SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

Commission File Number 001-00395

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

Maryland	31-0387920
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1700 South Patterson Blvd. Dayton, Ohio	45479
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [_]

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of February 27, 1998 was approximately $3.2 billion. At February 27, 1998, there were 103,296,694 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I and II: Portions of the registrant's Annual Report to Stockholders for the year ended December 31, 1997 and the current report on Form 8-K/A filed with the SEC dated October 15, 1997.

Part III: Portions of the registrant's Proxy Statement dated March 3, 1998, issued in connection with the annual meeting of stockholders.

TABLE OF CONTENTS

PART I

Item	Description	Page
1.	Business	1
2.	Properties	7
3.	Legal Proceedings	7
4.	Submission of Matters to a Vote of Security Holders	7
4.(a)	Executive Officers of the Registrant	7

PART II

Description

5.	Market for the Registrant's Common Equity and Related Stockholder Matters	9
6.	Selected Financial Data	9
7.	Management's Discussion and Analysis of Results of Operations and Financial Condition	9
7.(a)	Quantitative and Qualitative Disclosures about Market Risk	9
8.	Financial Statements and Supplementary Data	9
9.	Change in Accountants	10
9.(a)	Disagreements with Accountants on Accounting and Financial Disclosure	10

PART III

Description

10.	Directors and Executive Officers of the Registrant	10
11.	Executive Compensation	10
12.	Security Ownership of Certain Beneficial Owners and Management	10
13.	Certain Relationships and Related Transactions	10

PART IV

Description

14.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K.	11

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

PART I

Item 1. BUSINESS

General

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

NCR operates in one industry segment, the information technology industry, which includes designing, developing, marketing, and selling information technology products, services, systems, and solutions worldwide. NCR is a global solutions company with leadership positions in automated teller machines ("ATMs"), point-of-sale terminals and scanners, and high-end scalable data warehousing (defined as systems of more than 300 gigabits). The Company provides specific solutions to businesses in the retail, financial, and communications industries. Solutions are partnerships NCR undertakes with its customers to solve complex business problems and involve providing a combination of hardware, software, consulting, and support services. NCR's systems and solutions are supported by its worldwide customer support services and professional consulting offerings, and its Systemedia business, which develops, produces, and markets a complete line of consumable and media products.

Revenues by similar classes of products or services are reported on page 3 of NCR's 1997 Annual Report to Stockholders and are incorporated herein by reference.

Geographic information is reported in Note 8, "Segment Information and Concentrations" in the Notes to Consolidated Financial Statements on pages 23-24 of NCR's 1997 Annual Report to Stockholders and is incorporated herein by reference.

NCR's business is structured along the business units described below.

Retail Solutions Group

Solutions

The Retail Solutions Group (in conjunction with other NCR business units) designs, develops, markets, sells, and delivers a full line of solutions, products, and services for the retail industry. These offerings are categorized into two solutions portfolios: High Performance Merchandising & Marketing (HPM&M) and Store Automation. NCR's HPM&M solutions portfolio is designed to enable retailers to analyze product, customer and store-level data to optimize profitability, customer service, and customer lifetime value. HPM&M solutions include category and merchandise management, integrated forecasting, planning and replenishment, seasonal and promotional analysis, and target marketing. The Store Automation solutions portfolio is designed to improve the productivity of the selling and checkout process in stores and to increase the level of service retailers provide to their customers. This portfolio includes point-of-sale workstations, barcode scanners, scanner-scales, self-service retailing, electronic price labeling, 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 support systems.

Through its HPM&M solutions portfolio, the Retail Solutions Group provides in-store and enterprise-level decision-support solutions using the Scalable Data Warehousing solutions developed by NCR's Computer Systems Group as a foundation. These solutions allow retailers to consolidate and analyze the individual transaction data generated by point-of-sale systems, in order to determine trends in consumer preferences and product sales. Analysis of this detailed data is designed to allow the retailer to make decisions about inventory, purchases, and distribution, in order to meet the needs of its customers more effectively.

Through its Store Automation portfolio, NCR provides software and hardware components for store-level solutions that are designed to improve customer service and operational effectiveness. NCR point-of-sale terminals and barcode scanners, typically found in the merchandise checkout area of supermarkets, department stores, specialty stores, convenience stores, fast food counters, and at hotel registration desks and restaurants, can be linked via an in-store network. This network can provide an interconnection between these devices and other in-store devices, such as personal computers ("PCs"). NCR provides the networking technology to link these products to NCR and other servers within the store and offers the capability of additional linking to enterprise-wide networks outside the individual store. NCR has alliance relationships with application developers who provide specialized enterprise and retail-store solutions as part of NCR's offerings to the retail industry.

Integrated within the Retail Solutions Group at all levels are teams focused on developing solutions to meet the needs of a variety of retail customers. These teams include professional services consultants and customer support specialists who provide consulting services to help customers design, integrate, install, and support in-store networks of scanners, point-of-sale terminals, network servers and enterprise-level decision-support, and data warehousing systems. NCR incorporates third-party products and software as required to create individualized solutions for specific customer needs.

Target Markets and Distribution Channels

The major segments of the retail industry market served by NCR are general merchandise, food and drug, and hospitality. The general merchandise segment includes department stores, specialty retailers, mass merchandisers, and catalog stores; the food and drug segment includes supermarkets, hypermarkets, grocery, drug, wholesalers, and convenience stores; 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.

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

In addition to being sold by NCR's direct sales force, NCR retail solutions are sold through alliances with value-added resellers, distributors, and dealers worldwide. NCR provides supporting services, including collateral sales materials, sales leads, porting facilities, and marketing programs, to this sales channel.

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 quality of the solutions or products, total cost of ownership, industry knowledge of the vendor, and knowledge and experience of the vendor's professional and support services. NCR's competitors vary by solution, product, service offering, and geographic area.

Financial Solutions Group

Solutions

The Financial Solutions Group (in conjunction with other NCR business units) designs, develops, markets, sells, and delivers a full line of solutions, products, and services for the financial industry with particular focus on retail banking. These offerings are categorized into four primary solutions portfolios: Self Service, Channel Delivery, Payment, and Customer Management.

The Self Service solutions portfolio includes a full line of ATMs, associated software and services, specialized ATMs for the Japanese market, specialized ATMs for the "self-service branch" market, self-service devices that dispense information and non-cash items (such as tickets and coupons), and outsourced management of self-service networks. These solutions are designed to assist financial services customers in replacing higher-cost customer service methods with lower-cost, higher availability machines and equipment. In addition, NCR believes ATMs increasingly offer revenue-generating opportunities for banks and non-bank customers.

The Customer Management solutions portfolio combines professional services, modeling, and tools with the Company's scalable data warehousing platform. These solutions are designed to help banks and other financial institutions improve their ability to target and retain profitable consumers. Using these solutions, institutions can better understand the profitability, risk, and behavior patterns of individual consumers with the goal of optimizing the level of service provided and increasing the profit contribution of each consumer. NCR's solutions are designed to help financial institutions understand individual consumers better and improve marketing efforts.

NCR's Channel Delivery solutions portfolio includes products and services relating to bank branch automation, call centers, home banking, switching, and account processing. These solutions are designed to help increase the efficiency and marketing capabilities of banks and other financial service providers.

Through the Financial Solutions Group's Payment solutions portfolio, NCR offers electro-mechanical item-processing devices that read and sort checks and other paper items, image processing devices that convert checks and other paper items to electronic images, outsourced management of item and image-processing facilities, and products and services related to emerging payment methodologies, particularly "smart" cards. These solutions are designed to improve the efficiency of "back-office," paper-based functions for banks and other financial services companies, and to move these institutions from paper-based systems to emerging electronic payment systems.

Integrated within the Financial Solutions Group at all levels are teams focused on developing solutions to meet the needs of a variety of financial services customers. In the field, this includes professional services consultants and customer support specialists who provide consulting services to help customers design, integrate, install, and support self-service devices and networks, item/image processing systems, branch automation and call-center software and equipment, network servers, and data warehousing systems. NCR incorporates third-party products and software as required to create individualized solutions for specific customer needs.

Target Markets and Distribution Channels

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

NCR believes that financial services industry customers base their buying decisions on a number of criteria, including the quality of the solution or product, industry knowledge of the vendor, the economic justification for 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, the fit of the vendor's strategic vision, and the quality of the vendor's support and professional services.

NCR has historically distributed most of its financial solutions, products, services, and systems through NCR's direct sales channel, although certain revenues are derived through sales by distributors. The Financial Solutions Group expects to increase the level of business transacted through indirect channels and partners, where appropriate, in both current and emerging markets.

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 quality of the solutions or products, the industry knowledge of the vendor, the economic justification for 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, the fit of the vendor's strategic vision with the customer's strategic direction, and the quality of the vendor's support and professional services. NCR's competitors vary by solution, product, service offering, and geographic area.

Computer Systems Group

Solutions

The Computer Systems Group (in conjunction with other NCR business units) designs, develops, markets, sells, and delivers solutions, products, systems, and services. These offerings integrate software, hardware, middleware, professional services, support services, and products, including those from leading technology firms. The Computer Systems Group provides solutions to the communications industry and to national accounts in industries other than the retail and financial industries. The Computer Systems Group's solutions portfolios are: Scalable Data Warehousing, High Availability/Electronic Commerce, Yield Management, and Internet Commerce.

The Scalable Data Warehousing solutions portfolio is designed to provide enabling technology for businesses that are seeking a competitive advantage through better use of customer and business data. NCR scalable data warehousing provides a high level of linear performance, scalability, availability, and manageability of data for both repetitive and ad hoc (iterative) queries in a decision-support environment. The Scalable Data Warehousing solutions portfolio is also the foundation for the Yield Management solutions portfolio provided by the Computer Systems Group, as well as the HPM&M and Customer Management solutions offered by the Retail Solutions Group and Financial Solutions Group, respectively.

NCR's High Availability/Electronic Commerce solutions portfolio brings together the Company's transaction processing and high-availability technologies and is intended to help businesses keep critical, computer-based applications running with minimal downtime. Solutions offered by NCR for security, transaction processing, and other requirements of electronic commerce are designed to assist customers in conducting business with a high level of performance, ease-of-use, and security. NCR LifeKeeper(R) software is designed to minimize downtime by recognizing and recovering hardware component or application faults before a total system failure occurs. NCR TOP END(R) middleware software reroutes transactions during a system failure, working in conjunction with LifeKeeper for additional system protection.

Solutions in the Yield Management portfolio are directed at helping communications companies manage the yield of information from customers and networks. These solutions are designed to help telecommunications companies acquire new customers, manage customer turnover, improve forecasting and utilization of switch capacity and capital expenditure requirements, and improve efficiency and planning for network utilization. The Yield Management solutions portfolio utilizes the Scalable Data Warehousing solutions as a foundation.

For the communications industry, NCR also offers an Internet Commerce solutions portfolio which helps integrate operational systems with Internet capabilities. The solutions in this portfolio are designed to help telecommunications companies reduce billing costs, enter new markets, build profitable customer bases, and scale services to match the requirements of a growing customer base.

Integrated within the Computer Systems Group at all levels are teams focused on developing solutions to meet the needs of a variety of customers in the communications industry and national accounts in industries other than the retail and financial industries. These include professional services consultants and customer support specialists who provide consulting services to help customers design, integrate, install, and support Scalable Data Warehousing, High Availability/Electronic Commerce, Yield Management, and Internet Commerce solutions. NCR incorporates third-party products and software as required to create individualized solutions for specific customer needs.

Target Markets and Distribution Channels

In addition to the Computer Systems Group's focus in the communications industry, NCR's Computer Systems Group also markets scalable data warehousing and High Availability/Electronic Commerce solutions to national accounts in a number of industries other than the retail and financial industries.

NCR's computer products and solutions are marketed through a combination of direct and indirect channels. In recent years, approximately 90% of NCR's revenue from the Computer Systems Group's offerings has been generated by the Company's direct sales force. The remaining revenues have historically been generated from the indirect channel and through alliances with value-added resellers, distributors, and OEMs.

Competition

NCR faces significant competition in the industries served by the Computer Systems Group in all geographic areas where it operates. NCR believes that key competitive factors in these markets are vendor experience, customer referrals, database sophistication, support and professional service capabilities, quality of the solutions or products, total cost of ownership, industry knowledge of the vendor, and platform scalability. In addition, the movement toward 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. In the transaction processing market, customers require powerful 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 complete, open solutions.

Professional Services and Worldwide Customer Services

Solutions

NCR provides services to its customers through Professional Services and Worldwide Customer Services organizations. These organizations deliver a wide range of services required to design, implement, and maintain customers' technology environments.

NCR's Professional Services team, consisting of 4,000 employees in more than 100 countries, is an integral part of the solutions portfolios provided by NCR's business units. These professional services include business and technology consulting for data warehousing, project management for information technology architecture, and systems integration.

Worldwide Customer Services provides a High Availability Networking solutions portfolio in addition to staging and implementation services, multivendor services, system support services, consulting, networking, managed services, Year 2000 services, and industry-specific support services.

The High Availability Networking portfolio includes solutions designed to ensure a customer's network from media to end-system meets the availability requirements of applications and users and is aligned with overall business objectives. NCR provides a continuum of network consulting services, support services and products that help businesses plan, design, implement, and operate network solutions to enhance profitability and competitiveness.

To provide delivery of consistent services on a global basis, Worldwide Customer Services uses an integrated logistics network of remote services, parts inventories, and replicated tools and methodologies. NCR employs approximately 15,000 customer service representatives located throughout 130 countries.

Target Markets and Competition

The markets for NCR's Professional Services and Worldwide Customer Services are the retail, financial, and communications industries and national accounts in other industries. The services organizations face significant competition in the industries and geographies they serve, principally through NCR's other business units.

Systemedia Group

Solutions

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 customer 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.

Systemedia integrates NCR consumables into the mix of solutions provided by NCR, such as the Self-Service, Store Automation, and Payment solutions. 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 Markets and Distribution Channels

The major industry segments targeted by the Systemedia Group include general merchandise, food and drug, hospitality, financial, and consumer goods manufacturing. The Systemedia Group has a direct sales force in 19 countries focused on providing solutions to major accounts. In addition, Systemedia solutions are sold through office product resellers, value-added resellers, and telemarketing.

Competition

Competition in the consumable and media solutions business is significant and varies by geographic area and product group. The primary areas of competitive differentiation are typically quality, logistics and supply chain management expertise, and total cost of ownership. While price is always a factor, the Systemedia Group focuses on total cost of ownership for all of 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.

Research and Development

Research and development expenditures for NCR are reported on page 6 of NCR's 1997 Annual Report to Stockholders and are incorporated herein by reference.

Seasonality

Seasonality information for NCR is reported on page 8 of NCR's 1997 Annual Report to Stockholders and is incorporated herein by reference.

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. Accordingly, NCR believes that backlog information is not material to an understanding of its business.

Sources and Availability of Raw Materials

Sources and availability of raw materials information for NCR is reported on page 8 of NCR's 1997 Annual Report to Stockholders and is incorporated herein by reference.

Patents and Trademarks

NCR owns approximately 1,200 patents in the United States and 1,350 in foreign countries. The foreign patents are generally counterparts of NCR's United States patents. Many of the patents owned by NCR are licensed to others and NCR is licensed to use certain patents owned by others. In connection with the Distribution, NCR entered into an extensive cross-licensing agreement with AT&T and Lucent Technologies Inc. ("Lucent"), a former subsidiary of AT&T. While NCR's portfolio of patents and patent applications is of significant value to NCR, the Company does not believe that any particular individual patent is itself of material importance to NCR's business as a whole.

NCR has registered certain trademarks 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.

Employees

At December 31, 1997, NCR had approximately 38,300 employees and contractors.

Environmental Matters

Information regarding environmental matters is included in the material captioned "Environmental Matters" on pages 26-27 of NCR's 1997 Annual Report to Stockholders and is incorporated herein by reference.

Item 2. PROPERTIES

At February 27, 1998, NCR operated approximately 40 research and development and manufacturing facilities which occupy in excess of 4.4 million square feet throughout the world. Of such worldwide facilities, on a square footage basis, approximately 93% are owned and 7% are leased. At February 27, 1998, NCR also operated approximately 890 facilities, which include warehouse, repair, office, and other miscellaneous sites, occupying in excess of 12.6 million square feet throughout the world. Of these facilities, on a square footage basis, approximately 60% are owned and 40% are leased. NCR maintains facilities in 85 countries.

The business units are headquartered in: Dayton, Ohio (Computer Systems Group, Worldwide Customer Services, and Systemedia Group); London, United Kingdom (Financial Solutions Group); and Atlanta, Georgia (Retail Solutions Group).

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

Item 3. LEGAL PROCEEDINGS

The information required by this item is included in the material captioned "Legal Proceedings" on page 27 of NCR's 1997 Annual Report to Stockholders and is incorporated herein by reference.

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

None.

Item 4.(a)EXECUTIVE OFFICERS OF THE REGISTRANT

The Executive Officers of NCR (as of February 27, 1998) are as follows:

Name	Age	Position and Offices Held
Lars Nyberg	46	Chairman of the Board, Chief Executive Officer, and President
Gary J. Cotshott	47	Senior Vice President, Worldwide Customer Services
Robert A. Davis	47	Senior Vice President and Chief Quality Officer
William J. Eisenman	51	Senior Vice President, Computer Systems Group
Daniel J. Enneking	50	Senior Vice President, Systemedia Group
Richard H. Evans	51	Senior VIce President, Global Human Resources
Anthony Fano	54	Senior Vice President, Retail Solutions Group
John L. Giering	53	Senior Vice President and Chief Financial Officer
Jonathan S. Hoak	48	Senior Vice President and General Counsel
Per-Olof Loof	47	Senior Vice President, Financial Solutions Group
Charles A. Picasso	56	Senior Vice President, Worldwide Professional Services
Dennis Roberson	49	Senior Vice President and Chief Technical Officer
Hideaki Takahashi	49	Senior Vice President, Worldwide Field Operations
Michael P. Tarpey	52	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 Communications Division of Phillip Electronics NV ("Phillips"), an electronics and electrical products company. At that time, Mr. Nyberg was a member of the Phillips Group Management Committee. In 1992, Mr. Nyberg was appointed Managing Director, Phillips Consumer Electronics Division. From 1990 to 1992, he was the Chairman and Chief Executive Officer of Phillips Computer Division.

Gary J. Cotshott. Mr. Cotshott became Senior Vice President, Worldwide Customer Services, in December 1996. From 1995 to 1996, Mr. Cotshott was Vice President, Americas Support Services. From 1993 to 1995, he was Vice President, Professional Services, and from 1991 to 1992, he was Vice President of NCR's CIMEG (Commercial, Industrial, Medical, Education, and Government) systems division.

Robert A. Davis. Mr. Davis became Senior Vice President and Chief Quality Officer for NCR 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 Corp.

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, for NCR in November 1995. From November 1995 to April 1997, he was also NCR's Chief Strategy Officer. 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 Solutions 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 was a director of the Company from January 1994 to December 1996.

Jonathan S. Hoak. Mr. Hoak became Senior Vice President and General Counsel for NCR in December 1993. He was a director of the Company from September 1996 until December 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 Solutions 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 Equipment Corporation, a computer and related equipment and software company ("Digital"), in 1994. From 1990 to 1993, Mr. Loof was Vice President, Financial Industry, with Digital Europe.

Charles A. Picasso. Mr. Picasso was appointed Senior Vice President, Worldwide Professional Services, in July 1997. He joined NCR as Vice President, Worldwide Professional Services, in February 1996. From January 1995 to February 1996, he was President and Chief Executive Officer of AT&T Istel Co. From 1994 to 1995, he was self employed as a professional services consultant. From 1990 to 1994, Mr. Picasso was President and Chief Executive Officer of Concept S.A.

Dennis Roberson. Mr. Roberson became Senior Vice President and Chief Technical Officer for NCR 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.

Hideaki Takahashi. Mr. Takahashi became Senior Vice President, Worldwide Field Operations, in October 1997, responsible for developing global processes for the operational environment of NCR's sales and services activities. From January 1996 to October 1997, he was Senior Vice President, 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, for NCR 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.

PART II

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

NCR common stock is listed on the New York Stock Exchange and trades under the symbol "NCR." The approximate number of registered holders of record of NCR common stock as of December 31, 1997 was 1 million. The following table presents the high and low closing per share prices for NCR common stock for each quarter of 1997.

	High	Low
1st Quarter	39 7/8	32
2nd Quarter	35 3/8	28 1/4
3rd Quarter	37 5/16	27 7/16
4th Quarter	38 1/4	25 15/16

Prior to the date of Distribution, NCR stock traded on a "when issued" basis from December 11, 1996 to December 31, 1996.

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

Item 6. SELECTED FINANCIAL DATA

Selected financial data for the Company is included on page 2 of NCR's 1997 Annual Report to Stockholders and is incorporated herein by reference.

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

Management's discussion of NCR's results of operations and financial condition is included on pages 3-10 of NCR's 1997 Annual Report to Stockholders and is incorporated herein by reference.

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

Quantitative and qualitative disclosures about market risk are reported in the material captioned "Derivative Financial Instruments and Market Risk" on pages 9-10 of NCR's 1997 Annual Report to Stockholders and are incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of NCR, selected quarterly financial data, and the report of independent accountants are included on pages 11-28 of NCR's 1997 Annual Report to Stockholders and are incorporated herein by reference. The report of independent accountants for 1996 and 1995 is included on page 16 herein.

Item 9. CHANGES IN ACCOUNTANTS

The information required by this Item is set forth in NCR's Current Report on Form 8-K/A dated March 19, 1997, which is incorporated herein in its entirety by reference.

Item 9.(a) DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item with respect to directors of NCR is included on pages 7-8 of NCR's Proxy Statement dated March 3, 1998, and is incorporated herein by reference.

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

Item 11. EXECUTIVE COMPENSATION

The information regarding the Company's compensation of its named executive officers is included in the material captioned "Executive Compensation" on pages 15-22 of NCR's Proxy Statement dated March 3, 1998 and is incorporated herein by reference. The information regarding the Company's compensation of its directors is included in the material captioned "Compensation of Directors" on pages 9-10 of NCR's Proxy Statement dated March 3, 1998 and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management is included in the material captioned "Stock Ownership of Management and Directors" on pages 10-12 of NCR's Proxy Statement dated March 3, 1998 and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial statements:

The following financial statements are incorporated by reference of the indicated pages of NCR's 1997 Annual Report to Stockholders.

	Pages In Annual Report to Stockholders
Report of Independent Accountants..........................	11
Consolidated Statements of Operations for the Years Ended... December 31, 1997, 1996, and 1995.........................	12
Consolidated Balance Sheets for the Years Ended December 31, 1997 and 1996...	13
Consolidated Statements of Cash Flows for the Years Ended... December 31, 1997, 1996, and 1995.........................	14
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 1997, 1996, and 1995.....	15
Notes to Consolidated Financial Statements.................	16-28

(b) Reports on Form 8-K

NCR filed a Current Report on Form 8-K dated October 15, 1997, including unaudited condensed consolidated balance sheets as of September 30, 1997, and unaudited condensed consolidated statements of operations, consolidated revenue summary, and condensed consolidated statements of cash flows for the quarter ended September 30, 1997, with respect to its Information Release on its third quarter of 1997 financial results.

(c) Exhibits:

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

Exhibit No.	Description
3.1	Articles of Amendment and Restatement and Articles Supplementary of NCR Corporation (Exhibit 3.1 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 1996 (the "1996 NCR Annual Report")).
3.2	Bylaws of NCR Corporation, as amended and restated on February 19, 1998.
4.1	Common Stock Certificate of NCR Corporation (Exhibit 4.1 to the 1996 NCR Annual Report).
4.2	Preferred Share Purchase Rights Plan of NCR Corporation, dated as of December 31, 1996, by and between NCR Corporation and The First National Bank of Boston (Exhibit 4.2 to the 1996 NCR Annual Report).
10.1	Separation and Distribution Agreement, dated as of February 1, 1996 and amended and restated as of March 29, 1996 (Exhibit 10.1 to the Lucent Technologies Inc. Registration Statement on Form S-1 (No. 333-00703) (the "Lucent Registration Statement")).
10.2	Employee Benefits Agreement, dated as of November 20, 1996, by and between AT&T Corp. and NCR Corporation (Exhibit 10.2 to the 1996 NCR Annual Report).

Exhibit No.	Description
10.3	Volume Purchase Agreement, dated as of November 20, 1996, by and between AT&T Corp. and NCR Corporation (Exhibit 10.3 to the 1996 NCR Annual Report).
10.4	Patent License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation, and Lucent Technologies Inc. (Exhibit 10.7 to the Lucent Registration Statement).
10.5	Amended and Restated Technology License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation, and Lucent Technologies Inc. (Exhibit 10.8 to the Lucent Registration Statement).
10.6	Tax Sharing Agreement, dated as of February 1, 1996, and amended and restated as of March 29, 1996, by and among AT&T Corp., NCR Corporation, and Lucent Technologies Inc. (Exhibit 10.6 to the Lucent Registration Statement).
10.7	Interim Services and Systems Replication Agreement by and among AT&T Corp., Lucent Technologies Inc., and NCR Corporation, dated as of February 1, 1996 (Exhibit 10.4 to the Lucent Registration Statement), as amended by First Amendment to Interim Services and Systems Replication Agreement, dated September 1, 1996 (Exhibit 10.7 to the 1996 NCR Annual Report).
10.8	NCR Management Stock Plan (Exhibit 10.8 to the 1996 NCR Annual Report).
10.9	NCR WorldShares Plan (Exhibit 10.9 to the 1996 NCR Annual Report).
10.10	NCR Senior Executive Retirement, Death & Disability Plan (Exhibit 10.10 to the NCR Corporation Registration Statement on Form 10 (No. 001-00395), dated November 25, 1996 (the "NCR Registration Statement")).
10.11	The Retirement Plan for Officers of NCR (Exhibit 10.11 to the NCR Registration Statement).
10.12	Employment Agreements with Lars Nyberg (Exhibit 10.12 to the NCR Registration Statement).
10.13	Credit Agreement, dated as of November 20, 1996, among NCR Corporation, The Lenders Party thereto, The Chase Manhattan Bank, as Administrative Agent, and Bank of America National Trust & Savings Association, as Documentation Agent (Exhibit 10.15 to the NCR Registration Statement).
10.14	NCR Change-in-Control Severance Plan for Executive Officers (Exhibit 10.16 to the 1996 NCR Annual Report).
10.15	Change-in-Control Agreement by and between NCR and Lars Nyberg (Exhibit 10.2 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).
10.16	NCR Director Compensation Program (Exhibit 10.18 to the 1996 NCR Annual Report).
10.17	NCR Long Term Incentive Program and NCR Management Incentive Program (Exhibit 10.19 to the 1996 NCR Annual Report).
10.18	Letter Agreement with Lars Nyberg Regarding Employee Benefits, dated May 9, 1997 (Exhibit 10.1 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

Exhibit No.	Description
10.19	July 13, 1995 Letter Agreement between Lars Nyberg and AT&T Corp., assumed by NCR pursuant to the Employee Benefits Agreement between NCR and AT&T Corp., dated November 20, 1996 (Exhibit 10 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
10.20	Letter Agreement with Hideh Takahashi Regarding International Expatriate Assignment to Singapore, dated October 15, 1997.
13	Pages 1-28 of NCR's 1997 Annual Report to Stockholders.
21	Subsidiaries of NCR Corporation.
23.1	Consent of Independent Accountants.
23.2	Consent of Independent Accountants.
27	Financial Data Schedule.

(d) Financial Statement Schedule II - Valuation and Qualifying Accounts. 14

Report of Independent Accountants.................................. 15-16

NCR will furnish, without charge, to a security holder upon written request a copy of the annual report to stockholders and the proxy statement, portions of which are incorporated herein by reference thereto. NCR will furnish any other exhibit at cost. Literature requests are available by writing to:

NCR - Investor Relations
1700 South Patterson Boulevard
Dayton, OH 45479

NCR Corporation

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
(Dollars in millions)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs & Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Year Ended December 31, 1997					
Allowance for doubtful accounts......	$ 54	$ 12	$ --	$ 30	$ 36
Deferred tax asset valuation allowance..........................	639	--	--	86	553
Inventory valuation reserves.........	152	29	--	39	142
Reserves related to business restructuring......................	247	--	--	82	165
Year Ended December 31, 1996					
Allowance for doubtful accounts......	$ 68	$ --	$ --	$ 14	$ 54
Deferred tax asset valuation allowance..........................	472	167	--	--	639
Inventory valuation reserves.........	330	23	--	201	152
Reserves related to business restructuring......................	858	--	--	611	247
Year Ended December 31, 1995					
Allowance for doubtful accounts......	$ 41	$ 61	$ --	$ 34	$ 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

(a) Includes $417 restructuring reserve in 1995.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of NCR Corporation

Our audit of the consolidated financial statements referred to in our report dated January 21, 1998 appearing on page 11 of the 1997 Annual Report to Stockholders of NCR Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(d) of this Form 10-K. In our opinion, this Financial Statement Schedule at and for the year ended December 31, 1997 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. The consolidated financial statements and Financial Statement Schedule of NCR Corporation for the years ended December 31, 1996 and 1995 were audited by other independent accountants whose reports dated January 21, 1997 expressed an unqualified opinion on those statements.

Price Waterhouse LLP

Dayton, Ohio
January 21, 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and
Board of Directors of
NCR Corporation

We have audited the consolidated balance sheet of NCR Corporation and subsidiaries (NCR) at December 31, 1996, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the two years in the period ended December 31, 1996. These financial statements are included on pages 12-28 of NCR's 1997 Annual Report to Stockholders. We have also audited the related financial statement schedule in Item 14(d) of this Form 10-K. These financial statements 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, 1996, and the consolidated results of its operations, changes in shareholders' equity, and cash flows for each of the two years in the period ended December 31, 1996, 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.

Coopers & Lybrand, L.L.P.

Dayton, Ohio
January 21, 1997

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NCR CORPORATION

Date: March 13, 1998 By:

/s/ Lars Nyberg

Lars Nyberg, Chairman of the Board and Chief Executive Officer

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

Signature	Title
/s/ Lars Nyberg Lars Nyberg	Chairman of the Board and Chief Executive Officer
/s/ John L. Giering John L. Giering	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Duane L. Burnham Duane L. Burnham	Director
/s/ David R. Holmes David R. Holmes	Director
/s/ Linda Fayne Levinson Linda Fayne Levinson	Director
/s/ Ronald A. Mitsch Ronald A. Mitsch	Director
/s/ C.K. Prahalad C.K. Prahalad	Director
/s/ James O. Robbins James O. Robbins	Director
/s/ William S. Stavropoulos William S. Stavropoulos	Director

Date: March 13, 1998

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Amendment and Restatement and Articles Supplementary of NCR Corporation (Exhibit 3.1 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 1996 (the "1996 NCR Annual Report")).
3.2	Bylaws of NCR Corporation, as amended and restated on February 19, 1998.
4.1	Common Stock Certificate of NCR Corporation (Exhibit 4.1 to the 1996 NCR Annual Report).
4.2	Preferred Share Purchase Rights Plan of NCR Corporation, dated as of December 31, 1996, by and between NCR Corporation and The First National Bank of Boston (Exhibit 4.2 to the 1996 NCR Annual Report).
10.1	Separation and Distribution Agreement, dated as of February 1, 1996 and amended and restated as of March 29, 1996 (Exhibit 10.1 to the Lucent Technologies Inc. Registration Statement on Form S-1 (No. 333-00703) (the "Lucent Registration Statement")).
10.2	Employee Benefits Agreement, dated as of November 20, 1996, by and between AT&T Corp. and NCR Corporation (Exhibit 10.2 to the 1996 NCR Annual Report).
10.3	Volume Purchase Agreement, dated as of November 20, 1996, by and between AT&T Corp. and NCR Corporation (Exhibit 10.3 to the 1996 NCR Annual Report).
10.4	Patent License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation, and Lucent Technologies Inc. (Exhibit 10.7 to the Lucent Registration Statement).
10.5	Amended and Restated Technology License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation, and Lucent Technologies Inc. (Exhibit 10.8 to the Lucent Registration Statement).
10.6	Tax Sharing Agreement, dated as of February 1, 1996, and amended and restated as of March 29, 1996, by and among AT&T Corp., NCR Corporation, and Lucent Technologies Inc. (Exhibit 10.6 to the Lucent Registration Statement).
10.7	Interim Services and Systems Replication Agreement by and among AT&T Corp., Lucent Technologies Inc., and NCR Corporation, dated as of February 1, 1996 (Exhibit 10.4 to the Lucent Registration Statement), as amended by First Amendment to Interim Services and Systems Replication Agreement, dated September 1, 1996 (Exhibit 10.7 to the 1996 NCR Annual Report).
10.8	NCR Management Stock Plan (Exhibit 10.8 to the 1996 NCR Annual Report).
10.9	NCR WorldShares Plan (Exhibit 10.9 to the 1996 NCR Annual Report).
10.10	NCR Senior Executive Retirement, Death & Disability Plan (Exhibit 10.10 to the NCR Corporation Registration Statement on Form 10 (No. 001-00395), dated November 25, 1996 (the "NCR Registration Statement")).

10.11 The Retirement Plan for Officers of NCR (Exhibit 10.11 to the NCR Registration Statement).

10.12 Employment Agreements with Lars Nyberg (Exhibit 10.12 to the NCR Registration Statement).

10.13 Credit Agreement, dated as of November 20, 1996, among NCR Corporation, The Lenders Party thereto, The Chase Manhattan Bank, as Administrative Agent, and Bank of America National Trust & Savings Association, as Documentation Agent (Exhibit 10.15 to the NCR Registration Statement).

10.14 NCR Change-in-Control Severance Plan for Executive Officers (Exhibit 10.16 to the 1996 NCR Annual Report).

10.15 Change-in-Control Agreement by and between NCR and Lars Nyberg (Exhibit 10.2 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

10.16 NCR Director Compensation Program (Exhibit 10.18 to the 1996 NCR Annual Report).

10.17 NCR Long Term Incentive Program and NCR Management Incentive Program (Exhibit 10.19 to the 1996 NCR Annual Report).

10.18 Letter Agreement with Lars Nyberg Regarding Employee Benefits, dated May 9, 1997 (Exhibit 10.1 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

10.19 July 13, 1995 Letter Agreement between Lars Nyberg and AT&T Corp., assumed by NCR pursuant to the Employee Benefits Agreement between NCR and AT&T Corp., dated November 20, 1996 (Exhibit 10 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).

10.20 Letter Agreement with Hideh Takahashi Regarding International Expatriate Assignment to Singapore, dated October 15, 1997.

13 Pages 1-28 of NCR's 1997 Annual Report to Stockholders.

21 Subsidiaries of NCR Corporation.

23.1 Consent of Independent Accountants.

23.2 Consent of Independent Accountants.

27 Financial Data Schedule.

Exhibit 3.2

NCR CORPORATION

BYLAWS

AS AMENDED AND RESTATED ON FEBRUARY 19, 1998

ARTICLE I.

Stockholders

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

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

Section 3. Written or printed notice of every annual or special meeting of the stockholders shall be given to each stockholder entitled to vote at such meeting, by leaving the same with him or at his residence or usual place of business, or by mailing it 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 the time and place fixed by Section 1 of this Article I, or the validity of any proceedings at any such meeting (other than proceedings of which special notice is required by statute, by the

Charter or by these Bylaws). No notice of an adjourned or postponed meeting of stockholders need be given, except as required by law.

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

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

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

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

Section 8. (a) Annual Meetings of Stockholders.

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

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

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Bylaw to the contrary, in the event that the number of Directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for Director or specifying the size of the increased Board of Directors at least 100 calendar days prior to the first anniversary of the preceding year's annual meeting, a

stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th calendar day following the day on which such public announcement is first made by the Corporation.

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

(c) General.

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

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

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

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

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

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

ARTICLE II.

Board of Directors

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

Section 2. Subject to removal, death, resignation or retirement of a Director, a Director shall hold office until the annual meeting of the stockholders for the year in which such Director's term expires and until a successor shall be elected and qualified, 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 any 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 first meeting of the Board of Directors following the annual meeting of stockholders next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Executive Committee or in the office of Chairman of the Executive Committee shall be filled by the Board of Directors.

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

Audit and Finance Committee

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

Compensation Committee

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

Committee on Directors

Section 5. The Board of Directors may elect a Committee on Directors consisting of three or more Directors. The Board of Directors shall appoint one of the members of the Committee on Directors to the office of Chairman of the Committee on Directors. The Chairman and other members of the Committee on Directors shall hold office until the first meeting of the Board of Directors following the annual meeting of stockholders next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Committee on Directors or in the office of Chairman of the Committee on Directors shall be filled by the Board of Directors.

Other Committees

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

Meetings of Committees

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

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

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

ARTICLE IV.

Officers

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

Section 2. Subject to any supervisory duties that may be given to the Chairman of the Board by the Board of Directors, the 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 these Bylaws.

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

Section 4. The Chairman of the Executive Committee shall preside at all meetings of the Executive Committee at which he shall be present and, in the absence of the Chairman of the Board and the 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 these 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 these Bylaws.

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

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

ARTICLE V.

Annual Statement of Affairs and Fiscal Year

Section 1. There shall be prepared annually a full and correct statement of the affairs of the Corporation, to include a balance sheet and a financial statement of the operations for the preceding fiscal year. The statement of affairs shall be submitted at the annual meeting of the stockholders and not more than twenty (20) days after the meeting, placed on file at the Corporation's principal office. Such statement shall be prepared or caused to be prepared by such executive officer of the Corporation as may be designated by the Board of Directors. If no other executive officer is so designated, it shall be the duty of the 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. Shares of capital stock of the Corporation may be issued as share certificates or may be uncertificated. If issued as share certificates, such certificates shall be issued in such form as may be approved by the Board of Directors and shall be signed by the President, the Chairman of the Board, a Senior Vice President or a Vice President, and also countersigned by one of the following: the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary; and shall be sealed with the seal of the Corporation (which may be in the form of a facsimile of the seal of the Corporation).

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

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

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

ARTICLE VIII.

Execution of Instruments

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

ARTICLE IX.

Waiver of Notice of Meetings

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

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

ARTICLE X.

Amendment to Bylaws

Section 1. These Bylaws may be altered or repealed and new Bylaws may be adopted (a) at any annual or special meeting of stockholders by the affirmative vote of the holders of a majority of the voting power of the stock issued and outstanding and entitled to vote thereat, provided, however, that to the extent set forth in the Charter any proposed alteration or repeal of, or the adoption of, any Bylaw shall require the affirmative vote of the holders of at least 80% of the voting power of all Voting Stock (as defined in the Charter) then outstanding, voting together as a single class, and provided, further, however, that, in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, repeal or adoption of the new Bylaw or Bylaws must be contained in the notice of such special meeting, or (b) by the affirmative vote of a majority of the Whole Board.

ARTICLE XI.

Indemnification

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

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

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

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

Section 5. The Corporation may advance expenses, prior to the final disposition of any proceeding, to or on behalf of an employee or agent of the Corporation who is a party to a proceeding as to action while employed by or on behalf of the Corporation and who is neither an officer nor Director of the Corporation upon (a) the submission by the employee or agent to the General Counsel of the Corporation of a written affirmation that it is such employee's or agent's good faith belief that such employee or agent has met the standard of conduct as set forth in Section 4 hereof and an undertaking by such employee or agent to reimburse the Corporation for the advance of expenses by the Corporation to or on behalf of such employee or agent if it shall ultimately be determined that the standard of conduct has not been met and (b) the determination by the General Counsel, in his discretion, that advance of expenses to the employee or agent is appropriate in light of all of the circumstances, subject to such additional conditions and restrictions not inconsistent with this Article XI as the General Counsel shall impose.

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

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

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

Exhibit 10.20

October 15, 1997

Hideh Takahashi
c/o NCR
Tokyo, Japan

Subject: International Expatriate Assignment to Singapore

Dear Hideh:

On behalf of Lars Nyberg, Chief Executive Officer, I am delighted to confirm the details of your assignment to Singapore as a result of the relocation of the Asia Pacific Headquarters Office. Your targeted start date is subject to receipt of a valid Singapore employment pass and is currently targeted to be October 1, 1997. You will be considered a loaned expatriate from NCR Japan.

To ensure that you understand the personnel and administrative aspects of your international assignment, the following is a summary of your expatriate terms and conditions relative to your assignment:

1. Position: Your position will continue to be Senior Vice President, Asia/Pacific Region.

   In this position you will be located in Singapore, and will be supported by Lars Nyberg, CEO.

2. Base Salary: Your base salary on an annualized basis will be JPY 44,065,000. This base salary is based on the NCR Japan pay system and has no relationship to the pay system in Singapore.

3. Bonus Plan: You will be eligible for participation in the NCR Management Incentive Plan International (MIPI). Your MIPI eligibility will include a 50% target award and a 100% maximum award. The Basis of Measurement (BOM) for 1997 will be as follows:

NCR Net Income	12.5%	A/P's Contribution Margin	12.5%
NCR Return on Assets	20.0%	A/P's Revenue Growth	12.5%
NCR Revenue Growth	12.5%	Discretionary	30.0%
	----		----
	45.0%		55.0%

4. Stock Options: You will continue to be eligible for participation in the Company Stock Option Plan in accordance with the provisions of the Plan and as awarded by the Board of Directors.

5. Long-Term Incentive Program: You will be eligible for participation in the NCR LTI Program with a target pay-out of 50% of base salary with a maximum of 100% of base salary.

   This plan provides for an annual award of restricted stock units, cash or a combination of both. Payout is calculated on 1997's performance based upon quantitative results for NCR's Net Income, Return on Assets, and Revenue Growth as well as individual leadership measures. Your position provides for restricted stock units equal to a normal award opportunity of 50 percent of your base salary with a maximum opportunity of 100 percent.

6. Incentive in General - For an Officer in your position, short and long-term incentives at NCR currently take the form of the NCR Management Incentive Plan International (MIPI), the Long Term Incentive Program (LTIP) and Stock Options. Since these incentives are designed to address the conditions of an ever changing marketplace, the company can not make any definitive representations concerning the continuation of the MIPI, LTIP and Stock Option format or the size of individual awards under these plans. The above information, however, will provide a frame of reference concerning the potential size of our annual and long term incentive opportunities.

7. Retirement: - In addition to your participation in the Pension Plan for NCR Japan, you will continue to be eligible to participate in the Retirement Plan for Officers of NCR Corporation (SERP II). This plan consists of the following elements:

   Career average pension with an annual accrual of 2.5 percent of the total of your base salary, MIP award and LTIP incentive, times service as an Officer and less pension accrued as an Officer in other NCR sponsored plans.

8. Financial Counseling: You will be eligible to participate in a financial counseling program provided through one of several consulting firms designated by the Company. The Company will pay up to $8,000 annually for financial planning, estate planning and tax preparation plus a gross-up for the tax impact of this service.

9. Salary Administration: For the duration of this assignment, salary administration will be based on NCR Japan policies and practices, based on your performance as Senior Vice President, Asia/Pacific Region. A performance review will be conducted each year for the purpose of assessing your performance in the assignment and to provide a basis for salary review. Your next merit increase eligibility will be March 1, 1998.

10. Payments:

The following Expatriate Compensation was developed on a "Home Country" (Japan) basis. The resulting salary payments consisting of a net Singapore dollar payment for Commodities & Services (C&S) and a net Japanese Yen payment are as follows:

Net annual S$ C&S payment-----------------------------------S$ 244,177
Net annual JPY payment* ----------------------------------JPY 12,274,800

* In this case, the Japanese Yen payment is not a true net payment, because your contributions to your benefits plans and social security will be deducted therefrom. It is suggested that you confirm the amount of your local deductions with local payroll contact.

The Commodities and Services Payment and Japanese Yen net Payment shown on your "Expatriate Terms and Conditions Form A" are designed to provide for normal needs in the Singapore and Japan in the most effective manner. Should you prefer a different arrangement, up to 20% of your Home Country payment or up to 20% of your Host pay can be converted to payment in the other country. Requests for a modification should be addressed to Bruce Ball, Expatriate Programs.

The amount of your Commodities and Services allowance and the amount of your Commodities and Services deduction are based on a market basket of goods and services that the "average" person from Japan with your pay and family size would purchase. The market basket is priced in both Japanese Yen and Singapore dollars as of a given day. (As provided by our outside consultant, AIRINC) The exchange rate as of the pricing of the market basket is the rate used to calculate any requested modification to your split pay.

The amount of your split payments is subject to periodic review (at a minimum, once per year upon merit review) based on data provided by our consultant relative to changes in price levels.

11. Tax Equalization/Tax Preparation Assistance: NCR will be responsible for any Host Country income tax on Company-source payments and the gross-up on items described in this letter which would draw tax under your home or host country tax laws. It is the intent of NCR' tax equalization policy that the expatriate should neither materially gain, nor suffer a loss, on personal income taxes on NCR and certain non-NCR source income because of an assignment outside the home country.

In order to meet the Tax Policy objective, NCR will compute a "Stay-at-Home" Hypothetical tax on your "Stay-at-Home" income. The Company pays all of the home and host country income tax on NCR and certain non-NCR income in excess of the "stay-at-home-tax" on the same income. However, Home Country tax resulting from extraordinary personal transactions and windfall type income (lottery, etc.) will be the responsibility of the expatriate. Host country tax resulting from extraordinary personal transactions and windfall type income in excess of U.S. $25,000 will be the responsibility of the expatriate. Income related to stock options will be considered as personal income for Tax Equalization purposes.

The timely gathering and submission of information for filing of tax returns and the payment of income taxes remains your responsibility. However, in accordance with NCR Tax Policy, NCR will provide tax preparation assistance through their tax consultants, Price Waterhouse. The consultants will provide a final hypothetical tax calculation and tax reconciliation. This final reconciliation will calculate what your tax on this income would have been if you had stayed at home. This will be your final obligation to NCR, less hypothetical income taxes withheld. After the final reconciliation, you may owe NCR (Tax refund checks are Company funds, even if made payable to you), and the Company may owe you in other years.

The estimated hypothetical tax used to develop your terms and conditions was calculated by Price Waterhouse. This estimate will be revised to include your personal income and deductions by Price Waterhouse after your pre assignment consultation.

As a condition to this assignment, and as stated in the NCR Tax Policy, all tax attributes including, but not limited to, Foreign Tax Credits and Foreign Earned Income & Housing exclusions belong to the Company. NCR will utilize these attributes to reduce its overall tax burden. Any tax refund resulting from the utilization of tax attributes resulting from your assignment belongs to the Company. This includes, not only the period in which you are on assignment, but at the Company's discretion, may include tax periods prior to or subsequent to your return from assignment.

At least once per year, you will be required to submit a letter to NCR stating (1) that you have filed all tax returns required during the year; and (2) that all returns contain all income required by the jurisdictions in which they are filed. This letter will be sent to you by Price Waterhouse each year along with other tax information/forms that are required for your tax return. Further, all tax returns prepared will be confidential. NCR will not have access to them unless approved by you.

Any tax penalties or interest resulting from late filing or underpayment of tax. attributable to your actions, will be your responsibility. You will receive a Pre-Assignment Consultation with Price Waterhouse to review these tax terms and conditions. Should you require personal tax advice, not related to your assignment, you may engage Price Waterhouse at your own expense. NCR will not bear any personal tax advice expenses and will seek reimbursement from you in the event any charges are incurred and billed to the Company.

The net of tax payments described in this letter are based on your remaining in the assignment for the period specified. If you terminate early for personal reasons, causing a greater actual tax obligation, you will be reimbursed for taxes only at the rate which would have been incurred had you remained the full assignment duration.

Be advised that the above-referenced Tax Equalization policy is subject to revision at the Company's discretion.

If, at any time, you have questions regarding your personal tax matters, you may contact Krishen Mehta, Price Waterhouse, Tokyo at 81 3 5424 6500.

12. Other Conditions:

a. Method of Payment: The net annual Japanese Yen payment of JPY 12,274,800 will be paid in accordance with NCR Japan payroll practice. The net annual Singapore dollar C&S payment of S$244,177 will be paid monthly in accordance with NCR-Singapore payroll practices.

b. Home Leave: You will be eligible for reimbursement of round trip transportation (business air) and reasonable expenses in route, (for you and your family) each year. Your first home leave reimbursement eligibility occurs after 12 months in your international assignment.

   You will receive no extra time off for Home Leave. Your days spent on home leave are charged against your vacation entitlement. Subsequent home leave reimbursement may be requested another 12 months after prior home leave eligibility. However, no home leave within 3 months of your repatriation is considered eligible for reimbursement.

   NCR will purchase the air tickets for you and your family for the home leave return trip to your home location. Travel to locations other than your home country will not be reimbursed under the policy provision.

   In addition to the above, your wife will be eligible for four additional return trips per year from Singapore to Tokyo on a business class airfare basis plus reasonable expenses enroute (taxi to and from airport).

c. Host Country Housing and Utilities: The Company will provide for furnished housing in Singapore for the duration of your assignment. The level of housing is to be determined locally and is based on your salary level and family size. Housing rental payments will be made directly by the Company. As you will be issued a temporary visa for a relatively short term assignment, NCR's policy does not provide for reimbursement of real estate fees or any other financial consequences of purchasing a home in Singapore.

In most cases, the company will sign a lease for a partially furnished accommodation and will pay for the shipping costs for you to bring your personal furniture. Therefore, the "total" arrangement provides for furnished housing.

Utilities: NCR will pay for expenses relating to electricity, gas, and water usage and installation fees. These expenses will be billed directly to the Company.

Telephone services: NCR will reimburse that cost of phone installation (up to 2 lines and local calls) and will reimburse (via expense form submission) any charges for calls relating to business activities. The associate will be responsible for all charges relating to personal matters as they are covered within the Commodities and Services Allowance (i.e., personal long distance calls).

Appliances allowance: NCR will provide standard/normal appliances for living in Singapore.

Drapes: These should be negotiated with your apartment lease whenever possible.

d. Sale of Personal Residence: The Company will not support the sale of your personal residence in Japan or any other property as part of this assignment offer.

   This includes sales costs, tax on gains, exchange rate gains/losses etc.

e. Transportation: Transportation arrangements will be provided for the duration of your assignment in Singapore, in accordance with NCR Asia-Pacific policies.

f. Club Membership: Annual dues and membership fees for one civic/ business-oriented and one social club in Singapore will be provided.

13. Relocation Expenses:

a. Travel Expenses: NCR will provide transportation expenses (business air, most direct route) plus reasonable expenses en route and reasonable pre-approved excess baggage charges for you and your family from Japan to Singapore to relocate.

b. Moving Expenses: Any household goods and personal possessions that you wish to bring from Tokyo to Singapore will be shipped at NCR's expense.

c. Immigration Expenses: Visas, passport, and immigration expenses will be reimbursed.

d. Pets: NCR will pay for the costs of transporting household pets from Tokyo to Singapore. This payment does not cover any required inoculations, examinations, kennel/boarding charges, quarantine charges, customs or similar charges.

e. Relocation Allowance: A one time relocation allowance equal to one month's salary (Y 3,672,084) will be paid net-of-tax to cover incidental expenses arising out of the transfer of your residence from Japan to Singapore. This payment, which is designed to defray expenses not otherwise covered by the provisions of this letter, will be made to you in the most tax effective manner. Please note that this payment will not be made until a signed copy of this letter has been received by my office and until it has been confirmed by Price Waterhouse that you have completed a pre-departure tax consultation with Price Waterhouse.

14. Benefits: Your benefit coverages will be as follows:

a. You will continue to participate in the local NCR Japan benefit plans wherever possible. NCR will investigate the provision of medical/surgical in Singapore and make a determination as to whether to enroll you in local plans. In any event, your current NCR Japan coverage will be the "floor level" coverage that you are entitled to during your assignment

b. Your current vacation eligibility under NCR Japan's vacation policy will continue to apply. Your public holidays will coincide with the local the Singapore schedule.

c. You will continue to participate in the NCR Japan pension program.

d. You will continue to participate in the Japan Social Security system, with any employee contribution that is required deducted from your net Japanese Yen Payment of JPY 12,274,800. If any contributions are required to be made to the Singapore Social Security Plan, the cost will be borne by NCR.

The above compensation and benefits arrangements are described by using an effective date of October 1, 1997. If you have any questions concerning the details of this letter, please feel free to contact me at (937) 445-2910.

Please acknowledge your acceptance of this offer by signing the original copy in the space provided below. The enclosed copy of this letter is intended for your purposes.

Sincerely,

/s/ Richard H. Evans

Richard H. Evans
Sr. Vice President, Global Human Resources
NCR Corporation

I hereby agree to and accept the foregoing terms and conditions.

/s/ Hideh Takahashi October 16, 1997

Agreed and Accepted
Hideh Takahashi Date

EXHIBIT 13

FINANCIAL CONTENTS

2. Selected Financial Data
3. Management's Discussion and Analysis of Results of Operations and Financial Condition
11. Report of Management
11. Report of Independent Accountants
12. Consolidated Statements of Operations
13. Consolidated Balance Sheets
14. Consolidated Statements of Cash Flows
15. Consolidated Statements of Changes in Shareholders' Equity
16. Notes to Consolidated Financial Statements

NCR Corporation
SELECTED FINANCIAL DATA
Dollars in millions,
except per share amounts

	Year Ended December 31				
	1997	1996	1995	1994	1993
RESULTS OF OPERATIONS					
Revenue/1/	$6,589	$ 6,963	$ 8,162	$8,461	$ 7,265
Operating expenses/2/					
Cost of revenue	4,791	4,997	7,316	5,894	4,839
Selling, general, and administrative expenses	1,436	1,458	2,632	2,169	2,136
Research and development expenses	381	378	585	500	571
Income (loss) from operations	(19)	130	(2,371)	(102)	(281)
Interest expense	15	56	90	44	41
Other income, net	(61)	(36)	(45)	(130)	(42)
Income (loss) before income taxes and cumulative effects of accounting changes	27	110	(2,416)	(16)	(280)
Income tax expense (benefit)	20	219	(136)	187	138
Income (loss) before cumulative effects of accounting changes	7	(109)	(2,280)	(203)	(418)
Cumulative effects of accounting changes/3/	-	-	-	-	(869)
Net income (loss)	$ 7	$ (109)	$ (2,280)	$ (203)	$ (1,287)
Net income (loss) per common share, basic and diluted/4/	$ .07	$ (1.07)	$ (22.49)		
FINANCIAL POSITION AND OTHER DATA					
Cash and short-term investments	$1,129	$ 1,203	$ 338	$ 661	$ 343
Accounts receivable, net	1,471	1,457	1,908	1,860	1,288
Inventories	489	439	621	952	781
Property, plant, and equipment, and reworkable service parts, net	1,106	1,207	1,215	1,462	1,370
Total assets	5,293	5,280	5,256	5,836	4,664
Debt	94	76	375	715	155
Shareholders' equity	1,353	1,396	358	1,690	1,032
Headcount (employees and contractors)	38,300	38,600	41,100	50,000	52,500

/1/ The majority of the decrease in revenue for the year ended December 31, 1996 was due to NCR's decision in September 1995 to discontinue selling personal computers and entry level server products through high-volume indirect channels.
/2/ Operating expenses include restructuring and other charges of $(55), $1,649, and $219 in 1996, 1995, and 1993, respectively. (See Note 3 of Notes to Consolidated Financial Statements.)
/3/ The cumulative effects of accounting changes in 1993 of $869 were for postretirement benefits, postemployment benefits, and income taxes.
/4/ Net income (loss) per common share was calculated by dividing net income (loss) by 102.0 million shares of common stock in 1997 and 101.4 million shares of common stock in 1996 and 1995. For the year ended December 31, 1997, the dilutive effect of outstanding stock options had no impact on reported net income per share. (See Note 1 of Notes to Consolidated Financial Statements.) Outstanding stock options were not considered in calculating 1996 and 1995 net loss per common share since their effects would be antidilutive.

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

OVERVIEW

NCR Corporation and its subsidiaries (NCR) provide solutions designed to enable businesses to better understand and serve their customers through the ability to capture and analyze information. With more than 100 years of experience, NCR provides specific solutions to businesses in the retail, financial, and communications industries. NCR is a global provider of scalable data warehousing, self service, and point-of-sale workstation and barcode scanner systems and solutions. NCR also provides worldwide customer support services and professional consulting, and markets a complete line of consumable and media products.

Effective December 31, 1996, AT&T Corp. (AT&T) distributed to its shareholders all of its interest in NCR on the basis of one share of NCR common stock for each 16 shares of AT&T common stock (the Distribution). The Distribution resulted in 101.4 million shares of NCR common stock outstanding as of December 31, 1996. From September 19, 1991 to the Distribution date, NCR was a wholly-owned subsidiary of AT&T; previously, NCR was a separate publicly-traded company. Subsequent to the Distribution, NCR's consolidated financial statements reflect the results of operations, financial position, and cash flows of NCR as it operates as a stand-alone company. NCR's consolidated financial statements at and prior to the Distribution reflect the results of operations, financial position, and cash flows of NCR as if NCR was a separate stand-alone entity and were derived from the financial statements of AT&T using the historical results of operations, assets, and liabilities of the businesses operated by NCR. Management believes the assumptions underlying the consolidated financial statements are reasonable. There can be no assurances that the financial information included herein during the periods in which NCR was a wholly-owned subsidiary of AT&T would be the same if NCR had operated as a separate entity for those periods.

RESTRUCTURING

In September 1995, NCR announced and implemented a restructuring and turnaround plan based on five key principles: focus, accountability, expense-level reduction, process improvements, and a sense of urgency. This plan included, among other things, NCR's decisions to exit the PC manufacturing business and to no longer sell PC/entry level server products through high-volume indirect channels. NCR also reduced the number of industries for which detailed industry solutions were developed and offered, focusing on three industries (retail, financial, and communications) rather than six. In addition, NCR's plan to reduce costs and expenses resulted in the separation of approximately 8,500 employees and contractors worldwide. This restructuring plan was substantially completed as of December 31, 1997 and significantly contributed to the decrease in operating expenses experienced in 1997 and 1996 as compared with 1995.

In October 1997, NCR announced a fundamental realignment of its global business structure. The operational changes include realignments of the country-centered sales and professional services organizations into NCR's business units and implementation of various global business processes to simplify NCR's organizational structure and improve operating efficiency. Approximately 1,000 infrastructure and support positions are expected to be eliminated as a result of implementing global business processes. The changes are also expected to reduce operating expenses, create clearer accountability, and increase the speed of delivery of products and services to NCR's customers.

In December 1997, NCR signed a letter of intent to outsource the manufacture of its computer and retail products to Solectron Corporation (Solectron). The letter of intent calls for Solectron to acquire certain of NCR's manufacturing assets in the United States and Europe for an estimated $100 million. In addition, it is anticipated that approximately 1,200 NCR manufacturing and related support-function employees and contractors will be offered comparable employment with Solectron. The transaction is subject to negotiation of a definitive agreement and is expected to close by the end of the first quarter of 1998.

RESULTS OF OPERATIONS

The following table presents NCR's revenue by product line. The Other category includes revenues derived from businesses sold and other products and services not directly associated with the specific product lines described below:

	Year Ended December 31				
Dollars in millions	1997	% Increase/ (Decrease)	1996	% Increase/ (Decrease)	1995
Retail products	$ 474	11	$ 428	1	$ 424
Financial products	1,069	6	1,007	(2)	1,026
Computer products	1,141	(18)	1,398	30	1,078
PC/entry level server products	449	(11)	503	(71)	1,724
Systemedia products	511	(7)	551	(5)	577
Customer support services	2,112	(6)	2,238	3	2,174
Professional services	664	8	616	(3)	638
Data services	110	(11)	123	(26)	167
Other	59	(40)	99	(72)	354
Total	$6,589	(5)	$6,963	(15)	$8,162

The following table presents selected components of NCR's consolidated statements of operations, expressed on a percentage of revenue basis. The years ended December 31, 1996 and 1995, as adjusted, exclude the effects of restructuring and other charges.

	Year Ended December 31				
	1997	1996	1995	1996	1995
		(As Reported)		(As Adjusted)	
Revenue:					
Sales	56.0%	56.7%	63.0%	56.7%	63.0%
Services	44.0	43.3	37.0	43.3	37.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Gross Margin:					
Sales	30.7%	30.3%	8.5%	30.6%	20.9%
Services	22.9	25.6	13.5	24.8	23.2
Total	27.3	28.2	10.4	28.1	21.8
Selling, general, and administrative expenses	21.8	20.9	32.2	21.4	24.7
Research and development expenses	5.8	5.4	7.2	5.6	5.9
Income (loss) from operations	(0.3)%	1.9%	(29.0)%	1.1%	(8.8)%

Revenue

Total revenue decreased 5% in 1997. When adjusted for the unfavorable impact of year-to-year changes in foreign currency exchange rates, revenue decreased 1%. In 1997, the decline in product sales revenue was primarily attributable to declines in computer products sales which more than offset increases in retail and financial product sales. Sales revenue in 1997 continued to be unfavorably impacted by NCR's decision to no longer sell PC/entry level server products through high-volume indirect channels. Total services revenue also decreased in 1997 as declines in customer support services and data services revenues more than offset increases in professional services revenue. In addition, NCR's 1997 total revenue declined approximately 3% due to a substantial decrease in sales and services provided to AT&T.

Total revenue decreased 15% from 1995 to 1996, principally due to NCR's decision to no longer sell PC/entry level server products through high-volume indirect channels. When PC/entry level server products and businesses sold are excluded from both 1996 and 1995, revenue from NCR's core businesses increased by 1% in 1996. When adjusted for the unfavorable impact of year-to-year changes in foreign currency exchange rates (particularly the Japanese yen), revenue from core businesses increased by 3%.

retail products

1997............ $474 million
1996............ $428 million
1995............ $424 million

Revenue from retail products increased 11% in 1997, following an increase of 1% in 1996. In 1997, retail point-of-sale terminal revenue in the Europe/Middle East/Africa and Asia/Pacific regions significantly increased. In 1996, gains in revenue from retail barcode scanner products more than offset a decline in revenue from retail point-of-sale terminals, driven principally by softness in the Europe/Middle East/Africa region.

financial products

1997............ $1,069 million
1996............ $1,007 million
1995............ $1,026 million

Revenue from financial products increased 6% in 1997, following a decrease of 2% in 1996. In 1997, revenue was favorably impacted by strong results in self service product sales in the Americas and the Europe/Middle East/Africa regions. In 1996, very significant increases in self service product demand in the United States were offset by declines in the Europe/Middle East/Africa and Asia/Pacific geographic regions. These declines were primarily due to general softness in the European banking and financial services markets, and a transition in NCR's product offerings in Japan.

computer products

1997............ $1,141 million
1996............ $1,398 million
1995............ $1,078 million

Revenue from computer products decreased 18% in 1997 compared with an increase of 30% in 1996. The 1997 revenue decline reflects significant declines in small and medium server sales across all geographic regions which were only partially offset by an increase in sales of enterprise servers, used principally in scalable data warehousing applications. The overall decrease in computer products revenue also reflects substantial reductions in AT&T purchases in 1997. The increase in 1996 was principally driven by growth in sales of NCR's WorldMarkTM product line which supports scalable data warehousing and high availability transaction processing systems and solutions. Substantially all geographic regions reported computer products revenue growth in 1996.

pc/entry level
server products

1997............	$ 449 million
1996............	$ 503 million
1995............	$1,724 million

In 1997, revenue from PC/entry level server products decreased 11%. The decrease is principally related to comparisons in the first half of 1997, as the comparable period of 1996 continued to include some sales of PC/entry level server products through high-volume indirect channels. Revenue from PC/entry level server products decreased 71% in 1996 as compared with 1995, due primarily to NCR's decision to no longer sell these products through high-volume indirect channels. NCR continues to offer its customers PC/entry level server products sourced from third parties as part of overall solution sales.

systemedia
products

1997............	$511 million
1996............	$551 million
1995............	$577 million

Sales of systemedia products decreased 7% in 1997, compared to a decrease of 5% in 1996. In 1997, revenue was unfavorably impacted by the strengthening of the U.S. dollar in relation to certain key foreign currencies and declines in demand for thermal fax paper. In 1996, the decreases were largely attributable to the unfavorable impact of the strengthening of the U.S. dollar and declines in paper prices.

customer support
services

1997............	$2,112 million
1996............	$2,238 million
1995............	$2,174 million

Revenue from customer support services decreased 6% in 1997 due principally to the unfavorable impact of the strengthening of the U.S. dollar in relation to certain key foreign currencies and AT&T's move to self-maintenance in connection with the Distribution. In 1996, revenue from customer support services grew 3% primarily due to new service offerings and continued expansion of multivendor services.

professional
services

1997............	$664 million
1996............	$616 million
1995............	$638 million

In 1997, revenue from professional services increased 8%, primarily in the Americas and Asia/Pacific regions; however, professional services revenue was unfavorably impacted by the overall decline in computer products sales revenue during 1997. Revenue from professional services decreased 3% in 1996, reflecting NCR's continued focus on scalable data warehousing and high availability transaction processing solutions, offset by the impact of the phaseout of certain consulting offerings.

Data services revenue declined 11% in 1997 and 26% in 1996 principally due to NCR's sale of its data services business in Switzerland at the beginning of 1996.

Operating Expenses
As a result of NCR's 1995 restructuring, operating expenses in 1995 included restructuring and other charges of $1,649 million, of which $636 million was recorded as cost of sales, $294 million as cost of services, $616 million as selling, general, and administrative expenses, and $103 million as research and development expenses. Operating expenses in 1996 included a release of restructuring reserves of $55 million, of which $12 million was recorded as an increase to cost of sales, with corresponding decreases of $24 million, $31 million, and $12 million to cost of services, selling, general, and administrative expenses, and research and development expenses, respectively. (See Note 3 of Notes to Consolidated Financial Statements.) The effects of restruc-

turing and other charges in 1996 and 1995 have been excluded from the discussion of operating expenses below. (See As Adjusted columns in the previous table on page 4.)

Gross margin as a percentage of revenue decreased 0.8 percentage points in 1997, compared to a gross margin increase of 6.3 percentage points in 1996. The gross margin decline in 1997 consisted of a 0.1 percentage point increase in sales gross margin and a 1.9 percentage point decrease in services gross margin. The decrease in services margin was principally the result of NCR's fixed cost structure which was designed to support higher revenue levels than were realized in 1997, and higher than anticipated costs on certain professional services contracts. Without the unfavorable impact of changes in foreign exchange rates, the total gross margin percentage for 1997 would have approximated the 1996 total gross margin percentage. The gross margin improvement in 1996 consisted of a 9.7 percentage point improvement in sales gross margin, and a 1.6 percentage point improvement in services gross margin. The increase in sales gross margin in 1996 reflected improvements in margins in substantially all NCR product lines and a change in product mix, as revenues from lower-margin PC/entry level server products as a percentage of total sales revenue declined. The increase in services gross margin reflected improvements in the margins on substantially all NCR service offerings in 1996.

Selling, general, and administrative expenses decreased $53 million or 4% in 1997, compared with a decrease of $527 million or 26% in 1996. The decrease in 1997 was primarily the result of continued focus on expense reduction, principally in the area of general and administrative costs, as selling expenses increased slightly over 1996, consistent with NCR's focus on enhancing its sales and customer-facing work force. Overall, selling, general, and administrative expenses were favorably impacted by the strengthening of the U.S. dollar in relation to certain key foreign currencies in 1997 as compared with 1996. The decrease in selling, general, and administrative expenses in 1996 was primarily the result of NCR's business restructuring. Specifically, the restructuring included a focus on reducing the number of detailed industry solutions offered from six industries to three (retail, financial, and communications), general cost reductions, and the decision to no longer sell PC/entry level server products through high-volume indirect channels. In addition, the amount of general corporate overhead costs allocated to NCR by AT&T decreased approximately $88 million in 1996. This decrease was the result of NCR beginning to manage certain corporate and administrative functions in 1996 which were previously provided substantially by AT&T. As a percentage of revenue, selling, general, and administrative expenses were 21.8%, 21.4% and 24.7% in 1997, 1996, and 1995, respectively.

Research and development expenses decreased $9 million or 2% in 1997, compared with a decrease of $92 million or 19% in 1996. As a percentage of revenue, research and development expenses increased slightly to 5.8% in 1997 compared to 5.6% in 1996. In 1997, NCR's research and development expenses reflected an increased focus on systems and solutions-based development efforts. As a percentage of revenue, research and development expenses were 5.6% in 1996 and 5.9% in 1995. The decrease in 1996 was primarily attributable to NCR's decision to no longer develop and manufacture PCs. In addition, research and development expenses decreased due to the consolidation and elimination of redundant engineering activities and due to a focus of research and development efforts on specific targeted industries using common platforms and technologies.

Income (Loss) Before Income Taxes

NCR reported an operating loss of $19 million in 1997, operating income of $75 million (excluding a release of restructuring reserves of $55 million) in 1996 and an operating loss of $722 million (excluding restructuring and other charges of $1,649 million) in 1995.

Interest expense was $15 million in 1997, $56 million in 1996, and $90 million in 1995. The decrease in 1997 was the result of reduced debt levels. Interest expense in 1995 and 1996 includes amounts charged by AT&T on interest-bearing cash advances, which were contributed to NCR by AT&T and were recorded in shareholders' equity as of the Distribution date.

Other income, net, was $61 million in 1997, $36 million in 1996, and $45 million in 1995. The $25 million increase in 1997 was principally attributable to higher interest income on increased levels of short-term investments. The 1995 other income amount includes a gain on sale of NCR's microelectronics components business of $51 million.

NCR reported income before taxes of $27 million in 1997 and $55 million (excluding a release of restructuring reserves of $55 million) in 1996 compared with a loss before taxes of $767 million (excluding restructuring and other charges of $1,649 million) in 1995.

Net Income (Loss)

Income tax expense was $20 million in 1997 and $219 million in 1996, compared with an income tax benefit of $136 million in 1995. NCR's tax provisions in 1997 and 1996 resulted from a provision for income taxes in those foreign tax jurisdictions where NCR's subsidiaries are profitable, and an inability to reflect tax benefits related to tax losses reported in certain tax jurisdictions, primarily the United States. The 1997 provision reflected the favorable results of certain programs implemented in 1997 which lowered tax expense. The 1996 tax provision included an unfavorable adjustment of $82 million related to international restructuring tax benefits that were originally recorded in 1995 and determined not to be realizable in 1996 as a result of utilization of a larger amount of the overall restructuring reserves within the United States. The benefit of $136 million in 1995 was primarily attributable to foreign operating losses largely resulting from the 1995 restructuring charges incurred by those foreign subsidiaries that were historically profitable.

Net income was $7 million in 1997 and reflected a substantial unfavorable impact from the strengthening of the U.S. dollar in relation to certain key foreign currencies. Net losses were $109 million in 1996 and $2,280 million in 1995. The net loss in 1996 included an unfavorable impact from restructuring of $27 million ($55 million pre-tax benefit). The net loss in 1995 included restructuring and other charges of $1,415 million ($1,649 million pre-tax charge).

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

NCR's cash, cash equivalents, and short-term investments totaled $1,129 million at December 31, 1997, compared with $1,203 million at December 31, 1996 and $338 million at December 31, 1995.

NCR generated $248 million of cash from operations in 1997 and $368 million in 1996, while using $824 million of cash in operations in 1995. The 1996 cash generated from operations was significantly impacted by restructuring activities, in that both accounts receivable and inventories decreased substan-

tially (due in large part to NCR's decision to no longer produce PCs or to sell PC/entry level server products through high-volume indirect channels) and $518 million of cash was used in connection with restructuring activities. The 1997 cash flow from operations includes increases in accounts receivable and inventories associated with normal business activities and cash utilized for payment of restructuring activities of $82 million. The increase in cash from operating activities of $1,192 million in 1996 compared to 1995 was primarily attributable to improvements in NCR's reported operating results over 1995 and significant declines in accounts receivable and inventories, partially offset by cash payments for restructuring of $518 million. Receivable balances decreased $451 million from December 31, 1995 to December 31, 1996, due principally to NCR's decision to no longer sell PC/entry level servers through high-volume indirect channels, a reduction in receivable balances due to the sale of the Switzerland data services business, and overall improvements in receivables management. Inventory balances decreased $182 million in 1996 from year-end 1995 resulting from exiting the PC manufacturing business, overall improved supply line management, and an increased focus on inventory management practices.

Net cash used in investing activities was $524 million, $395 million, and $11 million in 1997, 1996, and 1995, respectively. These net cash outflows primarily represent purchases of short-term investments and capital expenditures for property, plant and equipment and reworkable service parts, offset by proceeds from sales of various long-lived assets. The $11 million of net investing activities in 1995 included proceeds of $338 million from the sale of the microelectronics components business. Capital expenditures, a historically significant component of investing activities, were $309 million, $423 million, and $498 million, for the years ended 1997, 1996, and 1995, respectively. Capital expenditures generally relate to expenditures for reworkable parts used to service customer equipment, expenditures for equipment and facilities used in manufacturing and research and development, and expenditures for facilities to support sales and marketing activities.

Net cash provided by financing activities was $62 million, $895 million, and $696 million for the years ended 1997, 1996, and 1995, respectively. In 1996 and 1995, NCR 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 NCR's ongoing operations and restructuring activities and were recorded in the consolidated financial statements as increases in shareholders' equity. Third party debt of $312 million was repaid in 1995 and an additional $225 million was repaid in 1996. Prior to the date of the Distribution, AT&T made decisions regarding NCR's financing activities including cash management and debt structure.

In 1996, NCR entered into a five-year, unsecured revolving credit facility with a syndicate of commercial banks and financial institutions. The credit facility provides that NCR may borrow from time to time on a revolving credit basis an aggregate principal amount of up to $600 million. 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. The credit facility matures in 2001 and contains certain representations and warranties, conditions, affirmative, negative and financial covenants, and events of default customary for such a facility. Interest rates charged on borrowings outstanding under the credit facility are based on market rates. In addition, a portion of the credit facility is available for the issuance of letters of credit as required by NCR. No amounts were outstanding under the facility as of December 31, 1997 or 1996.

NCR believes that cash flows from operations, 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 for the foreseeable future.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Management's Discussion and Analysis of Results of Operations and Financial Condition contains information based on management's beliefs and forward-looking statements that involve a number of risks, uncertainties, and assumptions. There can be no assurances that actual results will not differ materially from the forward-looking statements as a result of various factors, including, but not limited to, the following:

NCR's ability to improve its operating results depends significantly upon its ability to profitably grow revenue, improve gross margins, maintain expense discipline, and improve its effective tax rate. There can be no assurances that NCR will not face unforeseen costs, delays or other impediments in the implementation of its strategies and business plans, that its strategies and business plans will generate the expected benefits, or that NCR's strategies will be successful. The success of NCR's strategies 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, including those described below.

The markets for many of NCR's offerings are characterized by rapidly changing technology, evolving industry standards and a movement toward common industry standards making differentiation more difficult, frequent new product introductions, and the increasing commoditization of products, including servers and other computer products. NCR's operating results depend to a significant extent on its ability to design, develop, or otherwise obtain and introduce new products, services, systems, and solutions that are competitive in the marketplace. 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. The ability to successfully introduce new competitive products, services offerings, and solutions could have a significant impact on NCR's results of operations.

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. In December 1997, NCR announced its intention to outsource the manufacture of its retail and computer products to Solectron. NCR has from time to time formed other 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's reliance on third parties, potentially including Solectron, 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, on a timely basis, 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 an adverse impact on NCR's financial condition or results of operations.

A number of NCR's products and systems rely on specific suppliers for microprocessors, operating systems, and other central components. For example, NCR's computer systems are based on microprocessors and related peripheral chip technology designed by Intel Corporation. NCR incorporates UNIX(R) and Microsoft Windows NT(R) operating systems into its products and utilizes Oracle Corporation's and Informix Corporation's commercial databases for NCR's high availability transaction processing solutions. 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 adversely impact NCR's financial condition or results of operations.

NCR also uses many standard parts and components in its products and systems, and believes there are a number of competent vendors for most required 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 new producers of such parts could adversely impact NCR's results of operations.

NCR faces significant competition in the geographic areas in which it operates. Its markets are characterized by continuous, rapid technological change, short product life cycles, frequent product performance improvements, price and cost reductions, and the need to introduce products in a timely manner in order to take advantage of market opportunities. Product development or manufacturing delays, changes in product costs, and delays in customer purchases of existing products in anticipation of new product introductions are among the factors that may adversely impact the transition from current products to new products. In addition, the timing of introductions of new products and services offered by NCR's competitors could impact the future operating results of NCR, particularly when these introductions coincide with or precede NCR's own new products, services, systems, and solutions introductions. Likewise, some of NCR's new products, services, and solutions may replace or compete with NCR's current offerings. NCR's future operating results will also depend upon its ability to forecast the proper mix of products, services, systems, and solutions to meet the demands of its customers.

The significant competition in the information technology industry has resulted in decreased gross margins for many companies in recent years and could continue to do so in the future. Future operating results will depend in part on NCR's ability to mitigate such margin pressure by maintaining a favorable mix of products, services, systems, solutions, and other revenues and by achieving component cost reductions and operating efficiencies. Changes in the mix of products, services, systems, and solutions revenues could cause operating results to vary. NCR's future operating results may depend on its recognition of and expansion into new and emerging markets. Failure to recognize and penetrate these markets in a timely fashion with the proper mix of products, services, systems, and solutions could have an adverse effect on NCR's financial condition or results of operations.

NCR's success is dependent on, among other things, its ability to attract and retain the highly-skilled technical, sales, and other personnel necessary to enable NCR to successfully develop and sell new and existing products, services, systems, and solutions.

NCR's sales are historically seasonal, with higher reported revenue in the fourth quarter of each year. Consequently, during the three quarters ending in March, June, and September, NCR has historically experienced less favorable results than in the quarter ending in December. Such seasonality also causes NCR's working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volume, timing, and mix of product sales and services revenues. In addition, in many quarters, a large portion of NCR's revenue is realized in the final 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 for that quarter falls below anticipated levels.

International operations represented approximately 58% of NCR's consolidated revenue in 1997. Specifically, Japan, the United Kingdom, Germany, and France represented approximately 13%, 6%, 5%, and 3%, respectively, of NCR's consolidated revenue. NCR's international operations are subject to a number of risks inherent in operating abroad. Such operations may be adversely affected by a variety of factors, many of which cannot be readily foreseen and over which NCR has little or no control. A significant change in the value of the dollar or other functional currencies against the currency of one or more countries where NCR recognizes revenues or earnings, manufactures product, or maintains net asset investments may adversely impact future operating results. NCR attempts to mitigate a portion of such changes through the use of foreign currency contracts.

NCR's tax rate is dependent upon the geographical composition of taxable earnings and NCR's ability to realize the benefits from tax losses in certain tax jurisdictions. To the extent that NCR is unable to reflect tax benefits from net operating losses and tax credits, arising primarily in the United States, to offset provisions for income taxes attributable to its profitable foreign subsidiaries, NCR's overall effective tax rate could increase.

In the normal course of business, NCR is subject to regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment and health and safety, among others. Such matters are subject to the resolution of many uncertainties and, accordingly, outcomes are not predictable with assurance. NCR believes the amounts provided in its consolidated financial statements as prescribed by generally accepted accounting principles, are currently adequate in light of the probable and estimable liabilities. However, there can be no assurances that the amounts required to discharge alleged liabilities from lawsuits, claims, legal proceedings and other matters, including environmental matters, and to comply with applicable environmental laws and regulations, will not materially impact future financial condition or operating results.

Year 2000

The Year 2000 compliance issues concern the inability of certain computerized information systems to properly recognize date-sensitive information as the year 2000 approaches. Systems that do not recognize such information could generate erroneous data or cause systems to fail. Year 2000 issues impact NCR and substantially all companies in the industries in which NCR operates. More specifically, Year 2000 issues impact certain of NCR's internal information systems and certain of the products and services it has provided to its customers. This exposes NCR to potential risks which include possible failure or malfunction of its internal information systems, problems with the products and services it has provided to its customers and the potential for increased warranty and other claims, among others. NCR has developed plans to address the key risks it faces in relation to potential Year 2000 issues. These plans include replacing or upgrading affected internal information systems and developing Year 2000 qualified products for its customers. The impact of Year 2000 compliance on NCR's consolidated financial position, results of operations, and cash flows is not fully determinable. There can be no assurances that the potential costs associated with Year 2000 compliance issues would not have a material impact on NCR's consolidated financial condition, results of operations, and cash flows.

DERIVATIVE FINANCIAL INSTRUMENTS AND MARKET RISK

NCR is exposed to market risk, including changes in foreign currency exchange rates and interest rates. NCR uses a variety of measures to monitor and manage these risks, including derivative financial instruments. Because a substantial portion of NCR's operations and revenue occur outside the United States, NCR's results can be significantly impacted by changes in foreign currency exchange rates. To manage the exposures to changes in currency exchange rates, NCR enters into various derivative financial instruments such as forward contracts, swaps, and options. NCR does not hold or enter into derivative financial instruments for trading purposes. These instruments generally mature within twelve months. At inception, the derivative instruments are designated as hedges of inventory purchases and sales and certain financing transactions which are firmly committed or forecasted. Gains and losses on qualifying hedged transactions are deferred and recognized in the determination of income when the underlying transactions are realized, canceled, or otherwise terminated. When hedging certain foreign currency transactions of a long-term investment nature, gains and losses are recorded in the currency translation adjustment component of shareholders' equity. Gains and losses on other foreign exchange contracts are generally recognized currently in other income or expense as exchange rates change.

The table below summarizes information about instruments sensitive to currency exchange rates, primarily foreign currency forward contracts, options, and swaps at December 31, 1997 (in millions except for average contract rates):

U.S. Dollar Value of Net Foreign Exchange Contracts

	Net Underlying Currency Exposure Associated with Firmly Committed Transactions	Notional Value	Average Contract Rate (Foreign Currency per US Dollar)	Gain/(Loss)
Forward Contracts:				
British Pound	$86	$575	.61	$ 9
Japanese Yen	33	33	115.52	3

German Mark	171	171	1.72	4
Canadian Dollar	5	72	1.37	(3)
Italian Lira	12	12	1,717.72	-
Swiss Franc	12	12	1.41	-
Spanish Peseta	45	45	147.17	(1)
Cross-currency,				
non-U.S. dollar	188	188	N/A	(28)
Other	81	108	N/A	5
Options:				
French Franc	40	78	5.85	-
Swedish Krona	3	3	7.71	-
Swaps:				
Cross-currency,				
non-U.S. dollar	173	173	N/A	(20)

The derivative forward contracts in excess of net underlying exposures associated with firmly committed transactions hedge forecasted transactions, including inventory production by NCR's manufacturing units, which are expected to be realized in the near-term. The derivative option contracts are primarily collars which provide NCR the right to buy certain currencies from counterparties at specified rates. These contracts include similar rights for the counterparties, thereby limiting NCR's potential gains on the underlying exposures.

NCR is exposed to changes in interest rates primarily as a result of its borrowing and investing activities. NCR holds short-term investments and borrowings and long-term debt in order to maintain liquidity and fund its business operations. These financial instruments are held for purposes other than trading. NCR does not generally use derivative financial instruments to alter the interest rate characteristics of its investment holdings or debt instruments. Notes 5 and 9 of the Notes to Consolidated Financial Statements present the carrying value, fair value, and other information related to NCR's outstanding borrowings at December 31, 1997. The interest rate risk associated with NCR's investment holdings at December 31, 1997 is not material in relation to NCR's consolidated financial position, results of operations, or cash flows.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

In October 1997, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position (SOP) 97-2, "Software Revenue Recognition," which supersedes SOP 91-1 of the same title. SOP 97-2 provides guidance on applying generally accepted accounting principles for recognizing revenue on software transactions and establishes criteria for the measurement of revenue for software arrangements consisting of multiple elements such as future upgrades, post contract support and additional products or services. SOP 97-2 is effective for transactions entered into in fiscal years beginning after December 15, 1997. The impact on NCR's consolidated financial position, results of operations, and cash flows, of adopting this Statement is not expected to be material.

REPORT OF MANAGEMENT

NCR management is responsible for the preparation, integrity, and objectivity of NCR's consolidated financial statements and other financial information presented in this Annual Report. The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles and include certain amounts based on currently available information and management's judgment of current conditions and circumstances.

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

Price Waterhouse LLP, independent accountants, are engaged to perform audits of NCR's consolidated financial statements. These audits are performed in accordance with generally accepted auditing standards, which include the consideration of NCR's internal control structure.

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

/s/ Lars Nyberg
- -------------------------
Lars Nyberg
Chairman of the Board and
Chief Executive Officer

/s/ John L. Giering
- -------------------------
John L. Giering
Senior Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of NCR Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, changes in shareholders' equity, and cash flows present fairly, in all material respects, the consolidated financial position of NCR Corporation and its subsidiaries at December 31, 1997, and the consolidated results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of NCR Corporation's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above. The consolidated financial statements of NCR Corporation for the years ended December 31, 1996 and 1995 were audited by other independent accountants whose report dated January 21, 1997 expressed an unqualified opinion on those statements.

/s/ Price Waterhouse LLP
Dayton, Ohio
January 21, 1998

NCR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
In millions,
except per share amounts

	Year Ended December 31		
	1997	1996	1995
REVENUE			
Sales	$3,687	$3,946	$ 5,138
Services	2,902	3,017	3,024
TOTAL REVENUE	6,589	6,963	8,162
OPERATING EXPENSES			
Cost of sales	2,555	2,751	4,699
Cost of services	2,236	2,246	2,617
Selling, general, and administrative expenses	1,436	1,458	2,632
Research and development expenses	381	378	585
TOTAL OPERATING EXPENSES	6,608	6,833	10,533
INCOME (LOSS) FROM OPERATIONS	(19)	130	(2,371)
Interest expense	15	56	90
Other income, net	(61)	(36)	(45)
INCOME (LOSS) BEFORE INCOME TAXES	27	110	(2,416)
Income tax expense (benefit)	20	219	(136)
NET INCOME (LOSS)	$ 7	$ (109)	$(2,280)
NET INCOME (LOSS) PER COMMON SHARE, BASIC AND DILUTED	$ .07	$(1.07)	$(22.49)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	102.0	101.4	101.4

The notes on pages 16 through 28 are an integral part of the consolidated financial statements.

NCR CORPORATION
CONSOLIDATED BALANCE SHEETS
In millions,
except per share amounts

	At December 31 1997	1996
Assets		
Current assets		
Cash and short-term investments	$ 1,129	$ 1,203
Accounts receivable, net	1,471	1,457
Inventories	489	439
Other current assets	182	219
Total Current Assets	3,271	3,318
Reworkable service parts, net	248	277
Property, plant, and equipment, net	858	930
Other assets	916	755
Total Assets	$ 5,293	$ 5,280
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings	$ 59	$ 28
Accounts payable	378	352
Payroll and benefits liabilities	343	383
Customer deposits and deferred service revenue	348	348
Other current liabilities	836	856
Total Current Liabilities	1,964	1,967
Long-term debt	35	48
Pension and indemnity liabilities	342	300
Postretirement and postemployment benefits liabilities	813	777
Other liabilities	522	503
Minority interests	264	289
Total Liabilities	3,940	3,884
Commitments and contingencies		
Shareholders' Equity		
Preferred stock: par value $.01 per share, 100.0 shares authorized, no shares issued or outstanding at December 31, 1997 and 1996	-	-
Common stock: par value $.01 per share, 500.0 shares authorized, 103.2 and 101.4 shares issued and outstanding at December 31, 1997 and 1996, respectively	1	1
Paid-in capital	1,438	1,394
Retained earnings	7	-
Other	(93)	1
Total Shareholders' Equity	1,353	1,396
Total Liabilities and Shareholders' Equity	$ 5,293	$ 5,280

The notes on pages 16 through 28 are an integral part of the consolidated financial statements.

NCR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
In millions

	Year Ended December 31		
	1997	1996	1995
Operating Activities			
Net income (loss)	$ 7	$ (109)	$(2,280)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	383	385	350
Deferred income taxes	13	241	(236)
Restructuring and other charges	-	(55)	1,649
Net (gain) loss on sales of assets	4	13	(1)
Changes in operating assets and liabilities			
Receivables	(14)	451	(102)
Inventories	(50)	182	(72)
Accounts payable and other current liabilities	(34)	(882)	31
Other operating assets and liabilities	(61)	142	(163)
Net Cash Provided By (Used In) Operating Activities	248	368	(824)
Investing Activities			
Purchases of short-term investments	(685)	(284)	(493)
Sales of short-term investments	482	268	667
Expenditures for reworkable service parts	(147)	(207)	(172)
Expenditures for property, plant, and equipment	(162)	(216)	(326)
Proceeds from sales of assets	99	98	415
Other investing activities	(111)	(54)	(102)
Net Cash Used in Investing Activities	(524)	(395)	(11)
Financing Activities			
Short-term borrowings, net	31	(17)	(35)
Proceeds from issuance of long-term debt	-	30	9
Repayments of long-term debt	(13)	(312)	(312)
Transfers from AT&T, net	-	1,194	1,034
Other financing activities	44	-	-
Net Cash Provided by Financing Activities	62	895	696
Effect of exchange rate changes on cash and cash equivalents	(63)	(19)	(10)
Increase (Decrease) in Cash and Cash Equivalents	(277)	849	(149)
Cash and Cash Equivalents at Beginning of Year	1,163	314	463
Cash and Cash Equivalents at End of Year	$ 886	$1,163	$ 314

The notes on pages 16 through 28 are an integral part of the consolidated financial statements.

NCR Corporation

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In millions

	Common Stock Shares	Common Stock Amount	Paid-in Capital	AT&T's Net Investment	Other	Retained Earnings	Total
January 1, 1995				$ 1,556	$134		$ 1,690
Net loss				(2,280)	-		(2,280)
Currency translation adjustments				-	(64)		(64)
Other, principally additional minimum pension liability				-	(22)		(22)
Transfers from AT&T, net				1,034	-		1,034
December 31, 1995				310	48		358
Net loss				(109)	-		(109)
Currency translation adjustments				-	(58)		(58)
Other, principally additional minimum pension liability				-	11		11
Transfers from AT&T, net				1,194	-		1,194
Distribution of NCR common stock by AT&T	101	$ 1	$1,394	(1,395)	-		-
December 31, 1996	101	1	1,394	-	1		1,396
Net income	-	-	-	-	-	$ 7	7
Currency translation adjustments	-	-	-	-	(79)	-	(79)
Other, principally stock issued under employee stock purchase and stock compensation plans and additional minimum pension liability	2	-	44	-	(15)	-	29
December 31, 1997	103	$ 1	$1,438	$ -	$(93)	$ 7	$ 1,353

Effective December 31, 1996, AT&T distributed to its shareholders all of its interest in NCR. The distribution resulted in 101.4 million shares of NCR common stock outstanding as of December 31, 1996. Prior to the Distribution, NCR was a wholly-owned subsidiary of AT&T. (See Note 1.)

The notes on pages 16 through 28 are an integral part of the consolidated financial statements.

NCR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOTE 1.
Description of Business and Significant Accounting Policies

Description of Business
NCR Corporation and its subsidiaries (NCR) provide solutions designed to enable businesses to better understand and serve their customers through the ability to capture and analyze information. With more than 100 years of experience, NCR provides specific solutions to businesses in the retail, financial and communications industries. NCR is a global provider of scalable data warehousing, self service, and point-of-sale workstation and barcode scanner systems and solutions. NCR also provides worldwide customer support services and professional consulting and markets a complete line of consumable and media products.

Effective December 31, 1996, AT&T Corp. (AT&T) distributed to its shareholders all of its interest in NCR on the basis of one share of NCR common stock for each 16 shares of AT&T common stock (the Distribution). The Distribution resulted in 101.4 million shares of NCR common stock outstanding as of December 31, 1996. From September 19, 1991 to the Distribution date, NCR was a wholly-owned subsidiary of AT&T; previously, NCR was a separate publicly-traded company.

Financial Statement Presentation
Subsequent to the Distribution, NCR's consolidated financial statements reflect the results of operations, financial position, and cash flows of NCR as it operates on a stand-alone separate company basis. NCR's consolidated financial statements at and prior to the Distribution reflect the results of operations, financial position, and cash flows of NCR as if NCR were a separate entity and were derived from the consolidated financial statements of AT&T using historical results of operations and the historical bases in the assets and liabilities of the businesses operated by NCR.

Prior to the Distribution, changes in AT&T's net investment represented capital contributions, interest-bearing cash advances made by AT&T to NCR, and the net income (loss) of NCR including cost allocations from AT&T. NCR's financing requirements during AT&T's ownership were primarily provided through capital contributions and interest-bearing cash advances from AT&T. NCR's historical consolidated statements of operations include interest expense relating to such interest-bearing cash advances, which were contributed to NCR by AT&T and included in shareholders' equity as of December 31, 1996. NCR began accumulating its retained earnings effective January 1, 1997.

Prior to the Distribution, general corporate overhead related to AT&T's corporate headquarters and common support functions was allocated to NCR, to the extent such amounts were 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 may not necessarily be 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 began using its own resources or purchased services to perform these functions and is fully responsible for the costs and expenses associated with the management of a public corporation.

The financial information for the years ended December 31, 1996 and 1995 may not necessarily reflect the consolidated results of operations, financial position, changes in shareholders' equity, and cash flows of NCR had NCR been a separate entity during those periods.

Basis of Consolidation
The consolidated financial statements include the accounts of NCR and its majority-owned subsidiaries in which NCR exercises significant influence. Long-term investments in affiliated companies in which NCR exercises significant influence, but which it does not control (generally ownership interests of 20% to 50%) are accounted for under the equity method. Investments in which NCR has less than a 20% ownership interest are accounted for under the cost method. All significant intercompany transactions and accounts have been eliminated.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are made when accounting for uncollectible accounts receivable, excess and obsolete inventory, product warranty, depreciation and amortization, employee benefit plans, income taxes, restructuring charges, and environmental and other contingencies, among others.

Foreign Currency
For most NCR international operations, the local currency is designated as the functional currency. Accordingly, assets and liabilities are translated into U.S. dollars at year-end exchange rates, and revenues and expenses are translated at average exchange rates prevailing during the year. Currency translation adjustments resulting from fluctuations in exchange rates are recorded as a separate component of shareholders' equity.

In the normal course of business, NCR enters into various financial instruments, including derivative financial instruments, for purposes other than trading. Derivative financial instruments are not entered into for speculative purposes. The use of foreign exchange forward contracts, options and swaps allows NCR to reduce its exposure to changes in currency

exchange rates. Derivatives used as a 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. NCR primarily uses forward contracts to hedge its foreign currency exposures relating largely to inventory purchases by marketing units and inventory sales by manufacturing units. For foreign exchange contracts that hedge firm commitments, the gains and losses are deferred and recognized as adjustments of carrying amounts when the underlying hedged transaction is realized, canceled, or otherwise terminated. For foreign exchange contracts that hedge anticipated transactions, gains and losses are recognized currently in other income and expense as exchange rates change. For foreign exchange options that hedge anticipated transactions, gains are deferred and recognized as adjustments of carrying amounts when the underlying hedged transaction is realized, canceled, or otherwise terminated. When hedging certain foreign currency transactions of a long-term investment nature, gains and losses are recorded in the currency translation adjustment component of shareholders' equity. Cash payments are primarily based on net gains and losses related to foreign exchange derivatives and are included in cash flows from operating activities in the consolidated statements of cash flows.

Revenue Recognition

Revenue from product sales is generally recognized upon performance of contractual obligations, such as shipment, installation, or customer acceptance. To the extent that significant obligations remain or significant uncertainties exist about customer acceptance of products at the time of sale, product sales revenue is not recognized until the obligations are satisfied or the uncertainties are resolved. Provision for product warranties and sales returns and allowances is recorded in the period in which the related revenue is recognized. Services 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 generally amortized over no more than three years. Capitalized software is subject to an ongoing assessment of recoverability based upon anticipated future revenues and identified changes in hardware and software technologies. Costs capitalized include direct labor and related overhead costs. Amortization of capitalized software development costs was $66 million in 1997 and 1996, and $57 million in 1995. Accumulated amortization for software development costs was $125 million and $104 million at December 31, 1997 and 1996, respectively.

Income Taxes

Income tax expense (benefit) is provided based on income (losses) before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws. NCR records valuation allowances related to its deferred income tax assets when, in the opinion of management, it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

NCR's operations were included in the income tax returns filed by AT&T from September 19, 1991 through the Distribution date. However, income tax expense (benefit) in NCR's consolidated financial statements has been calculated as if NCR had filed separate income tax returns for all periods presented.

Net Income (Loss) Per Common Share

In connection with the Distribution, AT&T distributed all of its interest in NCR, on the basis of one share of NCR common stock for each 16 shares of AT&T common stock. This resulted in 101.4 million shares of NCR common stock outstanding as of December 31, 1996. The net income (loss) per common share amounts, as presented in the consolidated statements of operations, were calculated by dividing the net income (loss) by 102.0 million shares of common stock in 1997 and 101.4 million shares of common stock in 1996 and 1995. For the year ended December 31, 1997, the dilutive effect of outstanding stock options had no impact on reported net income per common share. Outstanding stock options and replacement stock options during the years ended December 31, 1996 and 1995 were not considered in calculating the net loss per common share since their effects would be antidilutive.

Cash and Cash Equivalents

All short-term, highly liquid investments having maturities of three months or less at the date of acquisition are considered to be cash equivalents.

Short-term Investments

Short-term investments include certificates of deposit, commercial paper and other investments having maturities greater than three months at the date of acquisition. Such investments are stated at cost which approximates fair value at December 31, 1997 and 1996.

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

Long Lived Assets
Property, plant, and equipment, and reworkable service parts are stated at cost less accumulated depreciation. Reworkable service parts are those parts that can be reconditioned and used in installation and ongoing maintenance services and integrated service solutions for NCR's customers. Depreciation is computed over the estimated useful lives of the related assets 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 over three to five years.

Reclassifications
Certain prior years amounts have been reclassified to conform to the 1997 presentation.

Recently Issued Accounting Pronouncement
In October 1997, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position (SOP) 97-2, "Software Revenue Recognition", which supersedes SOP 91-1 of the same title. SOP 97-2 provides guidance on applying generally accepted accounting principles for recognizing revenue on software transactions and establishes criteria for the measurement of revenues for software arrangements consisting of multiple elements such as future upgrades, post contract support, and additional products or services. SOP 97-2 is effective for transactions entered into in fiscal years beginning after December 15, 1997. The impact on NCR's consolidated financial position, results of operations, and cash flows of adopting this Statement is not expected to be material.

NOTE 2.
Supplementary Financial Information

In millions	Year Ended December 31 1997	1996	1995
Other Income			
Interest income	$52	$29	$29
Gain (loss) on sales of assets	(4)	(13)	1
Other, net	13	20	15
Total other income, net	$61	$36	$45

In millions	At December 31 1997	1996
Cash and Short-term Investments		
Cash and cash equivalents	$ 886	$ 1,163
Short-term investments	243	40
Total cash and short-term investments	$ 1,129	$ 1,203
Accounts Receivable		
Trade	$ 1,344	$ 1,403
Other	163	108
	1,507	1,511
Less: allowance for doubtful accounts	(36)	(54)
Total accounts receivable, net	$ 1,471	$ 1,457
Inventories		
Finished goods	$ 353	$ 297
Work in process and raw materials	136	142
Total inventories	$ 489	$ 439
Reworkable Service Parts		
Reworkable service parts	$ 572	$ 652
Less: accumulated depreciation	(324)	(375)
Total reworkable service parts, net	$ 248	$ 277
Property, Plant, and Equipment		
Land and improvements	$ 90	$ 106
Buildings and improvements	762	819
Machinery and other equipment	1,352	1,494

	2,204	2,419
Less: accumulated depreciation	(1,346)	(1,489)
Total property, plant, and equipment, net	$ 858	$ 930
Other Assets		
Prepaid pension cost	$ 607	$ 503
Capitalized software, net	98	87
Other	211	165
Total other assets	$ 916	$ 755
Other Current Liabilities		
Business restructuring	$ 106	$ 179
Other	730	677
Total other current liabilities	$ 836	$ 856

NOTE 3.
1995 Business Restructuring

In 1995, NCR announced and implemented a restructuring plan which included discontinuing the manufacture of personal computers and the distribution of personal computers and entry level server products through high-volume indirect channels, consolidating facilities globally, and reducing industry markets served, as well as separating approximately 8,500 employees and contractors.

To provide for this restructuring, a pre-tax charge of $1,649 million was recorded in 1995 as $636 million cost of sales, $294 million cost of services, $616 million selling, general, and administrative expenses, and $103 million research and development expenses. The charge included $676 million for employee separations and related charges (including certain benefit plan losses of $87 million); $549 million for asset write-downs; $147 million for closing, selling, and consolidating facilities; $146 million for settling contractual commitments with customers and related charges associated primarily with NCR's decision to discontinue certain software products in non-targeted industries; $81 million for contract settlements and related charges associated with NCR's decision to discontinue selling personal computers and entry level server products through high-volume indirect channels; and $50 million for other items. As of December 31, 1996, substantially all of the headcount reductions were completed.

The following table presents a rollforward of the liabilities (in millions) incurred in connection with the 1995 business restructuring. These liabilities were reflected as other current and non-current liabilities in NCR's consolidated balance sheets.

	Employee Separations	Facility Closings	Other	Total
Janaury 1, 1995	$ -	$ -	$ -	$ -
Additions	589	147	227	963
Payments	(98)	(7)	(38)	(143)
December 31, 1995	491	140	189	820
Payments	(286)	(28)	(204)	(518)
Other	(114)	(3)	62	(55)
December 31, 1996	91	109	47	247
Payments	(43)	(26)	(13)	(82)
DECEMBER 31, 1997	$ 48	$ 83	$ 34	$165

In the fourth quarter of 1996, NCR released $55 million of 1995 restructuring reserves of which $12 million was recorded as an increase to cost of sales, with corresponding decreases of $24 million, $31 million, and $12 million recorded to cost of services, selling, general, and administrative expenses, and research and development expenses, respectively.

In 1997, NCR substantially completed its restructuring plan. The remaining restructuring liabilities represent long-term obligations that NCR expects to pay over future periods. At December 31, 1997, these amounts relate principally to employee separations and related charges, lease payments for facilities that were closed, sold, or consolidated, resolution of legal claims, and settlement of contractual commitments with customers and other parties associated with NCR's decisions to reduce industry markets served and discontinue selling personal computers and entry level server products through high-volume indirect channels.

NOTE 4.
Income Taxes

Income before income taxes consists of the following (in millions):

	Year Ended December 31		
	1997	1996	1995
INCOME (LOSS) BEFORE INCOME TAXES			
U.S.	$ (121)	$ (555)	$ (1,727)
Foreign	148	665	(689)
Total income (loss) before income taxes	$ 27	$ 110	$ (2,416)

Income tax expense (benefit) consists of the following (in millions):

Year Ended December 31

	1997	1996	1995
INCOME TAX EXPENSE (BENEFIT)			
Current			
Federal	$ (17)	$ -	$ -
State and local	(17)	11	18
Foreign	41	(33)	82
Deferred			
Federal	-	-	13
State and local	-	-	-
Foreign	13	241	(249)
Total income tax expense (benefit)	$ 20	$ 219	$ (136)

The following table presents the principal components of the difference between the effective tax rate and the U.S. federal statutory income tax rate (in millions):

	Year Ended December 31		
	1997	1996	1995
Federal income tax expense (benefit) at the U.S. statutory tax rate of 35%	$ 10	$ 39	$ (846)
Foreign income tax differential	2	(24)	62
U.S. tax losses	42	194	664
Other, net	(34)	10	(16)
Total income tax expense (benefit)	$ 20	$ 219	$ (136)

NCR's tax provisions include a provision for income taxes in those foreign tax jurisdictions where its subsidiaries are profitable, but reflect no tax benefits related to U.S. tax losses (as well as those of certain foreign subsidiaries) due to the uncertainty of the ultimate realization of future benefits from these losses. In 1997, Other, net primarily reflects the favorable impacts from the resolution of certain prior year tax matters. NCR received $739 million under its tax allocation agreement with AT&T for the U.S. tax losses and credits generated during the years ended December 31, 1996 and 1995.

NCR paid income taxes of $108 million, $88 million, and $73 million for the years ended December 31, 1997, 1996, and 1995, respectively.

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

	1997	1996
Deferred Income Tax Assets		
Employee pensions and other benefits	$330	$ 337
Business restructuring	73	110
Balance sheet reserves and allowances	215	339
Tax loss carryforwards	209	86
Other	92	173
Total deferred income tax assets	919	1,045
Valuation allowance	(553)	(639)
Net deferred income tax assets	366	406
Deferred Income Tax Liabilities		
Property, plant, and equipment	49	64
Employee pensions and other benefits	113	157
Taxes on undistributed earnings of foreign subsidiaries	83	51
Other	85	80
Total deferred income tax liabilities	330	352
Total net deferred income tax assets	$ 36	$ 54

NCR has recorded valuation allowances related to its deferred income tax assets due to the uncertainty of the ultimate realization of future benefits from such assets. As of December 31, 1997, NCR has federal and foreign tax loss carryforwards of approximately $408 million. The tax loss carryforwards subject to expiration expire in years 1998 through 2012.

NCR has not provided for U.S. federal income taxes or foreign withholding taxes on approximately $457 million and $509 million of undistributed earnings of a foreign subsidiary as of December 31, 1997 and 1996, respectively, because such earnings are intended to be reinvested indefinitely. It is not practicable to determine the amount of applicable taxes that would be due if such earnings were distributed.

In 1996, NCR entered into an agreement with AT&T and Lucent Technologies Inc. (Lucent) that governs contingent tax liabilities and benefits and other tax matters with respect to tax periods ended on or before the Distribution date. Under this agreement, adjustments to certain taxes that are clearly attributable to one party are to be borne solely by that party and adjustments to other tax liabilities are generally to be allocated on a defined basis.

NOTE 5.
Debt Obligations

NCR has debt with scheduled maturities within one year of $59 million and $28 million as of December 31, 1997 and 1996, respectively. The weighted average interest rate for such debt was 7.4% in 1997 and 12.7% in 1996.

NCR has long-term debt and notes totaling $35 million and $48 million at December 31, 1997 and 1996, respectively. These obligations have interest rates ranging from LIBOR plus .25% to 9.49% with scheduled maturity dates from 1999 to 2020. The scheduled maturities of the outstanding long-term debt and notes during the next five years are $1 million in 1999, $25 million in 2001, and the remainder after 2002. Interest paid was approximately $19 million, $66 million, and $94 million in 1997, 1996, and 1995, respectively.

In 1996, NCR entered into a five-year, unsecured revolving credit facility with a syndicate of commercial banks and financial institutions. The credit facility provides that NCR may borrow on a revolving credit basis an aggregate principal amount of up to $600 million. The credit facility matures in 2001 and contains 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 based on prevailing market rates. No amounts were outstanding under the facility as of December 31, 1997 or 1996.

NOTE 6.
Employee Benefit Plans

Pension Plans
NCR sponsors both defined benefit and defined contribution plans for substantially all U.S. employees and the majority of international employees. For

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

The funded status of NCR's defined benefit plans at December 31 is as follows (in millions):

	Plans with Plan Assets in Excess of Accumulated Benefit Obligations		Plans with Accumulated Benefit Obligations in Excess of Plan Assets	
	1997	1996	1997	1996
Actuarial present value of benefit obligations:				
Vested benefit obligation	$(2,373)	$(2,134)	$ (417)	$ (403)
Accumulated benefit obligation	$(2,450)	$(2,207)	$ (435)	$ (430)
Projected benefit obligations	$(2,575)	$(2,314)	$ (527)	$ (547)
Plan assets at fair value	3,556	3,306	106	144
Plan assets in excess of (less than) projected benefit obligation	981	992	(421)	(403)
Unrecognized net (gain) loss	(327)	(440)	98	104
Unrecognized prior service cost	48	68	5	9
Unrecognized net transition (asset) liability	(95)	(117)	5	7
Adjustment required to recognize additional minimum liability	-	-	(44)	(33)
Accrued pension asset (liability) included in the consolidated balance sheet	$ 607	$ 503	$ (357)	$ (316)

The net pension cost (credit) for the defined benefit plans for the years ended December 31 included the following components (in millions):

	1997	1996	1995
Service cost-benefits earned during the period	$ 69	$ 71	$ 67
Interest cost on projected benefit obligation	204	205	209
Net amortizations and deferrals	145	115	165
Actual return on assets	(465)	(392)	(430)
Charges for special programs	-	-	80
Net pension cost (credit)	$ (47)	$ (1)	$ 91

The weighted average rates and assumptions utilized in accounting for NCR's defined benefit plans for the years ended December 31 were as follows:

	1997	1996	1995
Discount rate	7.3%	7.4%	7.2%
Rate of increase in future compensation levels	4.3%	4.4%	4.3%
Long-term rate of return on plan assets	9.6%	9.2%	9.3%

During AT&T's ownership of NCR, the assets of NCR's U.S. pension plans were held as part of a master trust managed by AT&T. In the third quarter of 1997, the valuation of the December 31, 1996 assets attributable to the AT&T, Lucent, and NCR pension plans was finalized as called for under the Employee Benefit Agreement previously entered into between NCR and AT&T. In that connection, the valuation of assets utilized by NCR to determine its 1997 pension expense was increased by approximately $230 million.

In 1996, NCR entered into an agreement with the Pension Benefit Guaranty Corporation (PBGC) concerning the provision by NCR of additional support for its domestic defined benefit pension plans. Under this agreement, among other terms and conditions, NCR agreed to provide security interests in support of such plans in collateral with an aggregate value (calculated by applying specified discounts to market value) of $84 million. This collateral is comprised of certain domestic real estate. NCR does not believe that its agreement with the PBGC will have a material effect on its financial condition, results of operations, or cash flows.

Savings Plans

All U.S. employees and many international employees participate in defined contribution savings plans. These plans generally provide either a specified percent of pay or a matching contribution on participating employees' voluntary elections. NCR's matching contributions typically are subject to a maximum percentage or level of compensation. Employee contributions can be made pre-tax, after-tax, or a combination thereof. The expense under these plans was approximately $30 million, $31 million, and $36 million for 1997, 1996, and 1995, respectively.

Postretirement Benefits

Substantially all U.S. employees who reach retirement age while working for NCR are eligible to participate in a postretirement benefit plan. The plan provides medical care and life insurance benefits to retirees and their eligible dependents. Non-U.S. employees are typically covered under government sponsored programs, and NCR generally does not provide postretirement benefits other than pensions to non-U.S. retirees. NCR generally funds these benefits on a pay-as-you-go basis from operations. The funded status of the postretirement benefit plans and the accrued liability at December 31 were as follows (in millions):

	1997	1996
Accumulated postretirement benefit obligation:		
Retirees	$ (289)	$ (286)
Fully eligible active participants	(37)	(21)
Other active participants	(68)	(70)
Unfunded accumulated postretirement benefit obligation	(394)	(377)
Unrecognized prior service cost	29	32
Unrecognized net gain	(73)	(93)
Accrued postretirement benefit obligation	$ (438)	$ (438)

Net postretirement benefit cost for the years ended December 31 included the following components (in millions):

	1997	1996	1995
Service cost-benefits earned during the period	$ 5	$ 5	$ 4
Interest cost on the projected benefit obligation	28	27	32
Net amortizations and deferrals	(1)	(1)	-
Charges for special programs	-	-	7
Net postretirement benefit cost	$ 32	$ 31	$ 43

The discount rate utilized in determining the expenses and liabilities of the postretirement benefit plans was 7.5% for the years ended December 31, 1997 and 1996 and 7.0% for the year ended December 31, 1995. For purposes of determining estimated postretirement benefit costs, NCR assumes that the growth in the per capita cost of covered health care benefits (the health care cost trend rate) would gradually decline from 9.5% and 7.0%, pre-65 and post-65 respectively, in 1997 to 5.5% by the year 2006 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, 1997 by approximately $30 million and NCR's 1997 postretirement benefit costs by approximately $3 million.

Other Postemployment Benefits

NCR offers various postemployment benefits to involuntarily terminated and certain inactive employees after employment but before retirement. These benefits are paid in accordance with NCR's established postemployment benefit practices and policies. Postemployment benefits may include disability benefits, supplemental unemployment benefits, severance, workers compensation benefits and continuations of health care benefits and life insurance coverage. The accrued postemployment liability at December 31, 1997 and 1996 was $400 million and $365 million, respectively.

NOTE 7.

Stock Compensation Plans

The NCR Management Stock Plan provides for the grant of several different forms of stock-based benefits, including stock options, stock appreciation rights, restricted stock awards, performance awards, other stock unit awards and other rights, interests or options relating to shares of NCR common stock to employees and non-employee directors. Stock options are generally granted at the fair market value of the common stock at the date of grant, generally have a ten-year term, and vest within four years of the grant date. Options to purchase common stock may be granted under the authority of the Board of Directors. Option terms as determined by the Compensation Committee of the Board will not exceed ten years, as consistent with the Internal Revenue Code. The number of shares of common stock available for grant under this plan was approximately 16 million at December 31, 1997.

NCR adopted the WorldShares Plan effective as of the Distribution date. The plan provides for the grant of nonstatutory stock options to substantially all NCR employees. NCR provided each participant with an option to purchase shares of NCR common stock with an aggregate market value of $3,000 as of the Distribution date. Such options have an exercise price of $33.44, equal to the market value of NCR common stock on January 2, 1997, and have a five-year expiration period. Subject to certain conditions, participants became fully vested and able to exercise their options one year after the date of grant. The number of shares available for grant under this plan was approximately 3.6 million at December 31, 1997.

Prior to the Distribution date, certain employees of NCR participated in AT&T equity-based plans, under which they received stock options and other equity-based awards. On the Distribution date, with certain exceptions, these awards were converted into comparable awards based on NCR common stock under equity-based plans.

A summary of stock option activity under the NCR Management Stock Plan and the WorldShares Plan is as follows (shares in thousands):

	Shares	Weighted-Average Exercise Price
Outstanding on January 1, 1997	6,871	$32.34
Granted	6,491	33.42
Exercised	(425)	20.43
Canceled	(349)	34.91
Expired	(67)	34.53
Outstanding at December 31, 1997	12,521	33.26

The following table summarizes information about stock options outstanding at December 31, 1997 (shares in thousands):

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$3.95 to $14.51	280	2.2 years	$12.82	280	$12.82
$15.28 to $29.10	1,037	3.7 years	23.41	1,023	23.33
$30.60 to $43.15	11,204	6.4 years	34.68	2,219	33.94
Total	12,521		33.26	3,522	29.18

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," NCR continues to account for its stock-based compensation plans under the guidelines of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Compensation cost charged against income for NCR's stock-based plans was not material in 1997 and 1996. Had NCR recognized stock-based compensation expense based on the fair value of granted options at the grant date, net income (loss) and net income (loss) per share for the years ended December 31 would have been as follows (in millions, except per share amounts):

		1997	1996	1995
Net income (loss)	As reported	$ 7	$ (109)	$(2,280)
	Pro forma	(58)	(144)	(2,284)
Net income (loss) per share	As reported	$.07	$(1.07)	$(22.49)
	Pro forma	(.57)	(1.42)	$(22.52)

The pro forma amounts in 1997 contain a charge for the January 2, 1997 grant of options to substantially all NCR employees under the WorldShares Plan of $32 million. The pro forma amounts in 1996 include a $26 million charge representing the incremental costs of substituting NCR options for AT&T options, computed as the difference between the value of newly granted NCR options and the value of the AT&T options for which they were substituted for all vested options as of December 31, 1996. The incremental fair value of non-vested NCR options will be used in future calculations of pro forma net income (loss) and net income (loss) per share, prorated over the remaining years of their respective vesting schedules. The pro forma amounts shown above are not necessarily indicative of the effects on net income and net income (loss) per share in future years.

The above pro forma net income (loss) and net income (loss) per share for all periods presented were computed using the fair value of options as calculated by the Black-Scholes option-pricing method. For 1997, the following weighted average assumptions were used: dividend yield of 0.0%; risk-free interest rate of 6.35%; expected volatility of 40%; and an expected holding period of 4.06 years, adjusted to reflect the remaining period to maturity of the substituted options. For the 1996 and 1995 pro forma amounts, the following weighted average assumptions were used to compute the fair value of granted AT&T options at the grant date: dividend yield of 2.4%; risk-free interest rate of 6.59%; expected volatility of 19.4%; and an expected holding period of 6 years. The incremental fair value of AT&T post-Lucent options substituted for the AT&T options as of September 30, 1996 was also used in computing the 1996 and 1995 pro forma amounts, together with the following weighted average assumptions: dividend yield of 2.8%; risk-free interest rate of 6.05%; expected volatility of 21%; and an expected holding period of 4.5 years, adjusted to reflect the remaining period to maturity of the substituted options. Additionally, the incremental fair value of NCR options substituted for the AT&T post-Lucent options on December 31, 1996 was used in computing the 1996 and 1995 pro forma amounts and was calculated using the following weighted average assumptions: dividend yield of 0.0%; risk-free interest rate of 6.28%; expected volatility of 35%; and an expected holding period of 4.5 years, adjusted to reflect the remaining period to maturity of the substituted options. The weighted average fair value of NCR stock options calculated using the Black-Scholes option-pricing model for options granted during the years ended December 31, 1997 and 1996 was $13.14 and $18.79 per share, respectively.

The NCR Employee Stock Purchase Plan enables eligible employees to purchase NCR's common stock at 85% of the average market price at the end of the last trading day of each month. Employees may authorize payroll deductions of up to 10% of eligible compensation for common stock purchases. During 1997, employees purchased approximately 1 million shares of NCR common stock for approximately $28 million. The number of shares available for future issuance under this plan at December 31, 1997 was approximately 7 million.

NOTE 8.
Segment Information and Concentrations

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

Concentrations
No single customer accounts for more than 10% of NCR's consolidated revenue. As of December 31, 1997, NCR is not aware of any significant concentration of business transacted with a particular customer that could, if suddenly eliminated, have a material adverse impact on NCR's operations. NCR also does not have a concentration of available sources of labor, services, licenses, or other rights that could, if suddenly eliminated, have a material adverse impact on its operations.

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

Inventories are routinely subject to changes in value, resulting from rapid technological change, intense price competition and changes in customer demand patterns. While NCR has provided for estimated declines in the market value of inventories, no estimate can be made of a range of amounts of loss that are reasonably possible under various competitive conditions.

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 U.S. and foreign operations as shown in Note 4 and as shown in the table below. In the following geographic information, interest income, interest expense, and nonallocable 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.

In millions	1997	1996	1995
Revenue for the Years Ended December 31			
United States:			
Customer	$2,735	$ 2,944	$ 3,577
Intercompany	294	393	697
	3,029	3,337	4,274
Europe/Middle East/Africa:			
Customer	1,976	2,131	2,551
Intercompany	580	586	239
	2,556	2,717	2,790
Japan:			
Customer	859	865	1,008
Intercompany	32	155	66
	891	1,020	1,074
Asia/Pacific (excluding Japan):			
Customer	543	535	533
Intercompany	6	64	109
	549	599	642
Americas (excluding United States):			
Customer	476	488	493
Intercompany	138	141	6
	614	629	499
Intercompany eliminations	(1,050)	(1,339)	(1,117)
Consolidated revenue	$6,589	$ 6,963	$ 8,162

In millions	1997	1996	1995
Income (Loss) Before Taxes for the Years Ended December 31			
United States	$ (259)	$ (271)	$(1,502)
Europe/Middle East/Africa	165	237	(397)
Japan	89	149	(189)
Asia/Pacific (excluding Japan)	63	62	12
Americas (excluding United States)	53	13	(64)
Operating income (loss) before nonallocable expenses	111	190	(2,140)
General corporate expenses, interest, and other income	(84)	(80)	(276)
Consolidated income (loss) before income taxes	$ 27	$ 110	$(2,416)

In millions	1997	1996	1995
Identifiable Assets at December 31			
United States	$2,133	$ 1,860	$ 2,002
Europe/Middle East/Africa	1,937	2,143	2,246
Japan	680	733	443
Asia/Pacific (excluding Japan)	278	296	344
Americas (excluding United States)	265	248	221
Consolidated total assets	$5,293	$ 5,280	$ 5,256

Excluding the release of restructuring reserves in 1996, operating income (loss) before nonallocable expenses for the year ended December 31, 1996 was $(218) million, $204 million, and $74 million for the United States, Europe/Middle East/Africa, and Japan, respectively. Excluding restructuring and other charges, operating income (loss) before nonallocable expenses for the year ended December 31, 1995 was $(747) million, $161 million, $43 million, $53 million, and $(1) million for the United States, Europe/Middle

East/Africa, Japan, Asia/Pacific (excluding Japan), and Americas (excluding United States), respectively.

NOTE 9.
Financial Instruments

In the normal course of business, NCR enters 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 consist of foreign exchange forward contracts, options and swaps which are used to reduce NCR's exposure to changes in currency exchange rates. At inception, foreign exchange contracts are designated as hedges of firmly committed or forecasted transactions. These transactions are generally expected to occur in less than one year. The forward contracts, options and swaps generally mature within twelve months. The majority of NCR's foreign exchange forward contracts were to exchange British pounds, German marks, and Canadian dollars.

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

Fair Value of Financial Instruments
The carrying amounts of cash, cash equivalents, short-term investments, accounts receivable, accounts payable, and other current liabilities approximate fair value due to the short maturity of these instruments. The fair values of long-term debt and foreign exchange contracts are based on market quotes of similar instruments. The fair value of letters of credit are based on fees charged for similar agreements. The table below presents the fair value, carrying value and notional amount of

foreign exchange contracts, debt, and letters of credit at December 31, 1997 and 1996 (in millions). The notional amounts represent agreed-upon amounts on which calculations of dollars to be exchanged are based, and are an indication of the extent of NCR's involvement in such instruments. They do not represent amounts exchanged by the parties and, therefore, are not a measure of the instruments.

	Contract Notional Amount	Carrying Amount		Fair Value	
		Asset	Liability	Asset	Liability
1997					
Foreign exchange forward contracts	$1,216	$34	$43	$38	$49
Foreign exchange swap contracts	173	-	20	-	20
Foreign currency options	81	-	-	1	1
Debt	-	-	94	-	96
Letters of credit	74	-	-	-	-
1996					
Foreign exchange forward contracts	$1,342	$16	$26	$17	$12
Foreign exchange swap contracts	190	-	23	-	23
Debt		-	76	-	78
Letters of credit	76	-	-	-	-

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

Concentration of Credit Risk

Financial instruments that potentially subject NCR to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, accounts receivables, and hedging 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, 1997 and 1996, 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 managed through credit approvals, credit limits, selecting major international financial institutions (as counterparties to hedging transactions) 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, 1997 or 1996, nor does NCR have any major concentration of credit risk related to any financial instrument.

NOTE 10.

Transactions With AT&T and Affiliates

For the years ended 1996 and 1995, NCR had the following revenues from sales and services to AT&T and its current and former affiliates (in millions):

	Year Ended December 31	
	1996	1995
Sales	$ 258	$ 415
Services	218	215
Total	$ 476	$ 630

At December 31, 1996 receivables related to these sales and services revenues amounted to $71 million and amounts payable to AT&T were $11 million.

AT&T allocated general corporate overhead expenses to NCR of $8 million and $96 million in 1996 and 1995, respectively.

Additionally, NCR purchased products and services from AT&T and affiliates, primarily for long distance service, Bell Labs services, PBX systems, and miscellaneous inventory, of $103 million and $157 million for the years ended December 31, 1996, and 1995, respectively.

Pursuant to the NCR Distribution Agreement, AT&T made contributions of capital to NCR prior to the Distribution date and contributed certain intercompany advances outstanding from AT&T to NCR. The consolidated financial statements reflect these contributions in shareholders' equity as of December 31, 1996. The capital contributions consisted 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).

In connection with the Distribution, NCR, AT&T, and Lucent entered into agreements which, among other things, provide for the allocation and indemnification of certain contingent liabilities, and the purchase and provision of products, and product support and maintenance services for specified periods. NCR, AT&T, and Lucent entered into certain other agreements including a technology access and development agreement, a patent license agreement, technology license agreements, and certain defensive protection agreements.

NOTE 11.
Contingencies

In the normal course of business, NCR is subject to various regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment and health and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. NCR believes the amounts provided in its consolidated financial statements, as prescribed by generally accepted accounting principles, are adequate in light of the probable and estimable liabilities. However, there can be no assurances that the amounts required to discharge alleged liabilities from various lawsuits, claims, legal proceedings, and other matters, and to comply with applicable laws and regulations, will not exceed the amounts reflected in NCR's consolidated financial statements or will not have a material adverse effect on its consolidated financial condition, results of operations, or cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of December 31, 1997 cannot presently be determined.

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

In February 1996, NCR received notice from the U.S. Department of the Interior, Fish & Wildlife Service (USF&WS) that USF&WS considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages to the Fox River and related Green Bay environment (Fox River System) due to, among other things, sediment contamination in the Fox River System allegedly resulting from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. In addition, NCR has been identified, along with a number of other companies, by the Wisconsin Department of Natural Resources (State) with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. In December 1996, USF&WS, two Native American tribes, and other federal agencies (Federal Trustees) invited NCR, the other PRP companies, and the State to enter into settlement negotiations over these environmental claims. In January 1997, NCR and the other PRP companies reached agreement on an interim settlement with the State. The Federal Trustees are not parties to that agreement. In January 1997, the Federal Trustees notified NCR and the other PRPs of the Federal Trustees' intent to commence a natural resource damages lawsuit under CERCLA and the FWPCA within 60 days of the notice, unless a negotiated resolution of their claims can be reached. In July 1997, the State, the United States Environmental Protection Agency (USEPA), and the Federal Trustees entered into a Memorandum of Agreement (MOA). The MOA states that it provides a framework under which the parties to that agreement can coordinate remedial and restoration studies and actions regarding the Fox River, including the assertion of claims against the PRPs, and that removal of the PCB-contaminated sediments is expected to be the principal, but not exclusive, action undertaken to achieve restoration of impaired natural resources. In June 1997, USEPA announced its intention to propose the Fox River for inclusion on the National Priorities List; shortly thereafter, the State of Wisconsin announced its opposition to such listing. In July 1997, the USEPA sent the PRPs a Special Notice Letter calling for formal negotiations on the preparation of a remedial investigation and feasibility study (RI/FS) on the Fox River; on July 15, 1997, the PRPs agreed to enter into such negotiations. In December 1997, USEPA denied the PRPs' good faith proposal to perform the official cleanup studies, and took control of the cleanup study process. According to USEPA's schedule, the key studies may be done in approximately one year. Based on past experience, it would be unusual to perform such studies within one year. Thus far, the PRPs and the Federal Trustees have agreed to postpone litigation while negotiations over the cleanup studies have been taking place. However, the tolling and standstill agreements between the Federal Trustees and NCR and the other identified PRPs have expired. USEPA's recent decision to take control over the cleanup studies appears to minimize the PRP's ability to settle at this time and it is possible that litigation by the Federal Trustees could be commenced during 1998. An estimate of NCR's ultimate share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be made with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of selected remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply. In this connection, NCR has commenced litigation against the buyer and its former parent alleging that they are responsible for the above-described claims. Subsequent to December 31, 1997, the parties reached an interim partial settlement and arbitration agreement, subject to the conclusion of a definitive written agreement.

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, 1997, will be paid out over the period of investigation, negotiation, remediation, and restoration for the applicable sites, which may be ten to twenty years or more. Provisions for estimated losses from environmental remediation are, depending on the site, based primarily on internal and third-party environmental studies, estimates as to the number and participation level of any other PRPs, the extent of the contamination, and the nature of required remedial and restoration actions. Accruals are adjusted as further information develops or circumstances change. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amount of such liabilities, without deductions for insurance or third-party indemnity claims. In those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

Legal Proceedings

As of December 31, 1997, there were a number of individual product liability claims pending against NCR alleging that its products, including personal computers, supermarket barcode scanners, cash registers, and check encoders, caused so-called "repetitive strain injuries" or "musculoskeletal disorders," such as carpal tunnel syndrome. As of December 31, 1997, approximately 70 such claims were pending against NCR. In such lawsuits, the plaintiff typically alleges that the injury was caused by the design of the product at issue or a failure to warn of alleged hazards. These plaintiffs generally 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 NCR may substantially depend on the outcome of similar matters of this type pending in various courts. NCR has denied the merits and basis for the pending claims against it and intends to continue to contest these cases vigorously.

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

A former NCR employee (who currently has a separate federal court employment action pending against NCR to contest her termination) and her husband, a former NCR consultant, have filed suit against NCR in a federal district court under the qui tam provisions of the False Claims Act. This Act permits private individuals to bring suit on behalf of the federal government to enforce the Act and to share in any recovery. The litigation involves allegations of billing and other improprieties under the Office Automation Technology and Services (OATS) contract with the U.S. Department of Transportation. The complaint does not specify the total amount of money being sought. If certain of the allegations of the complaint were true, however, the potential liability could range from nominal sums representing interest for short periods of time, to tens of millions of dollars if allegations of false billing are true. NCR has no evidence, or reason to believe, that such false billing occurred, and believes that plaintiffs are misstating internal reports identifying expected exceptions between different data collection procedures. The government, which is obligated to investigate the allegations and determine whether to assume prosecution of the action, has declined to intervene in the lawsuit but the individual plaintiffs have continued to pursue this action, as they are entitled to do. NCR expects to vigorously contest the allegations, which it believes to be unfounded.

NOTE 12.
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, 1997 are:

In millions	1998	1999	2000	2001	2002	Later Years	Total
Operating leases	$46	$44	$44	$28	$18	$46	$226

Total rental expense for operating leases was $81 million, $85 million, and $96 million in 1997, 1996, and 1995, respectively.

Note 13.
Quarterly Information (Unaudited)

In Millions Except Per Share Amounts	First	Second	Third	Fourth	Total
1997					
Total revenues	$1,389	$1,645	$1,563	$1,992	$6,589
Gross margin	383	439	431	545	1,798
Net income (loss)	(16)	(4)	(9)	36	7
Net income (loss) per share, basic and diluted	$ (.16)	$ (.04)	$ (.09)	$ .35	$ .07
1996					
Total revenues	$1,586	$1,679	$1,658	$2,040	$6,963
Gross margin	405	464	482	615	1,966
Net income (loss)	(65)	(18)	(33)	7	(109)
Net income (loss) per share, basic and diluted	$ (.64)	$ (.18)	$ (.32)	$ .07	$(1.07)

Net income (loss) per share was calculated by dividing the net income (loss) by the weighted average shares of common stock outstanding for each of the quarterly periods in the year ended December 31, 1997. Net income (loss) per share was calculated by dividing the net income (loss) for each of the quarterly periods in the year ended December 31, 1996 by 101.4 million shares of common stock, as if such shares were outstanding for all periods.

For the year and quarter ended December 31, 1997, the dilutive effect of outstanding stock options had no impact on reported net income per share. Outstanding stock options and replacement stock options during the year ended December 31, 1996 were not considered in calculating the net loss per common share since their effects would be antidilutive.

In the third quarter of 1997, the valuation of certain U.S. pension plan assets at December 31, 1996 was increased by $230 million, as more fully explained in Note 6. As a result, gross margins and expenses were favorably impacted by the year-to-date increase in return on pension assets calculated using the 1997 estimated long-term rate of return on assets of 9.5%, which was increased from the 1996 rate of 9.0%.

The fourth quarter of 1996 includes a pre-tax benefit of $55 million for the release of 1995 restructuring reserves. (See Note 3.)

Exhibit 21

SUBSIDIARIES OF NCR CORPORATION

	Organized under the Laws of
Compris Technologies, Inc.	Georgia
Data Pathing Incorporated	Delaware
International Investments Inc.	Delaware
The National Cash Register Company	Maryland
NCR Autotec Inc.	Delaware
NCR European Logistics, Inc.	Delaware
The NCR Foundation	Ohio
NCR Government Systems Corporation	Delaware
NCR International, Inc.	Delaware
NCR Ivory Coast, Inc.	Delaware
NCR Overseas Trade Corporation	Delaware
NCR Personnel Services Inc.	Delaware
NCR Scholarship Foundation	Ohio
North American Research Corporation	Delaware
Old River Software Inc.	Delaware
Quantor Corporation	Delaware
Sparks, Inc.	Ohio
Teradata Corporation	Delaware
Teradata International Corporation	Delaware
The Microcard Corporation	Delaware
NCR Argentina S.A.	Argentina
NCR Australia Pty. Limited	Australia
CDPC Pty. Limited	Australia
NCR Superannuation Nominees, Ltd.	Australia
NCR Productivity Savings Plan Pty Ltd.	Australia
Teradata Australia Pty Limited	Australia
NCR Oesterreich Ges.m.b.H.	Austria
NCR (Bahrain) W.L.L.	Bahrain
NCR Belgium & Co.	Belgium
NCR (Bermuda) Limited	Bermuda
NCR Services Limited	Bermuda
Global Assurance Limited	Bermuda
NCR Brasil Ltda	Brazil
NCR Monydata Ltda.	Brazil
Monydata da Amazona Industria e Comercio Ltda	Brazil
NCR Bulgaria Ltd.	Bulgaria
NCR Cameroon, S.A.	Cameroon

NCR Canada Ltd.	Canada
NCR de Chile, S.A.	Chile
NCR Colombia S.A.	Colombia
NCR Croatia d.o.o.	Croatia
NCR (Cyprus) Limited	Cyprus
NCR (Middle East) Limited	Cyprus
NCR (North Africa) Limited	Cyprus
NCR (IRI) Ltd.	Cyprus
NCR Danmark A/S	Denmark
NCR Norden A/S	Denmark
NCR Dominicana C. por A.	Dominican Republic
NCR Finland Oy	Finland
AT&T Istel Finland Oy	Finland
NCR France S.A.	France
NCR Antilles S.A.R.L.	France
NCR Gabon S.A.R.L.	Gabon
NCR Holding GmbH	Germany
NCR GmbH	Germany
NCR OEM Europe GmbH	Germany
NCR Central and Eastern Europe GmbH	Germany
NCR Czeska republika spol. s.r.o.	Czech Republic
NCR Ghana Limited	Ghana
NCR (Hellas) S.A.	Greece
NCR Foreign Sales Corporation	Guam
NCR (Hong Kong) Limited	Hong Kong
NCR (China) Limited	Hong Kong
NCR (Asia) Limited	Hong Kong
NCR Asia Pacific Logistics Center Limited	Hong Kong
NCR Magyarorszag Kft.	Hungary
NCR Corporation India Private Limited	India
NCR Italia S.p.A.	Italy
NCR Japan, Ltd.	Japan
NCR Japan Sales Co., Ltd.	Japan
AT&T WINS, Inc.	Japan
NCR (Kenya) Limited	Kenya
Afrique Investments Ltd.	Kenya
Data Processing Printing and Supplies Limited	Kenya
NCR Korea Co., Ltd.	Korea
NCR (Macau) Limited	Macau
NCR (Malaysia) Sdn. Bhd.	Malaysia
EPNCR (Malaysia) Sdn. Bhd.	Malaysia
Compu Search Sdn Bhd	Malaysia
NCR de Mexico, S.A. de C.V.	Mexico
NCR (Maroc)	Morocco

NCR Nederland N.V.	Netherlands
NCR European Logistics Center BV	Netherlands
NCR EMEA Regional Care Center B.V.	Netherlands
NCR (NZ) Limited	New Zealand
NCR (Nigeria) PLC	Nigeria
NCR Norge A/S	Norway
NCR Corporation de Centro-America, S.A.	Panama
NCR Corporation de Panama, S.A.	Panama
NCR del Peru S.A.	Peru
NCR Corporation (Philippines)	Philippines
NCR Software Corporation (Philippines)	Philippines
NCR Polska Sp.z.o.o.	Poland
NCR Portugal-Informatica, Lda	Portugal
NCR Corporation of Puerto Rico	Puerto Rico
NCR Romania Information Technology S.R.L.	Romania
NCR A/O	Russia
NCR Senegal S.A.R.L.	Senegal
NCR Singapore Pte Ltd	Singapore
NCR Asia Pacific Pte Ltd.	Singapore
NCR Slovensko spol. s.r.o.	Slovakia
NCR I.T. d.o.o.	Slovenia
NCR International (South Africa) (Pty) Ltd.	South Africa
NCR Espana, S.A.	Spain
NCR (Lanka) Ltd.	Sri Lanka
NCR (Switzerland)	Switzerland
National Registrierkassen AG	Switzerland
Axeed Informatik AG	Switzerland
NCR Systems Taiwan Limited	Taiwan
NCR Taiwan Software Ltd	Taiwan
NCR (Thailand) Limited	Thailand
NCR Tunisia, Societe Anonyme	Tunisia
NCR Bilisim Sistemleri, A.S.	Turkey
NCR Europe, Ltd.	United Kingdom
NCR UK Group Limited	United Kingdom
NCR Limited	United Kingdom
NCR (Holdings) Ltd.	United Kingdom
NCR Properties Limited	United Kingdom
Express Boyd Limited	United Kingdom
NCR Capita Limited	United Kingdom
NCR Financial Solutions Group Limited	United Kingdom
NCR Treasury Services Limited	United Kingdom
Regis Court Management Limited	United Kingdom
NCR Capita (May) Limited	United Kingdom
Melcombe Court Management (Marylebone) Limited	United Kingdom
Teradata Europe Ltd	United Kingdom

Sharebase Europe Ltd	United Kingdom
Teradata UK Ltd	United Kingdom
NCR del Uruguay S.A.	Uruguay
NCR (Zambia) Ltd.	Zambia
NCR Zimbabwe (Private) Limited	Zimbabwe
N Timms & Co. (Private) Limited	Zimbabwe

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-18797, 333-18799, 333-18801 and 333-18803) of NCR Corporation of our report dated January 21, 1998 appearing on page 11 of the Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears in this Form 10-K.

Price Waterhouse LLP

Dayton, OH
March 13, 1998

Exhibit 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of NCR Corporation on Form S-8 (Nos. 333-18797, 333-18799, 333-18801, and 333-18803) of our report dated January 21, 1997, on our audits of the consolidated financial statements and financial statement schedule of NCR Corporation and subsidiaries as of December 31, 1996, and for the years ended December 31, 1996 and 1995, which report is included in this Annual Report on Form 10-K.

Coopers & Lybrand L.L.P.

Cincinnati, Ohio
March 13, 1998

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS OF NCR CORPORATION AT DECEMBER 31, 1997 AND 1996 AND THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000
US DOLLARS

YEAR	YEAR
DEC-31-1997	DEC-31-1996
JAN-01-1997	JAN-01-1996
DEC-31-1997	DEC-31-1996
1	1
886	1,163
243	40
1,471	1,457
0	0
489	439
3,271	3,318
2,204	2,419
1,346	1,489
5,293	5,280
1,964	1,967
35	48
0	0
0	0
1	1
1,352	1,395
5,293	5,280
3,687	3,946
6,589	6,963
2,555	2,751
4,791	4,997
1,817	1,836
12	0
15	56
27	110
20	219
7	(109)
0	0
0	0
0	0
7	(109)
.07	(1.07)
.07	0