROCEDURES. (a) Each of NCR and AT&T agrees that the procedures for discussion, negotiation and arbitration set forth in Article IX of the Separation and Distribution Agreement (which are hereby incorporated herein by reference) shall apply to all dis-

putes, controversies or claims (whether sounding in contract, tort or otherwise) that may arise out of or relate to, or arise under or in connection with this Agreement or, except as otherwise expressly provided therein, any NCR Ancillary Agreement (as if each of this Agreement and each of the NCR Ancillary Agreements were an Ancillary Agreement), or the transactions contemplated hereby or thereby (including all actions taken in furtherance of the transactions contemplated hereby or thereby on or prior to the date hereof), or the commercial or economic relationship of the parties relating hereto or thereto, between or among any member of the AT&T Services Group and the NCR Group.

(b) Each party agrees on behalf of itself and each member of its respective Group that the procedures set forth in such Article IX shall be the sole and exclusive remedy in connection with any dispute, controversy or claim relating to any of the foregoing matters and irrevocably waives any right to commence any Action in or before any Governmental Authority, except as expressly provided in Sections 9.7(b) and 9.8 of the Separation and Distribution Agreement and except to the extent provided under the Arbitration Act in the case of judicial review of arbitration results or awards. Each party on behalf of itself and each member of its respective Group irrevocably waives any right to any trial by jury with respect to any claim, controversy or dispute set forth in the first sentence of Section 9.1 of the Separation and Distribution Agreement.

(c) Without limiting the foregoing, each of the parties agrees on behalf of itself and each member of its Group that if an Arbitration Demand Notice with respect to a dispute, controversy or claim is not given prior to the expiration of the Applicable Deadline, as between or among the parties and the members of their Groups, such dispute, controversy or claim will be barred.

(d) Subject to Sections 9.7(d) and 9.8 of the Separation and Distribution Agreement, upon delivery of an Arbitration Demand Notice pursuant to Section 9.3(a) of the Separation and Distribution Agreement prior to the Applicable Deadline, the dispute, controversy or claim shall be decided by a sole arbitrator in accordance with the rules set forth in Article IX of the Separation and Distribution Agreement.

(e) The interpretation of the provisions of this Section 4.9 and Article IX of the Separation and Distribution Agreement (to the extent incorporated herein by reference), only insofar as they relate to the agreement to arbitrate and any procedures pursuant thereto, shall be governed by the Arbitration Act and other applicable federal law. In all other respects, the interpretation of this Agreement shall be governed as set forth in Section 8.2.

ARTICLE V INTERIM OPERATIONS AND CERTAIN OTHER MATTERS

5.1. CERTAIN TAX MATTERS. Notwithstanding any other provision of this Agreement, the Tax Sharing Agreement or any other Transaction Agreement, in the case of any Adjustment comprising a Restructuring Adjustment that relates to the NCR Distribution

and arises as a result of the acquisition of all or a portion of the NCR capital stock of any class or series and/or of its assets by any means whatsoever by any Person other than an Affiliate of NCR following such NCR Distribution, NCR shall indemnify, defend and hold harmless AT&T from and against any and all Liabilities of AT&T relating to, arising out of or resulting from such Adjustment.

5.2. AGREEMENT FOR EXCHANGE OF INFORMATION; ARCHIVES. Each of AT&T and NCR agrees that the provisions of Article VIII of the Separation and Distribution Agreement shall continue to apply after the NCR Distribution Date; provided however, that as between the members of NCR Group, on the one hand, and the AT&T Services Group, on the other hand, the reference to "the third anniversary of the date hereof" in Section 8.2 of the Separation and Distribution Agreement shall be deemed to be the third anniversary of the date of this Agreement. Without limiting the foregoing, (a) NCR shall maintain in effect at its own cost and expense adequate systems and controls to the extent necessary to enable the members of the AT&T Group to satisfy their respective reporting, accounting, audit and other obligations, and (b) NCR shall provide, or cause to be provided, to AT&T in such form as AT&T shall request, at no charge to AT&T, all financial and other data and information as AT&T determines necessary or advisable in order to prepare AT&T financial statements and reports or filings with any Governmental Authority.

ARTICLE VI
FURTHER ASSURANCES AND ADDITIONAL COVENANTS

6.1. FURTHER ASSURANCES. (a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties hereto shall use its reasonable best efforts, prior to, on and after the NCR Distribution Date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement and the NCR Ancillary Agreements.

(b) Without limiting the foregoing, prior to, on and after the NCR Distribution Date, each party hereto shall cooperate with the other parties, and without any further consideration, but at the expense of the requesting party, to execute and deliver, or use its reasonable best efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all consents, approvals or authorizations of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument (including any Consents or Governmental Approvals), and to take all such other actions as such party may reasonably be requested to take by any other party hereto from time to time, consistent with the terms of this Agreement and the NCR Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the NCR Ancillary Agreements and the other transactions contemplated hereby and thereby. Without limiting the foregoing, each party will, at the reasonable request, cost and expense of any other party, take such other actions as may be

reasonably necessary to vest in such other party good and marketable title, free and clear of any Security Interest, if and to the extent it is practicable to do so.

(c) Each of AT&T and NCR, at the request of the other, shall use its reasonable best efforts to obtain, or to cause to be obtained, any consent, substitution, approval or amendment required to novate (including with respect to any federal government contract) or assign all obligations under agreements, leases, licenses and other obligations or Liabilities of any nature whatsoever that constitute Liabilities of the NCR Group or Liabilities that relate to the NCR Group, or to obtain in writing the unconditional release of all parties to such arrangements other than any member of the NCR Group, so that, in any such case, NCR and its Subsidiaries will be solely responsible for such Liabilities; provided, however, that neither AT&T nor NCR shall be obligated to pay any consideration therefor to any third party from whom such consents, approvals, substitutions, amendments and releases are requested.

(d) If AT&T or NCR is unable to obtain, or to cause to be obtained, any such required consent, approval, release, substitution or amendment, the applicable member of the AT&T Services Group shall continue to be bound by such agreements, leases, licenses and other obligations and, unless not permitted by law or the terms thereof, NCR shall, as agent or subcontractor for AT&T or such other Person, as the case may be, pay, perform and discharge fully all the obligations or other Liabilities of AT&T or such other Person, as the case may be, thereunder from and after the date hereof. NCR shall indemnify each AT&T Indemnitee, and hold each of them harmless against any Liabilities arising in connection therewith.

(e) On or prior to the Closing Date, AT&T and NCR shall take all actions as may be necessary to approve the stock-based employee benefit plans of NCR in order to satisfy the requirements of Rule 16b-3 under the Exchange Act and Section 162(m) of the Code.

(f) The parties hereto agree to take any reasonable actions necessary in order for the NCR Distribution to qualify as a tax-free distribution pursuant to Section 355 of the Code.

6.2. QUALIFICATION AS TAX-FREE DISTRIBUTION. (a) After the NCR Distribution Date, none of AT&T or NCR shall take, or permit any member of its respective Group to take, any action which could reasonably be expected to prevent the NCR Distribution from qualifying as a tax-free distribution within the meaning of Section 355 of the Code or any other transaction contemplated by this Agreement or any other Transaction Agreement which is intended by the parties to be tax-free from failing so to qualify.

(b) After the NCR Distribution Date, NCR shall not, nor cause or permit, any member of the NCR Group to take any action or enter into any transaction which could reasonably be expected to materially adversely impact the reasonably expected tax consequences to AT&T which are known to NCR of any transaction contemplated by this Agreement or any Transaction Agreement; provided, however, nothing in this section shall prohibit NCR from taking any action, or entering into any transaction (or permitting or causing any member of the NCR Group so to act or enter) in the ordinary course of business or in the ordinary course of business dealing, or in connection with the settlement of any audit issue or in connection with the filing of any tax return. After the NCR Distribution Date, AT&T shall not, nor cause or permit, any member of the AT&T Group to take any action or enter into any transaction which could reasonably be expected to materially adversely impact the expected tax consequences to NCR which are known to AT&T of any transaction contemplated by this Agreement or any Transaction Agreement; provided, however, nothing in this section shall prohibit AT&T from taking any action, or entering into any transaction (or permitting or causing any member of the AT&T Group so to act or enter), in the ordinary course of business or in the ordinary course of business dealing, or in connection with the settlement of any audit issue or in connection with the filing of any tax return.

ARTICLE VII
TERMINATION

7.1. TERMINATION. This Agreement may be terminated at any time prior to the NCR Distribution Date by AT&T.

7.2. EFFECT OF TERMINATION. In the event of any termination of this Agreement, no party to this Agreement (or any of its directors or officers) shall have any Liability or further obligation to any other party.

ARTICLE VIII
MISCELLANEOUS

8.1. COUNTERPARTS; ENTIRE AGREEMENT; CORPORATE POWER. (a) This Agreement and each NCR Ancillary Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

(b) This Agreement, the Separation and Distribution Agreement, the Ancillary Agreements and the NCR Ancillary Agreements and the Exhibits, Schedules and Appendices hereto and thereto contain the entire agreement between the parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter and there are no agreements or understandings between the parties other than those set forth or referred to herein or therein.

(c) AT&T represents on behalf of itself and each other member of the AT&T Services Group, and NCR represents on behalf of itself and each other member of the NCR Group as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform each of this Agreement and each other NCR Ancillary Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby; and

(ii) this Agreement and each NCR Ancillary Agreement to which it is a party has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms thereof.

(d) Notwithstanding any provision of this Agreement or any NCR Ancillary Agreement, AT&T shall not be required to take or omit to take any act that would violate its fiduciary duties to any minority stockholders of Lucent, AT&T Capital Corporation or any other non-wholly owned Subsidiary of AT&T (it being understood that directors' qualifying shares or similar interests will be disregarded for purposes of determining whether a Subsidiary is wholly owned).

8.2. GOVERNING LAW. This Agreement and, unless expressly provided therein, each NCR Ancillary Agreement, shall be governed by and construed and interpreted in accordance with the laws of the State of New York (other than as to its laws of arbitration which shall be governed under the Arbitration Act or other applicable federal law pursuant to Section 4.9 hereof and Section 9.10 of the Separation and Distribution Agreement), irrespective of the choice of laws principles of the State of New York, as to all matters, including matters of validity, construction, effect, enforceability, performance and remedies.

8.3. ASSIGNABILITY. (a) Except as set forth in any NCR Ancillary Agreement, this Agreement and each NCR Ancillary Agreement shall be binding upon and inure to the benefit of the parties hereto and thereto, respectively, and their respective successors and assigns; provided, however, that no party hereto or thereto may assign its respective rights or delegate its respective obligations under this Agreement or any NCR Ancillary Agreement without the express prior written consent of the other parties hereto or thereto.

8.4. THIRD PARTY BENEFICIARIES. Except for the indemnification rights under this Agreement of any AT&T Indemnitee or NCR Indemnitee in their respective capacities as such, (a) the provisions of this Agreement and each NCR Ancillary Agreement are solely for the benefit of the parties and are not intended to confer upon any Person except the parties any rights or remedies hereunder, and (b) there are no third party beneficiaries of this Agreement or any NCR Ancillary Agreement and neither this Agreement nor any NCR Ancillary Agreement shall provide any third person with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement or any NCR Ancillary Agreement.

8.5. NOTICES. All notices or other communications under this Agreement or any NCR Ancillary Agreement shall be in writing and shall be deemed to be duly given when (a) delivered in person or (b) deposited in the United States mail or private express mail, postage prepaid, addressed as follows:

If to AT&T, to: AT&T Corp.
131 Morristown Road
Basking Ridge, NJ 07920
Attn.: Vice President-Law and
Corporate Secretary

If to NCR, to: NCR Corporation
1700 S. Patterson Blvd.
Dayton, Ohio 45479
Attn.: Chief Financial Officer

with a copy to: NCR Corporation
1700 S. Patterson Blvd.
Dayton, Ohio 45479
Attn.: General Counsel

Any party may, by notice to the other party, change the address to which such notices are to be given.

8.6. SEVERABILITY. If any provision of this Agreement or any NCR Ancillary Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the parties.

8.7. FORCE MAJEURE. No party shall be deemed in default of this Agreement or any NCR Ancillary Agreement to the extent that any delay or failure in the performance of its obligations under this Agreement or any NCR Ancillary Agreement results from any cause beyond its reasonable control and without its fault or negligence, such as acts of God, acts of civil or military authority, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, labor problems or unavailability of parts, or, in the case of computer systems, any failure in electrical or air conditioning equipment. In the event of any such excused delay, the time for performance shall be extended for a period equal to the time lost by reason of the delay.

8.8. PUBLICITY. Prior to the NCR Distribution Date, each of NCR and AT&T shall consult with each other prior to issuing any press releases or otherwise making public statements with respect to the IPO, the Lucent Distribution, the NCR Distribution or any of the other transactions contemplated hereby and prior to making any filings with any Governmental Authority with respect thereto.

8.9. EXPENSES. Except as expressly set forth in this Agreement or in any NCR Ancillary Agreement, whether or not the NCR Distribution is consummated, all third party fees, costs and expenses paid or incurred prior to the NCR Distribution Date in connection with the NCR Distribution will be paid by AT&T; provided however that NCR shall consult with AT&T prior to incurring any such third party obligations.

8.10. HEADINGS. The article, section and paragraph headings contained in this Agreement and in the NCR Ancillary Agreements are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement or any NCR Ancillary Agreement.

8.11. SURVIVAL OF COVENANTS. Except as expressly set forth in any NCR Ancillary Agreement, the covenants, representations and warranties contained in this Agreement and each NCR Ancillary Agreement, and liability for the breach of any obligations

contained herein, shall survive the NCR Distribution and shall remain in full force and effect following the consummation of the NCR Distribution.

8.12. WAIVERS OF DEFAULT. Waiver by any party of any default by the other party of any provision of this Agreement or any NCR Ancillary Agreement shall not be deemed a waiver by the waiving party of any subsequent or other default, nor shall it prejudice the rights of the other party.

8.13. AMENDMENTS. No provisions of this Agreement or any NCR Ancillary Agreement shall be deemed waived, amended, supplemented or modified by any party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment, supplement or modification.

8.14. INTERPRETATION. Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires. The terms "hereof," "herein," and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement (or the applicable NCR Ancillary Agreement) as a whole (including all of the Schedules, Exhibits and Appendices hereto and thereto) and not to any particular provision of this Agreement (or such NCR Ancillary Agreement). Article, Section, Exhibit, Schedule and Appendix references are to the Articles, Sections, Exhibits, Schedules and Appendices to this Agreement (or the applicable NCR Ancillary Agreement) unless otherwise specified. The word "including" and words of similar import when used in this Agreement (or the applicable NCR Ancillary Agreement) shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified. The word "or" shall not be exclusive. For all purposes of this Agreement, "allocated costs of in-house counsel and other personnel" shall be determined in accordance with the principles set forth in Schedule 12.15 to the Separation and Distribution Agreement.

IN WITNESS WHEREOF, the parties have caused this Distribution Agreement to be executed by their duly authorized representatives.

AT&T CORP.

By:
Name:
Title:

NCR CORPORATION

By:
Name:
Title:

FORM OF
ARTICLES OF AMENDMENT AND RESTATEMENT
OF
NCR CORPORATION

NCR Corporation, a Maryland corporation having its principal business office in Dayton, Ohio, and its principal office in the City of Baltimore, State of Maryland, hereby certifies to the State Department of Assessment and Taxation of Maryland that:

FIRST: The Charter of the Corporation is hereby amended by:

Changing and reclassifying each of the shares of Common Stock (par value \$5.00 per share) of the Corporation which is issued and outstanding as of the close of business on the effective date of this amendment into one share of Common Stock (par value \$.01 per share) and by transferring from the account designated "Common Stock" to the account designated "Capital Surplus" \$4.99 for each share of Common Stock outstanding immediately after the change and reclassification.

SECOND: The Charter of the Corporation is hereby further amended and restated in full as follows:

ARTICLE I

NAME

SECTION 1.1. The name of the Corporation (the "Corporation") is: NCR Corporation.

ARTICLE II

PRINCIPAL OFFICE, REGISTERED OFFICE, AND AGENT

SECTION 2.1. The address of the Corporation's principal office in the State of Maryland is _____. The resident agent of the Corporation in the State of Maryland is _____. The address of the resident agent is _____. Such resident agent is a Maryland corporation.

ARTICLE III

PURPOSES

SECTION 3.1. The purpose of the Corporation is to engage in any lawful act, activity or business for which corporations may be organized under the General Laws of the State of Maryland as now or hereafter in force. The Corporation shall have all the general powers granted by law to Maryland corporations and all other powers not inconsistent with law which are appropriate to promote and attain its purpose.

ARTICLE IV

CAPITAL STOCK

SECTION 4.1. The Corporation shall be authorized to issue _____ shares of capital stock, of which _____ shares shall be classified as "Common Stock", \$.01 par value per share ("Common Stock") (having an aggregate par value of \$_____), and _____ shares shall be classified as "Preferred Stock", \$.01 par value per share ("Preferred Stock") (having an aggregate par value of \$_____). The aggregate par value of all authorized shares is \$_____. The Board of Directors may classify and reclassify any unissued shares of capital stock by setting or changing in any one or more respects the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption of such shares of stock.

SECTION 4.2. The Common Stock shall be subject to the express terms of the Preferred Stock and any series thereof. The holders of shares of Common Stock shall be entitled to one vote for each such share upon all proposals presented to the stockholders on which the holders of Common Stock are entitled to vote, except for proposals on which only the holders of another specified class or series of capital stock are entitled to vote. Subject to the provisions of law and any preference rights with respect to the payment of dividends attaching to the Preferred Stock or any series thereof, the holders of Common Stock shall be entitled to receive, as and when declared by the Board of Directors, dividends and other distributions authorized by the Board of Directors in accordance with Maryland General Corporation Law, as in effect from time to time (the "MGCL") and to all other rights of a stockholder pursuant thereto. Except as otherwise provided by law or in the Charter of the Corporation (including in any Articles Supplementary (as defined below)) (the "Charter"), the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, and holders of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote. In the event of a liquidation, dissolution or winding up of the Corporation or other distribution of the Corporation's assets among stockholders for the purpose of winding up the Corporation's affairs, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation and subject to the rights, privileges, conditions and restrictions attaching to the Preferred Stock or any series thereof, the Common Stock shall entitle the holders thereof, together with the holders of any other class of stock hereafter classified or reclassified not having a preference on distributions in

the liquidation, dissolution or winding up of the Corporation or other distribution of the Corporation's assets among stockholders for the purpose of winding up the Corporation's affairs, whether voluntary or involuntary, to share ratably in the remaining net assets of the Corporation.

SECTION 4.3. The Preferred Stock may be issued from time to time in one or more series as authorized by the Board of Directors. The Board of Directors shall have the power from time to time to the maximum extent permitted by the MGCL to classify or reclassify, in one or more series, any unissued shares of Preferred Stock, and to reclassify any unissued shares of any series of Preferred Stock, in any such case, by setting or changing the number of shares constituting such series and the designation, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of the stock. In any such event, the Corporation shall file for record with the State Department of Assessments and Taxation of Maryland (or other appropriate entity) articles supplementary in form and substance prescribed by the MGCL (each, an "Articles Supplementary"). Subject to the express terms of any series of Preferred Stock outstanding at the time, the Board of Directors may increase or decrease the number or alter the designation or classify or reclassify any unissued shares of a particular series of Preferred Stock by fixing or altering in one or more respects, from time to time before issuing the shares, any terms, rights, restrictions and qualifications of the shares, including any preference, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption of the shares of the series.

SECTION 4.4 Subject to the foregoing, the power of the Board of Directors to classify and reclassify any of the shares of capital stock shall include, without limitation, subject to the provisions of the Charter, authority to classify or reclassify any unissued shares of such stock into a class or classes of preferred stock, preference stock, special stock or other stock, and to divide and classify shares of any class into one or more series of such class, by determining, fixing or altering one or more of the following:

- (a) the designation of such class or series, which may be by distinguishing number, letter or title;
- (b) the number of shares of such class or series, which number the Board of Directors may thereafter (except where otherwise provided in the Articles Supplementary) increase or decrease (but not below the number of shares thereof then outstanding) and any shares of any class or series which have been redeemed, purchased, otherwise acquired or converted into shares of Common Stock or any other class or series shall become part of the authorized capital stock and be subject to classification and reclassification as provided in this Section;
- (c) whether dividends, if any, shall be cumulative or noncumulative, and, in the case of shares of any class or series having cumulative dividend rights, the date or dates or method of determining the date or dates from which dividends on the shares of such class or series shall be cumulative;

(d) the rate of any dividends (or method of determining such dividends) payable to the holders of the shares of such class or series, any conditions upon which such dividends shall be paid and the date or dates or the method for determining the date or dates upon which such dividends shall be payable, and whether any such dividends shall rank senior or junior to or on a parity with the dividends payable on any other class or series of stock;

(e) the price or prices (or method of determining such price or prices) at which, the form of payment of such price or prices (which may be cash, property or rights, including securities of the same or another corporation or other entity) for which, the period or periods within which and the terms and conditions upon which the shares of such class or series may be redeemed, in whole or in part, at the option of the Corporation or at the option of the holder or holders thereof or upon the happening of a specified event or events, if any;

(f) the obligation, if any, of the Corporation to purchase or redeem shares of such class or series pursuant to a sinking fund or otherwise and the price or prices at which, the form of payment of such price or prices (which may be cash, property or rights, including securities of the same or another corporation or other entity) for which, the period or periods within which and the terms and conditions upon which the shares of such class or series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(g) the rights of the holders of shares of such class or series upon the liquidation, dissolution or winding up of the affairs of, or upon any distribution of the assets of, the Corporation, which rights may vary depending upon whether such liquidation, dissolution or winding up is voluntary or involuntary and, if voluntary, may vary at different dates, and whether such rights shall rank senior or junior to or on a parity with such rights of any other class or series of stock;

(h) provisions, if any, for the conversion or exchange of the shares of such class or series, at any time or times at the option of the holder or holders thereof or at the option of the Corporation or upon the happening of a specified event or events, into shares of any other class or classes or any other series of the same or any other class or classes of stock, or any other security, of the Corporation, or any other corporation or other entity, and the price or prices or rate or rates of conversion or exchange and any adjustments applicable thereto, and all other terms and conditions upon which such conversion or exchange may be made;

(i) restrictions on the issuance of shares of the same series or of any other class or series, if any;

(j) the voting rights, if any, of the holders of shares of such class or series in addition to any voting rights required by law;

(k) whether or not there shall be any limitations applicable, while shares of such class or series are outstanding, upon the payment of dividends or making of distributions on, or the acquisition of, or the use of moneys for purchase or redemption of, any stock of the Corporation, or upon any other action of the

Corporation, including action under this Section, and, if so, the terms and conditions thereof; and

(1) any other preferences, rights, restrictions, including restrictions on transferability, and qualifications of shares of such class or series, not inconsistent with law and the Charter.

SECTION 4.5 For the purposes hereof and of any Articles Supplementary to the Charter providing for the classification or reclassification of any shares of capital stock or of any other charter document of the Corporation (unless otherwise provided in any such article or document), any class or series of stock of the Corporation shall be deemed to rank:

(a) prior to another class or series either as to dividends or upon liquidation, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable on liquidation, dissolution or winding up, as the case may be, in preference or priority to holders of such other class or series;

(b) on a parity with another class or series either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation price per share thereof be different from those of such others, if the holders of such class or series of stock shall be entitled to receipt of dividends or amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or redemption or liquidation prices, without preference or priority over the holders of such other class or series; and

(c) junior to another class or series either as to dividends or upon liquidation, if the rights of the holders of such class or series shall be subject or subordinate to the rights of the holders of such other class or series in respect of the receipt of dividends or the amounts distributable upon liquidation, dissolution or winding up, as the case may be.

SECTION 4.6. (a) In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares or otherwise, is permitted under the MGCL, no effect shall be given to amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights upon dissolution are junior to those receiving the distribution.

(b) The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

(c) Except as may be set forth in any Articles Supplementary, the Board of Directors is hereby expressly authorized pursuant to Section 2-309(b)(5) of the MGCL (or

any successor similar or comparable provision) to declare or pay a dividend payable in shares of one class of the Corporation's stock to the holders of shares of such class of the Corporation's stock or to the holders of shares of any other class of stock of the Corporation.

ARTICLE V

STOCKHOLDER ACTION

SECTION 5.1. Except as may be provided in any Articles Supplementary, any corporate action upon which a vote of stockholders is required or permitted may be taken without a meeting or vote of stockholders only with the unanimous written consent of stockholders entitled to vote thereon.

SECTION 5.2. Except as otherwise required by the MGCL or as provided elsewhere in the Charter or in the Bylaws, special meetings of stockholders of the Corporation for any purpose or purposes may be called only by the Board of Directors or by the President of the Corporation. No business other than that stated in the notice of the special meeting shall be transacted at such special meeting. Each of the Board of Directors, the President and Secretary of the Corporation shall have the maximum power and authority permitted by the MGCL with respect to the establishment of the date of any special meeting of stockholders, the establishment of the record date for stockholders entitled to vote thereat, the imposition of conditions on the conduct of any special meeting of stockholders and all other matters relating to the call, conduct, adjournment or postponement of any special meeting, regardless of whether the meeting was convened by the Board of Directors, the President, the stockholders of the Corporation or otherwise.

ARTICLE VI

PROVISIONS DEFINING, LIMITING AND REGULATING POWERS

SECTION 6.1. The following provisions are hereby adopted for the purposes of defining, limiting and regulating the powers of the Corporation and the directors and stockholders, subject, however, to any provisions, conditions and restrictions hereafter authorized pursuant to Article IV hereof:

(a) The Board of Directors of the Corporation is empowered to authorize the issuance from time to time of shares of its stock of any class, whether now or hereafter authorized, and securities convertible into shares of its stock of any class, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable, and without any action by the stockholders.

(b) No holder of any stock or any other securities of the Corporation, whether now or hereafter authorized, shall have any preemptive right to subscribe for or purchase any stock or any other securities of the Corporation other than such,

if any, as the Board of Directors, in its sole discretion, may determine and at such price or prices and upon such other terms as the Board of Directors, in its sole discretion, may fix; and any stock or other securities which the Board of Directors may determine to offer for subscription may, as the Board of Directors in its sole discretion shall determine, be offered to the holders of any class, series or type of stock or other securities at the time outstanding to the exclusion of the holders of any or all other classes, series or types of stock or other securities at the time outstanding.

(c) The Board of Directors of the Corporation shall, consistent with applicable law, have power in its sole discretion to determine from time to time in accordance with sound accounting practice or other reasonable valuation methods what constitutes annual or other net profits, earnings, surplus, or net assets in excess of capital; to fix and vary from time to time the amount to be reserved as working capital, or determine that retained earnings or surplus shall remain in the hands of the Corporation; to set apart out of any funds of the Corporation such reserve or reserves in such amount or amounts and for such proper purpose or purposes as it shall determine and to abolish any such reserve or any part thereof; to distribute and pay distributions or dividends in stock, cash or other securities or property, out of surplus or any other funds or amounts legally available therefor, at such times and to the stockholders of record on such dates as it may, from time to time, determine.

SECTION 6.2. Unless provided to the contrary in the MGCL or other applicable law, the Charter or the Bylaws, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

SECTION 6.3. No directors shall be disqualified from voting or acting on behalf of the Corporation in contracting with any other corporation in which he may be a director, officer or stockholder, nor shall any director of the Corporation be disqualified from voting or acting in its behalf by reason of any personal interest.

SECTION 6.4. The Board of Directors shall have power to determine from time to time whether and to what extent and at what times and places and under what conditions and regulations the books, records, accounts and documents of the Corporation, or any of them, shall be open to inspection by stockholders, except as otherwise provided by law or by the Bylaws; and except as so provided no stockholder shall have any right to inspect any book, record, account or document of the Corporation unless authorized to do so by resolution of the Board of Directors.

SECTION 6.5. The enumeration and definition of particular powers of the Board of Directors included in the foregoing shall in no way be limited or restricted by reference to or inference from the terms of any other clause of this or any other Article of the Charter of the Corporation, or construed as or deemed by inference or otherwise in any manner to exclude or limit any powers conferred upon the Board of Directors under the General Laws of the State of Maryland now or hereafter in force.

ARTICLE VII

BOARD OF DIRECTORS

SECTION 7.1. (a) The Corporation shall have ___ directors, which number may be increased or decreased from time to time in such lawful manner as the Bylaws of the Corporation shall provide, but shall never be less than the minimum number permitted by the General Laws of the State of Maryland, as now or hereafter in force.

(b) 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.

(c) 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 below) 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) hereof.

(d) 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 qualifies 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.

(e) Except to the extent prohibited by law or limited by the Charter or the Bylaws, the Board of Directors shall have the power (which, to the extent exercised, shall be exclusive) to fix the number of directors and to establish the rules and procedures that govern the internal affairs of the Board of Directors and nominations for director, including without limitation the vote required for any action by the Board of Directors, and that from time to time shall affect the directors' power to manage the business and affairs of the

Corporation and no Bylaw shall be adopted by the stockholders which shall modify the foregoing.

SECTION 7.2. Advance notice of stockholder nominations for the election of directors and of the proposal of business by stockholders shall be given in the manner provided in the Bylaws of the Corporation, as amended and in effect from time to time. Unless and except to the extent that the Bylaws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

ARTICLE VIII

BYLAWS

SECTION 8.1. The Bylaws may contain any provision for the regulation and management of the affairs of the Corporation not inconsistent with law or the provisions of the Charter. Without limiting the foregoing, to the maximum extent permitted by the MGCL from time to time, the Corporation may in its Bylaws confer upon the Board of Directors powers and authorities in addition to those set forth in the Charter and in addition to those expressly conferred upon the Board of Directors by statute as long as such powers and authorities are not inconsistent with the provisions of the Charter.

SECTION 8.2. Except as provided in the Charter, the Bylaws may be altered or repealed and new Bylaws may be adopted (a) subject to Section 7.1(e), at any annual or special meeting of stockholders, by the affirmative vote of the holders of a majority of the voting power of all shares of the Corporation entitled to vote generally in the election of directors (the "Voting Stock") then outstanding, voting together as a single class; provided, however, that any proposed alteration or repeal of, or the adoption of any Bylaw inconsistent with, Sections 2, 8 or 11 of Article I of the Bylaws, with Section 1, 2 or 3 of Article II of the Bylaws, or Article X of the Bylaws or this sentence, by the stockholders shall require the affirmative vote of the holders of at least 80% of the voting power of all Voting Stock 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 total number of directors which the Corporation would have if there were no vacancies on the Board.

ARTICLE IX

AMENDMENT OF CHARTER

SECTION 9.1. The Corporation reserves the right to adopt, repeal, rescind, alter or otherwise amend in any respect any provision contained in this Charter, including but not limited to, any amendments changing the terms or contract rights of any class of its stock by classification, reclassification or otherwise, and all rights now or hereafter conferred on stockholders are granted subject to this reservation. Any amendment of the Charter shall be valid and effective if such amendment shall have been authorized by the affirmative vote at a meeting of the stockholders duly called for such purpose of a majority

of the total number of shares outstanding and entitled to vote thereon, except that the affirmative vote of the holders of at least 80% of the Voting Stock then outstanding, voting together as a single class, at a meeting of the stockholders duly called for such purpose shall be required to alter, amend, adopt any provision inconsistent with or repeal Article V, Article VII, Section 8.2 of Article VIII, or this Article IX of the Charter.

ARTICLE X

LIMITED LIABILITY; INDEMNIFICATION

SECTION 10.1. To the fullest extent permitted by Maryland statutory or decisional law, as amended or interpreted, no director or officer of the Corporation shall be personally liable to the Corporation or its stockholders for money damages. No amendment of the Charter of the Corporation or repeal of any of its provisions shall limit or eliminate the benefits provided to directors and officers under this provision with respect to any act or omission which occurred prior to such amendment or repeal or with respect to any cause of action, suit or claim that, but for this Section 10.1 of this Article X, would accrue or arise, prior to such amendment or repeal.

SECTION 10.2. The Corporation shall indemnify (a) its directors and officers, whether serving the Corporation or, at its request, any other entity, to the fullest 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 and to the fullest extent permitted by law and (b) other employees and agents to such extent as shall be authorized by the Board of Directors or the Corporation's Bylaws and be permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out these indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such bylaws, resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No amendment of the Charter, or of any such bylaw, resolution or contract, or repeal of any of their provisions shall limit or eliminate the right to indemnification provided hereunder or thereunder with respect to acts or omissions occurring prior to such amendment or repeal.

ARTICLE XI

DURATION

SECTION 11.1. The duration of the Corporation shall be perpetual.

SECOND: The provisions hereinabove set forth are all the provisions of the Charter of the Corporation currently in effect.

THIRD: (i) As of immediately before the amendment the total number of shares of stock of all classes which the Corporation has authority to issue is _____ (_____)

shares, all of which shares are Common Stock, with a par value of \$5.00 per share, for an aggregate par value of \$_____.

(ii) As amended the total number of shares of stock of all classes which the Corporation has authority to issue is _____ (_____) shares, of which _____ (_____) shares are Preferred Stock, with a par value of \$.01 per share, and _____ (_____) shares are Common Stock, with a par value of \$.01 share, for an aggregate par value of \$ _____.

(iii) The shares of stock of the Corporation are divided into classes, and the description, as amended, of each class, including the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption are contained in Article IV of these Articles of Amendment and Restatement.

FOURTH: In accordance with the provisions of Section 2-607 of the Maryland General Corporation Law, the foregoing amendment was advised by the Board of Directors and approved by the stockholders of the Corporation as follows:

(i) The Board of Directors of the Corporation by unanimous written consent in lieu of a meeting under Section 2-408 of the MGCL, dated _____, 1996, adopted a resolution which set forth the foregoing amendment and restatement of the Charter, declaring that said amendment and restatement of the Charter was advisable and directing that it be submitted for action thereon by the sole stockholder of the Corporation by a unanimous written consent in lieu of a meeting pursuant to Section 2-505 of the MGCL.

(ii) The amendment and restatement of the Charter of the Corporation as hereinabove set forth was approved by the unanimous written consent of the sole stockholder on _____, 1996.

FOURTH: The current address of the principal office of the Corporation in Maryland and the name and address of the Corporation's current resident agent are as set forth in the amended and restated Charter of the Corporation. There are ____ directors currently in office, whose names are as follows:

- _____
- _____
- _____
- _____
- _____
- _____

IN WITNESS WHEREOF, the Corporation has caused these presents to be signed in its name and on its behalf by its President and witnessed by its Secretary on this ____ day of _____, 1996.

NCR CORPORATION

By: _____

Name: _____
Title: President

ATTEST:

Name:
Title: Secretary

THE UNDERSIGNED, the President of NCR Corporation who executed on behalf of the Corporation the foregoing Articles of Amendment and Restatement of which this certificate is made a part, hereby acknowledges in the name and on behalf of the Corporation the foregoing Articles of Amendment and Restatement to be the corporate act of the Corporation and hereby certifies to the best of his knowledge, information and belief the matters and facts set forth therein with respect to the authorization and approval thereof are true in all material respects under the penalties of perjury.

Name:
Title:

FORM OF
NCR CORPORATION

BYLAWS

AS AMENDED AND RESTATED ON _____, 1996

ARTICLE I.

STOCKHOLDERS

Section 1. The Corporation shall hold annually a regular meeting of its stockholders for the election of the Board of 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 any Articles Supplementary, by the 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.

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, or by mailing it, postage prepaid, and addressed to him at his address, as it appears upon the books of the corporation, 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 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 the Bylaws). No notice of an adjourned meeting of stockholders need be given.

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 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.

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. Every proxy shall be in writing, subscribed by the stockholder or his duly authorized attorney, and dated, but need not be sealed, witnessed or acknowledged.

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 30 calendar days before or more than 60 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 _____, 1997. In no event shall the public announcement of an adjournment 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'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 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 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 (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors under an applicable Articles Supplementary (as defined in the Corporation's Charter).

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 Company by any existing or future shareholders 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 general management and control of the business and property of the Corporation shall be vested in 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, except 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, and on not less than 48 hours' notice, given in such manner as the Board of Directors 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 President, if the President 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 President, 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 election of the Board of Directors 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 the Bylaws, shall vest in the Executive Committee, when the Board of Directors is not in session.

AUDIT AND FINANCE COMMITTEE

Section 3. The Board of Directors may elect an Audit and Finance committee consisting of three or more Directors. The Board of Directors shall appoint one of the members of the Audit and Finance Committee to the office of Chairman of the Audit and Finance Committee. The Chairman and other members of the Audit and Finance Committee shall hold office until the election of the Board of Directors 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 and Finance Committee shall be filled by the Board of Directors.

COMPENSATION COMMITTEE

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

COMMITTEE ON DIRECTORS

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

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

OTHER COMMITTEES

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

MEETINGS OF COMMITTEES

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

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

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

ARTICLE IV.

OFFICERS

Section 1. The Board of Directors shall appoint one of their number as Chairman of the Board and may appoint one of their number as Honorary Chairman of the Board. In addition, the Board of Directors may appoint one of their number as Acting Chairman of the Board. All of the duties and powers of the Chairman of the Board shall be vested in the Acting Chairman of the Board in the event of the absence of the Chairman or in the event that the Chairman ceases, for any reason, to be a member of the Board and the Board has not yet elected a successor. The Board of Directors shall appoint a President who may also be a Director, and a Treasurer and a Secretary, neither of whom need to be a Director. The Board of Directors may also appoint one or more Senior Vice Presidents, Vice Presidents, Assistant Secretaries and Assistant Treasurers, who need not be Directors, and such other officers and agents with such powers and duties as the Board of Directors may prescribe. All said officers shall hold office until the first meeting of the Board of Directors following the annual meeting of the stockholders, 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. The Chairman or the President may appoint, fix the compensation of and remove one or more Assistant Vice Presidents and Assistant Controllers with such powers and duties as may be prescribed from time to time.

Section 2. Subject to any supervisory duties that may be given to the Chairman of the Board by the Board of Directors, the President shall have direct supervision and authority over the affairs of the Corporation. If the President is also a

Director, and in the absence of the Chairman of the Board, the President 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 the 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 the Bylaws.

Section 4. The Chairman of the Executive Committee shall preside at all meetings of the Executive Committee at which he shall be present and, in the absence of the Chairman of the Board and the President, if the President 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 the Bylaws, the Senior Vice Presidents shall perform the duties and exercise all the functions of the President in his absence or during his inability to act. The 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 President, or the 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 properly required of him by the Board of Directors, the Chairman of the Board, the Executive Committee, the Chairman of the Executive Committee or the President, or the 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 that are required by him by the Board of Directors, the Chairman of the Board, the Executive Committee, the Chairman of the Executive Committee, the President or the 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 President 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. Certificates of stock shall be issued in such form as may be approved by the Board of Directors and shall be signed by the President, the Chairman of the Board, a Senior Vice President or a Vice President, and also 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.

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, contents 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 may be determined by the Board of Directors or by the Executive Committee, except as provided by statute, by the Charter or by the 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. The Bylaws may be altered or repealed and new Bylaws may be adopted (1) 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 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 (2) 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 (i) the Corporation denies such request, in whole or in part or (ii) 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 (i) 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 (ii) 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 (i) 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, (ii) shall continue in respect of all events occurring while a person was a director, officer, employee or agent of the Corporation, and (iii) 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.

NCR CORPORATION

and

Rights Agent

Form of Rights Agreement

Dated as of _____, 1996

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Agreement, dated as of _____, 1996 between NCR Corporation, a Maryland corporation (the "Company"), and _____ (the "Rights Agent").

The Board of Directors of the Company has authorized and declared a dividend of one preferred share purchase right (a "Right") for each Common Share (as hereinafter defined) of the Company outstanding on _____, 1996 (the "Record Date"), each Right representing the right to purchase one one-hundredth of a Preferred Share (as hereinafter defined), upon the terms and subject to the conditions herein set forth, and has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are hereinafter defined).

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates and Associates (as such terms are hereinafter defined) of such Person, shall be the Beneficial Owner (as such term is hereinafter defined) of 15% or more of the Common Shares of the Company then outstanding, but shall not include the Company, any Subsidiary (as such term is hereinafter defined) of the Company, any employee benefit plan of the Company or any Subsidiary of the Company, or any entity holding Common Shares for or pursuant to the terms of any such plan. Notwithstanding the foregoing, no Person shall become an "Acquiring Person" as the result of an acquisition of Common Shares by the Company

which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 15% or more of the Common Shares of the Company then outstanding; provided, however, that if a Person shall become the Beneficial Owner of 15% or more of the Common Shares of the Company then outstanding by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional Common Shares of the Company, then such Person shall be deemed to be an "Acquiring Person". Notwithstanding the foregoing, if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person", as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an "Acquiring Person" for any purposes of this Agreement unless such Person shall thereafter become the beneficial owner of any additional Common Shares.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date of this Agreement.

(c) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or

only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than these Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding, voting (except to the extent contemplated by the proviso to Section 1(c)(ii)(B)) or disposing of any securities of the Company.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, the phrase "then outstanding," when used with reference to a Person's Beneficial Ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder.

(d) "Business Day" shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in New York are authorized or obligated by law or executive order to close.

(e) "Close of business" on any given date shall mean 5:00 P.M., New York City time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., New York City time, on the next succeeding Business Day.

(f) "Common Shares" when used with reference to the Company shall mean the shares of common stock, par value \$.01 per share, of the Company. "Common Shares" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(g) "Distribution Date" shall have the meaning set forth in Section 3 hereof.

(h) "Final Expiration Date" shall have the meaning set forth in Section 7 hereof.

(i) "Person" shall mean any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

(j) "Preferred Shares" shall mean shares of Series A Junior Participating Preferred Stock, par value \$.01 per share, of the Company having the rights and preferences set forth in the Form of Articles Supplementary attached to this Agreement as Exhibit A.

(k) "Redemption Date" shall have the meaning set forth in Section 7 hereof.

(l) "Shares Acquisition Date" shall mean the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such.

(m) "Subsidiary" of any Person shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of the Common Shares) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable.

Section 3. Issue of Right Certificates. (a) Until the earlier of (i) the tenth day after the Shares Acquisition Date or (ii) the tenth business day (or such later date as may be determined by action of the Board of Directors prior to such time as any

Person becomes an Acquiring Person) after the date of the commencement by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) of, or of the first public announcement of the intention of any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) to commence, a tender or exchange offer the consummation of which would result in any Person becoming the Beneficial Owner of Common Shares aggregating 15% or more of the then outstanding Common Shares (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Common Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Right Certificates) and not by separate Right Certificates, and (y) the right to receive Right Certificates will be transferable only in connection with the transfer of Common Shares. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested, send) by mail, to each record holder of Common Shares as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit B hereto (a "Right Certificate"), evidencing one Right for each Common Share so held. As of the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) On the Record Date, or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Preferred Shares, in

substantially the form of Exhibit C hereto (the "Summary of Rights") to each record holder of Common Shares as of the close of business on the Record Date, at the address of such holder shown on the records of the Company. With respect to certificates for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof together with a copy of the Summary of Rights attached thereto. Until the Distribution Date (or the earlier of the Redemption Date or the Final Expiration Date), the surrender for transfer of any certificate for Common Shares outstanding on the Record Date, with or without a copy of the Summary of Rights attached thereto, shall also constitute the transfer of the Rights associated with the Common Shares represented thereby.

(c) Certificates for Common Shares which become outstanding (including, without limitation, reacquired Common Shares referred to in the last sentence of this paragraph (c)) after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

This certificate also evidences and entitles the holder hereof to certain rights as set forth in a Rights Agreement between NCR Corporation and _____, dated as of _____, 1996 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of NCR Corporation. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. NCR Corporation will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. Under certain circumstances, as set forth in the Rights Agreement, Rights issued to any Person who becomes an Acquiring Person (as defined in the Rights Agreement) may become null and void.

With respect to such certificates containing the foregoing legend, until the Distribution Date, the Rights associated with the Common Shares represented by such certificates

shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby. In the event that the Company purchases or acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed cancelled and retired so that the Company shall not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase Preferred Shares and of assignment to be printed on the reverse thereof) shall be substantially the same as Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 22 hereof, the Right Certificates shall entitle the holders thereof to purchase such number of one one-hundredths of a Preferred Share as shall be set forth therein at the price per one one-hundredth of a Preferred Share set forth therein (the "Purchase Price"), but the number of such one one-hundredths of a Preferred Share and the Purchase Price shall be subject to adjustment as provided herein.

Section 5. Countersignature and Registration. The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its Chief Executive Officer, its President, any of its Vice Presidents, or its Treasurer, either manually or by facsimile signature, shall have affixed thereto the Company's seal or a

facsimile thereof, and shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. Subject to the provisions of Section 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Right Certificates (other than Right Certificates representing Rights that have become void pursuant to Section 11(a)(ii) hereof or that have been exchanged pursuant to Section 24

hereof) may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-hundredths of a Preferred Share as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the principal office of the Rights Agent. Thereupon the Rights Agent shall countersign and deliver to the person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for delivery to the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights. (a) The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to

purchase on the reverse side thereof duly executed, to the Rights Agent at the principal office of the Rights Agent, together with payment of the Purchase Price for each one one-hundredth of a Preferred Share as to which the Rights are exercised, at or prior to the earliest of (i) the close of business on December 31, 2006 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the "Redemption Date"), or (iii) the time at which such Rights are exchanged as provided in Section 24 hereof.

(b) The Purchase Price for each one one-hundredth of a Preferred Share purchasable pursuant to the exercise of a Right shall initially be \$___, and shall be subject to adjustment from time to time as provided in Section 11 or 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase duly executed, accompanied by payment of the Purchase Price for the shares to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with Section 9 hereof by certified check, cashier's check or money order payable to the order of the Company, the Rights Agent shall thereupon promptly (i) (A) requisition from any transfer agent of the Preferred Shares certificates for the number of Preferred Shares to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) requisition from the depositary agent depositary receipts representing such number of one one-hundredths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depositary agent) and the Company hereby directs the depositary agent to comply with such request, (ii) when

appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt, deliver such cash to or upon the order of the registered holder of such Right Certificate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Availability of Preferred Shares. The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and

unissued Preferred Shares or any Preferred Shares held in its treasury, the number of Preferred Shares that will be sufficient to permit the exercise in full of all outstanding Rights in accordance with Section 7. The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Preferred Shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable shares.

The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Preferred Shares upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates or depositary receipts for the Preferred Shares in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or to deliver any certificates or depositary receipts for Preferred Shares upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's reasonable satisfaction that no such tax is due.

Section 10. Preferred Shares Record Date. Each person in whose name any certificate for Preferred Shares is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that if the date

of such surrender and payment is a date upon which the Preferred Shares transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Shares transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a holder of Preferred Shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number of Shares or Number of Rights. The Purchase Price, the number of Preferred Shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior

to such date and at a time when the Preferred Shares transfer books of the Company were open, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right.

(ii) Subject to Section 24 of this Agreement, in the event any Person becomes an Acquiring Person, each holder of a Right shall thereafter have a right to receive, upon exercise thereof at a price equal to the then current Purchase Price multiplied by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable and dividing that product by (y) 50% of the then current per share market price of the Company's Common Shares (determined pursuant to Section 11(d) hereof) on the date of the occurrence of such event. In the event that any Person shall become an Acquiring Person and the Rights shall then be outstanding, the Company shall not take any action which would eliminate or diminish the benefits intended to be afforded by the Rights.

From and after the occurrence of such event, any Rights that are or were acquired or beneficially owned by any Acquiring Person (or any Associate or Affiliate of such Acquiring Person) shall be void and any holder of such Rights shall thereafter have no right to exercise such Rights under any provision of this Agreement. No Right Certificate shall be issued pursuant to Section 3 that represents Rights beneficially owned by an Acquiring Person whose Rights would be void pursuant to the preceding sentence

or any Associate or Affiliate thereof; no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate; and any Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person whose Rights would be void pursuant to the preceding sentence shall be cancelled.

(iii) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii), the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exercise of the Rights. In the event the Company shall, after good faith effort, be unable to take all such action as may be necessary to authorize such additional Common Shares, the Company shall substitute, for each Common Share that would otherwise be issuable upon exercise of a Right, a number of Preferred Shares or fraction thereof such that the current per share market price of one Preferred Share multiplied by such number or fraction is equal to the current per share market price of one Common Share as of the date of issuance of such Preferred Shares or fraction thereof.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares ("equivalent preferred shares")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the then current per share

market price of the Preferred Shares (as defined in Section 11(d)) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Preferred Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or

surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then current per share market price of the Preferred Shares on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preferred Share and the denominator of which shall be such current per share market price of the Preferred Shares; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, the "current per share market price" of any security (a "Security" for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the current per share market price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in shares of such Security or securities convertible into such shares, or (B) any subdivision, combination or reclassification of such Security and prior to the

expiration of 30 Trading Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Security selected by the Board of Directors of the Company. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) For the purpose of any computation hereunder, the "current per share market price" of the Preferred Shares shall be determined in accordance with the method set forth in Section 11(d)(i). If the Preferred Shares are not publicly traded, the "current per share market price" of the Preferred Shares shall be conclusively deemed to

be the current per share market price of the Common Shares as determined pursuant to Section 11(d)(i) (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof), multiplied by one hundred. If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, "current per share market price" shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

(e) No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one one-millionth of a Preferred Share or one ten-thousandth of any other share or security as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment or (ii) the date of the expiration of the right to exercise any Rights.

(f) If as a result of an adjustment made pursuant to Section 11(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than Preferred Shares, thereafter the number of such other shares so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Section 11(a) through (c), inclusive, and the provisions of Sections 7, 9, 10 and 13 with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-hundredths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a Preferred Share (calculated to the nearest one one-millionth of a Preferred Share) obtained by (i) multiplying (x) the number of one one-hundredths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in substitution for any adjustment in the number of one one-hundredths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a

public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-hundredths of a Preferred Share issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number of one one-hundredths of a Preferred Share which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below one one-hundredth of the then par value, if any, of the Preferred Shares issuable upon exercise of the Rights, the Company shall take any corporate action

which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Preferred Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Preferred Shares, issuance wholly for cash of any Preferred Shares at less than the current market price, issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, dividends on Preferred Shares payable in Preferred Shares or issuance of rights, options or warrants referred to hereinabove in Section 11(b), hereafter made by the Company to holders of its Preferred Shares shall not be taxable to such stockholders.

(n) In the event that at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on the

Common Shares payable in Common Shares or (ii) effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares) into a greater or lesser number of Common Shares, then in any such case (A) the number of one one-hundredths of a Preferred Share purchasable after such event upon proper exercise of each Right shall be determined by multiplying the number of one one-hundredths of a Preferred Share so purchasable immediately prior to such event by a fraction, the numerator of which is the number of Common Shares outstanding immediately before such event and the denominator of which is the number of Common Shares outstanding immediately after such event, and (B) each Common Share outstanding immediately after such event shall have issued with respect to it that number of Rights which each Common Share outstanding immediately prior to such event had issued with respect to it. The adjustments provided for in this Section 11(n) shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Section 11 or 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment, and a brief statement of the facts accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Common Shares or the Preferred Shares a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power. In the event, directly or indirectly, at any time after a Person has become an Acquiring Person, (a) the Company shall consolidate with, or merge with and into, any other Person, (b) any Person shall consolidate with the Company, or merge

with and into the Company and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the Common Shares shall be changed into or exchanged for stock or other securities of any other Person (or the Company) or cash or any other property, or (c) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person other than the Company or one or more of its wholly-owned Subsidiaries, then, and in each such case, proper provision shall be made so that (i) each holder of a Right (except as otherwise provided herein) shall thereafter have the right to receive, upon the exercise thereof at a price equal to the then current Purchase Price multiplied by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of such other Person (including the Company as successor thereto or as the surviving corporation) as shall equal the result obtained by (A) multiplying the then current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable and dividing that product by (B) 50% of the then current per share market price of the Common Shares of such other Person (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; (ii) the issuer of such Common Shares shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such issuer; and (iv) such issuer shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares in accordance with Section 9 hereof) in connection with such consummation as may be necessary to assure that the provisions hereof shall

thereafter be applicable, as nearly as reasonably may be, in relation to the Common Shares thereafter deliverable upon the exercise of the Rights. The Company shall not consummate any such consolidation, merger, sale or transfer unless prior thereto the Company and such issuer shall have executed and delivered to the Rights Agent a supplemental agreement so providing. The Company shall not enter into any transaction of the kind referred to in this Section 13 if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements or arrangements which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights. The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers.

Section 14. Fractional Rights and Fractional Shares. (a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities

exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-hundredth of a Preferred Share may, at the election of the Company, be evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it; provided, that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-hundredth of a Preferred Share, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Preferred Share. For the purposes of this Section 14(b), the current market value of a Preferred Share shall be the closing price of a Preferred Share (as determined

pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right (except as provided above).

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18 hereof, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Shares), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accompanied by a proper instrument of transfer; and

(c) the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Common Shares certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary.

Section 17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preferred Shares or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability in the premises.

The Rights Agent shall be protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any Right Certificate or certificate for the Preferred Shares or Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper person or persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the stock transfer or corporate trust powers of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights

Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer or the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any

breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 11(a)(ii) hereof) or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Section 3, 11, 13, 23 or 24, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice that such change or adjustment is required); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Secretary or the Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who

shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation organized and doing business under the laws of the United States or of the State of New York (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of New York), in good standing, having an office in the State of New York, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50 million. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares or Preferred Shares. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates.

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase

Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement.

Section 23. Redemption. (a) The Board of Directors of the Company may, at its option, at any time prior to such time as any Person becomes an Acquiring Person, redeem all but not less than all the then outstanding Rights at a redemption price of \$.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights pursuant to paragraph (a) of this Section 23, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. The Company shall promptly give public notice of any such redemption; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Within 10 days after such action of the Board of Directors ordering the redemption of the Rights, the Company shall mail a notice of redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the

Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23 or in Section 24 hereof, and other than in connection with the purchase of Common Shares prior to the Distribution Date.

Section 24. Exchange. (a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 11(a)(ii) hereof) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any such Subsidiary, or any entity holding Common Shares for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly

shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 11(a)(ii) hereof) held by each holder of Rights.

(c) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exchange of the Rights. In the event the Company shall, after good faith effort, be unable to take all such action as may be necessary to authorize such additional Common Shares, the Company shall substitute, for each Common Share that would otherwise be issuable upon exchange of a Right, a number of Preferred Shares or fraction thereof such that the current per share market price of one Preferred Share multiplied by such number or fraction is equal to the current per share market price of one Common Share as of the date of issuance of such Preferred Shares or fraction thereof.

(d) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of such fractional Common Shares, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Common Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a

whole Common Share. For the purposes of this paragraph (d), the current market value of a whole Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

Section 25. Notice of Certain Events. (a) In case the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of its Preferred Shares or to make any other distribution to the holders of its Preferred Shares (other than a regular quarterly cash dividend), (ii) to offer to the holders of its Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person, (v) to effect the liquidation, dissolution or winding up of the Company, or (vi) to declare or pay any dividend on the Common Shares payable in Common Shares or to effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares), then, in each such case, the Company shall give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Common Shares and/or Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the

case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares and/or Preferred Shares, whichever shall be the earlier.

(b) In case the event set forth in Section 11(a)(ii) hereof shall occur, then the Company shall as soon as practicable thereafter give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a)(ii) hereof.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

NCR Corporation
1700 South Patterson Blvd.
Dayton, Ohio 45479
Attention: Corporate Secretary

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Attention: Corporate Secretary

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. The Company may from time to time supplement or amend this Agreement without the approval of any holders of Right Certificates in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, or to make any other provisions with respect to the Rights which the Company may deem necessary or desirable, any such supplement or amendment to be evidenced by a writing signed by the Company and the Rights Agent; provided, however, that from and after such time as any Person becomes an Acquiring Person, this Agreement shall not be amended in any manner which would adversely affect the interests of the holders of Rights. Without limiting the foregoing, the Company may at any time prior to such time as any Person becomes an Acquiring Person amend this Agreement to lower the thresholds set forth in Sections 1(a) and 3(a) to not less than the greater of (i) the sum of .001% and the largest percentage of the outstanding Common Shares then known by the Company to be beneficially owned by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any Subsidiary of the Company, or any entity holding Common Shares for or pursuant to the terms of any such plan) and (ii) 10%.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 31. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Maryland and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested, all as of the day and year first above written.

NCR CORPORATION

Attest:

By _____
Title:

By _____
Title:

Attest:

[Rights Agent]

By _____
Title:

By _____
Title:

FORM
of
ARTICLES SUPPLEMENTARY
of
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
of
NCR CORPORATION
(Pursuant to Section 2-208 of the
Maryland General Corporation Law)

NCR Corporation, a Maryland corporation having its principal business office in Dayton, Ohio, and its principal office in the City of Baltimore, State of Maryland (hereinafter called the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that the following resolution was adopted by the Board of Directors of the Corporation at a meeting duly called and held on _____, 1996:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Articles of Amendment and Restatement of the Charter of the Corporation, the Board of Directors hereby creates a series of Preferred Stock, par value \$.01 per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series A Junior Participating Preferred Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be _____. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value \$.01 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before

such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Articles Supplementary creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Charter of the Corporation, or in any other Articles Supplementary creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except

distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

Section 10. Amendment. The Charter of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

IN WITNESS WHEREOF, these Articles Supplementary are executed on behalf of the Corporation by its Chairman of the Board and attested by its Secretary this ____ day of _____, 1996.

Chairman of the Board

Attest:

Secretary

Form of Right Certificate

Certificate No. R- _____ Rights

NOT EXERCISABLE AFTER DECEMBER 31, 2006 OR EARLIER IF REDEMPTION OR EXCHANGE OCCURS. THE RIGHTS ARE SUBJECT TO REDEMPTION AT \$.01 PER RIGHT AND TO EXCHANGE ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT.

Right Certificate

NCR CORPORATION

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of _____, 1996 (the "Rights Agreement"), between NCR Corporation, a Maryland corporation (the "Company"), and _____ (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M., New York City time, on December 31, 2006 at the principal office of the Rights Agent, or at the office of its successor as Rights Agent, one one-hundredth of a fully paid non-assessable share of Series A Junior Participating Preferred Stock, par value \$.01 per share (the "Preferred Shares"), of the Company, at a purchase price of \$____ per one one-hundredth of a Preferred Share (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed. The number of Rights evidenced by this Right Certificate (and the number of one one-hundredths of a Preferred Share which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of _____, 1996, based on the Preferred Shares as constituted at such date. As provided in the Rights Agreement, the Purchase Price and the number of one one-hundredths of a Preferred Share which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the principal executive offices of the Company and the above-mentioned offices of the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the principal office of the Rights Agent, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Preferred Shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate (i) may be redeemed by the Company at a redemption price of \$.01 per Right or (ii) may be exchanged in whole or in part for Preferred Shares or shares of the Company's Common Stock, par value \$.01 per share.

No fractional Preferred Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one one-hundredth of a Preferred Share, which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal. Dated as of _____, 1996.

ATTEST:

NCR CORPORATION

By _____

Countersigned:

[Rights Agent]

By _____

Authorized Signature

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED _____ hereby

sells, assigns and transfers unto _____
(Please print name and address of transferee)

this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated: _____, 1996

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

Signature

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Right Certificate.)

To: NCR CORPORATION

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Right Certificate to purchase the Preferred Shares issuable upon the exercise of such Rights and requests that certificates for such Preferred Shares be issued in the name of:

Please insert social security or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number

(Please print name and address)

Dated: _____, 1996

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

Signature

NOTICE

The signature in the Form of Assignment or Form of Election to Purchase, as the case may be, must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of Assignment or the Form of Election to Purchase, as the case may be, is not completed, the Company and the Rights Agent will deem the beneficial owner of the Rights evidenced by this Right Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and such Assignment or Election to Purchase will not be honored.

SUMMARY OF RIGHTS TO PURCHASE
PREFERRED SHARES

On _____, 1996, the Board of Directors of NCR Corporation (the "Company") declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, par value \$.01 per share (the "Common Shares"), of the Company. The dividend is payable on _____, 1996 (the "Record Date") to the stockholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$.01 per share (the "Preferred Shares"), of the Company at a price of \$ _____ per one one-hundredth of a Preferred Share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and _____, as Rights Agent (the "Rights Agent").

Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") have acquired beneficial ownership of 15% or more of the outstanding Common Shares or (ii) 10 business days (or such later date as may be determined by action of the Board of Directors prior to such time as any person or group of affiliated persons becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of the outstanding Common Shares (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by such Common Share certificate with a copy of this Summary of Rights attached thereto.

The Rights Agreement provides that, until the Distribution Date (or earlier redemption or expiration of the Rights), the Rights will be transferred with and only with the Common Shares. Until the Distribution Date (or earlier redemption or expiration of the Rights), new Common Share certificates issued after the Record Date upon transfer or new issuance of Common Shares will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for Common Shares outstanding as of the Record Date, even without such notation or a copy of this Summary of Rights being attached thereto, will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on December 31, 2006 (the "Final Expiration Date"), unless the Final

Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by the Company, in each case, as described below.

The Purchase Price payable, and the number of Preferred Shares or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Shares, (ii) upon the grant to holders of the Preferred Shares of certain rights or warrants to subscribe for or purchase Preferred Shares at a price, or securities convertible into Preferred Shares with a conversion price, less than the then-current market price of the Preferred Shares or (iii) upon the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends paid out of earnings or retained earnings or dividends payable in Preferred Shares) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights and the number of one one-hundredths of a Preferred Share issuable upon exercise of each Right are also subject to adjustment in the event of a stock split of the Common Shares or a stock dividend on the Common Shares payable in Common Shares or subdivisions, consolidations or combinations of the Common Shares occurring, in any such case, prior to the Distribution Date.

Preferred Shares purchasable upon exercise of the Rights will not be redeemable. Each Preferred Share will be entitled to a minimum preferential quarterly dividend payment of \$1 per share but will be entitled to an aggregate dividend of 100 times the dividend declared per Common Share. In the event of liquidation, the holders of the Preferred Shares will be entitled to a minimum preferential liquidation payment of \$100 per share but will be entitled to an aggregate payment of 100 times the payment made per Common Share. Each Preferred Share will have 100 votes, voting together with the Common Shares. Finally, in the event of any merger, consolidation or other transaction in which Common Shares are exchanged, each Preferred Share will be entitled to receive 100 times the amount received per Common Share. These rights are protected by customary antidilution provisions.

Because of the nature of the Preferred Shares' dividend, liquidation and voting rights, the value of the one one-hundredth interest in a Preferred Share purchasable upon exercise of each Right should approximate the value of one Common Share.

In the event that the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold after a person or group has become an Acquiring Person, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right. In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, proper provision shall be made so that each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise that number of Common Shares having a market value of two times the exercise price of the Right.

At any time after any person or group becomes an Acquiring Person and prior to the acquisition by such person or group of 50% or more of the outstanding Common Shares, the Board of Directors of the Company may exchange the Rights (other than Rights owned by such person or group which will have become void), in whole or in part, at an exchange ratio of one Common Share, or one one-hundredth of a Preferred Share (or of a share of a class or series of the Company's preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional Preferred Shares will be issued (other than fractions which are integral multiples of one one-hundredth of a Preferred Share, which may, at the election of the Company, be evidenced by depository receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Shares on the last trading day prior to the date of exercise.

At any time prior to the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 15% or more of the outstanding Common Shares, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time on such basis with such conditions as the Board of Directors in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The terms of the Rights may be amended by the Board of Directors of the Company without the consent of the holders of the Rights, including an amendment to lower certain thresholds described above to not less than the greater of (i) the sum of .001% and the largest percentage of the outstanding Common Shares then known to the Company to be beneficially owned by any person or group of affiliated or associated persons and (ii) 10%, except that from and after such time as any person or group of affiliated or associated persons becomes an Acquiring Person no such amendment may adversely affect the interests of the holders of the Rights.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 10 dated _____, 1996. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.

SUBSIDIARIES OF NCR CORPORATION

NCR Argentina S.A.I.C.
NCR Australia Pty. Limited
Century Data Processing Centre Pty. Limited
NCR Superannuation Nominees Pty. Ltd.
NCR Productivity Superannuation Plan Pty. Ltd.
NCR Oesterreich Ges.m.b.H.
NCR (Bahrain) W.L.L.
NCR Belgium & Co.
Global Assurance Limited
NCR Brasil Ltda
AT&T Monydata, S. A.
Monydata da Amazona Industria e Comercio Ltda
NCR Bulgaria Ltd.
AT&T Global Information Solutions Cameroon, S.A.
NCR Canada Ltd
NCR de Chile, S.A.
NCR Colombia S.A.
AT&T Global Information Solutions (Cyprus) Limited
AT&T Global Information Solutions (Middle East) Limited
AT&T Global Information Solutions (North Africa) Limited
AT&T Global Information Solutions (IRI) Ltd.
NCR Danmark A/S
AT&T Danmark A/S
NCR Norden A/S
NCR Dominicana C. por A.
NCR Finland Oy
AT&T Finland Oy
NCR France S.A.
AT&T Global Information Solutions Antilles S.A.R.L.
AT&T Global Information Solutions Gabon S.A.R.L.
NCR Holding GmbH
NCR GmbH
Drescher - NCR GmbH
NCR OEM Europe GmbH
NCR Central and Eastern Europe GmbH
NCR Ceska Republika spol s.r.o.
NCR Ghana Limited
NCR (Hellas) S.A.
NCR Foreign Sales Corporation
AT&T Global Information Solutions de Guatemala, S. A.

NCR (Hong Kong) Limited
NCR (China) Limited
NCR (Asia) Limited
NCR Parts Depot (Hong Kong) Limited
NCR Magyarország Kft.
NCR Corporation India Private Limited
NCR Italia S.p.A.
NCR Japan, Ltd.
NCR Japan Sales Co., Ltd.
NCR (Kenya) Limited
Data Processing Printing and Supplies Limited
NCR Korea Co., Ltd.
AT&T Global Information Solutions Macau Limitada
NCR (Malaysia) Sdn. Bhd.
Compu Search Sdn Bhd
NCR de Mexico, S.A. de C.V.
AT&T Global Information Solutions (Maroc) Company
NCR Nederland N.V.
AT&T European Logistics Center BV
NCR (NZ) Limited
AT&T Global Information Solutions Nigeria PLC
NCR Norge AS
AT&T Global Information Solutions de Centro-America, S.A.
AT&T Global Information Solutions de Panama, S.A.
NCR del Peru S.A.
AT&T Global Information Solutions Corporation (Philippines)
AT&T Global Information Solutions Software Corporation (Philippines)
NCR Polska Sp.zo.o.
NCR Portugal-Informatica, Lda
NCR Corporation of Puerto Rico
AT&T Global Information Solutions Senegal S.A.R.L.
AT&T Global Information Solutions Singapore Pte Ltd
NCR Slovakia spol. s.r.o.
Global Information Solutions d.o.o. (Slovenia)
NCR Espana, S.A.
Sinat Iberia, S.A.
AT&T Global Information Solutions (Lanka) Ltd.
NCR (Switzerland)
National Registrierkassen AG
AT&T Software AG
AT&T Global Information Solutions Taiwan Limited
NCR Taiwan Software Ltd
NCR (Thailand) Limited
AT&T Global Information Solutions Tunisia, Societe Anonyme

NCR Bilisim Sistemleri, A.S.
NCR del Uruguay S.A.
NCR (Zambia) Ltd.
NCR Zimbabwe (Private) Limited
N Timms & Co. (Private) Limited
NCR Europe, Ltd.
NCR Limited
NCR (Holdings) Ltd.
NCR Properties Limited
Express Boyd Limited
NCR Capita Limited
NCR (Scotland) Limited
NCR Treasury Services Limited
Regis Court Management Limited
NCR Capita (May) Limited
Melcombe Court Management (Marylebone) Limited
Data Pathing Incorporated
International Investments Inc.
The National Cash Register Company
NCR Autotec Inc.
NCR European Logistics, Inc.
NCR International, Inc.
NCR Ivory Coast, Inc.
NCR Overseas Trade Corporation
NCR Personnel Services Inc.
NCR Scholarship Foundation
North American Research Corporation
Old River Software Inc.
Quantor Corporation
Sparks, Inc.
Teradata Corporation
Teradata International Corporation
The Microcard Corporation
AT&T WINS
NCR (Bermuda) Limited
NCR Services Ltd.
Teradata Intl. Corporation
Teradata Australia Pty. Limited
Teradata Deutschland GmbH
Teradata France SARL
Teradata Singapore Ltd
Teradata Europe Ltd
Sharebase Europe Ltd
Teradata UK Ltd

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS OF NCR CORPORATION AT JUNE 30, 1996 AND DECEMBER 31, 1995 AND THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND FOR THE YEAR ENDED DECEMBER 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000
U.S. DOLLARS

6-MOS	YEAR			
	DEC-31-1996		DEC-31-1995	
	JAN-01-1996	JUN-30-1996	JAN-01-1995	DEC-31-1995
		1	1	1
		784		314
	41		24	
	1,175		1,908	
	0		0	
	561		621	
	2,920		3,318	
		2,447		2,475
	1,497		1,518	
	4,934		5,256	
	2,257		2,921	
		99		330
	0		0	
		0		0
		0		0
		859		358
4,934		5,256		
		1,812		5,138
	3,265		8,162	
		1,300		4,699
	2,396		7,316	
	895		3,217	
	0		0	
	26		90	
	(49)		(2,416)	
		34		(136)
(83)			(2,280)	
	0		0	
	0		0	
		0		0
	(83)		(2,280)	
	0		0	
	0		0	