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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

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. [ ]

The aggregate market value of voting stock held by non-affiliates of the registrant as of February 26, 1999 was approximately $4.1 billion. At February 26, 1999, there were 105,766,824 shares of common stock issued and 99,478,328 outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I and II: Portions of the registrant's Annual Report to Stockholders for the year ended December 31, 1998 and the current report on Form 8-K filed with the SEC dated October 15, 1998.

Part III: Portions of the registrant's Proxy Statement dated March 4, 1999, issued in connection with the annual meeting of stockholders.

TABLE OF CONTENTS

PART I

PART II

PART III

PART IV

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

PART I

Item 1. BUSINESS

General

NCR Corporation and its subsidiaries (NCR or the Company) provide information technology hardware, software and consulting and support services. NCR combines these hardware, software and services components into solutions designed to solve complex business problems for its customers. NCR's solutions offer companies the opportunity to capture and transform data from transactions into information for building consumer relationships.

Through its presence at customer interaction points, such as automated teller machines (ATMs) or point-of-sale workstations, NCR's solutions are designed to help businesses capture valuable consumer transaction data. They also offer businesses the opportunity to centralize detailed information in a data warehouse, analyze the complex relationships among all of the different data elements, and respond with programs designed to improve consumer acquisition, retention and profitability. NCR offers specific solutions for the retail and financial services industries and also provides solutions for the communications, transportation, insurance and utilities industries, consumer goods manufacturers and government entities. These solutions are complemented by NCR's business media products, such as paper rolls, ink ribbons and other business forms. Integrated within the solutions NCR provides its customers, the Company offers a complete range of services in support of critical transaction-based systems.

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

Revenue by similar classes of products or services is reported on page 6 of NCR's 1998 Annual Report to Stockholders and is incorporated herein by reference.

Geographic information is reported in Note 9, "Segment Information and Concentrations" in the Notes to Consolidated Financial Statements on pages 28-30 of NCR's 1998 Annual Report to Stockholders and is incorporated herein by reference.

NCR operates in one industry, the information technology industry, and its business is structured along the four operating segments described below.

Retail Industry Solutions

Products, Services and Solutions

NCR offers customers in the retail industry hardware and software components combined with consulting and support services to create store-level and enterprise-wide solutions. These solutions are designed to improve service levels and operating efficiency. Products delivered to retail customers include traditional retail offerings such as point-of-sale terminals, barcode scanners, scanner-scales, electronic price labeling, applications software and other computer products typically found in merchandise checkout areas of supermarkets, department stores, specialty stores, convenience stores and quick-service restaurants. NCR provides the networking technology and services to link these products to computer servers on site and to link systems to enterprise-wide networks. Traditional retail products and NCR's networking offerings are typically provided to customers through NCR's Store Automation solutions portfolio. The Company also provides its retail customers in-store and decision level-support systems using NCR's scalable data warehousing technology, Teradata(R), and other enterprise server products (such as large servers with parallel processing capabilities, disk storage systems, database application software and other software tools). NCR offers consulting services to develop data warehouses and integrate them with a variety of consumer interaction points and application systems, including those offered through NCR's Store Automation solutions. NCR's Teradata technology for the retail industry is offered through its High Performance Merchandising and Marketing (HPM&M)

solutions portfolio. These solutions are designed to enable retailers to use the valuable information gathered from consumer transactions to analyze and manage every outlet, every product and every consumer relationship, individually.

Retail industry solutions also incorporate consulting and support 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's offerings for the retail industry are marketed through a combination of direct and indirect channels. The majority of the networked and scalable data warehousing offerings sold by NCR into the retail industry are sold through the Company's direct sales force. In addition to being sold by NCR's direct sales force, NCR retail products, services and 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. In recent years, over 70% of traditional retail product sales (primarily barcode scanners and point-of-sale terminals) were sold by the direct sales force; the remainder were sold through indirect channels.

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, experience and quality of the vendor's consulting and support services. NCR's competitors vary by solution, product, service offering and geographic area.

Financial Industry Solutions

Products, Services and Solutions

NCR provides a full line of solutions, products and services to the financial services industry with particular focus on retail banking. Specifically, the Company offers a complete range of self-service consumer interaction points (principally ATMs), including specialized ATMs for different markets, locations and the self-service branch market, associated software and services and self-service devices that dispense information and non-cash items (such as tickets and coupons). NCR incorporates biometrics technology in certain of its offerings to the financial services industry, including iris-scanning for customer identification and ATMs for the sight-impaired. These products, services and technologies are generally provided to customers through NCR's Self-Service solutions portfolio. The Company also provides its financial services customers a combination of NCR's Teradata scalable data warehousing technologies, other enterprise server products, consulting services, and applications and modeling tools developed specifically for the financial services industry. These offerings are part of NCR's Customer Management portfolio of solutions which are designed to enable financial services institutions to transform data about consumer behavior into information that can be used to change the way these customers interact with consumers.

NCR also provides products and services related to bank branch automation, call centers, home banking, switching and account processing through its Channel Delivery solutions portfolio. These solutions are designed to help increase the efficiency and marketing capabilities of banks and other financial service providers. In addition, NCR offers customers in the financial services industry item-processing devices that read and sort checks and other paper items, image-processing devices that convert checks and other paper items into electronic images, outsourced management of item- and image-processing facilities, and products and services related to emerging methods of payment, particularly ''smart'' cards. These products and services are offered as components of NCR's Payment solutions which are designed to enable even the most cumbersome and paper-based form of transaction to be handled effectively in digital format.

Financial industry solutions also incorporate consulting and support services to help customers design, integrate, install and support self-service devices and networks, item- and 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 services 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 services 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 has historically distributed most of its financial solutions, products and services through NCR's direct sales channel, although certain revenues are derived through sales by distributors. The Company 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 services 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 vendor's ability to provide and support a total, end-to-end solution, the vendor's ability to integrate new and existing systems, the fit of the vendor's strategic vision with the customer's strategic direction and the quality of the vendor's support and consulting services. NCR's competitors vary by solution, product, service offering and geographic area.

National Accounts Solutions

Products, Services and Solutions

NCR's National Accounts Solutions Group provides solutions, products and services to generally large customers outside the retail and financial industries, including customers in the communications, transportation, insurance and utilities industries, consumer goods manufacturers and government entities. Such offerings include scalable data warehousing technologies, products and services focused on maintaining or improving system availability in transaction processing and electronic commerce, and consulting and support services. As part of its data warehousing technology offerings, the National Accounts Solutions Group provides the Customer Knowledge solutions portfolio which uses NCR's Teradata technology as the foundation to provide 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. This offering, coupled with other enterprise server products and consulting services, is designed to help companies profitably increase business by using data warehousing capabilities to gain insight to consumers' activities and choices, asset use, operations and financial results. In addition, the National Accounts Solutions Group offers the Customer Interaction solutions portfolio, which includes providing call center services, web interaction solutions and kiosks. NCR's Lifekeeper(R) software is also offered through the Customer Interaction solutions portfolio and is designed to maximize system availability by recognizing and recovering hardware components or application faults before a total system failure occurs. The offerings of the National Accounts Solutions Group integrate NCR's software, hardware and consulting and support services as well as other products from leading technology firms.

The National Accounts Solutions also incorporate consulting and support services to help customers design, integrate, install and support data warehousing and customer interaction technologies and products to create individualized solutions for specific customer needs.

Target Markets and Distribution Channels

The National Accounts Solutions Group serves customers outside the retail and financial industries, including customers in the communications, transportation, insurance, utilities and healthcare industries, consumer goods manufacturers and government entities.

NCR's National Accounts Solutions Group's offerings are marketed through a combination of direct and indirect channels. In recent years, approximately 90% of NCR's revenue from the National Accounts Solutions 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 National Accounts Solutions 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(R) and Microsoft operating systems) has accelerated product development, but has also made differentiation more difficult. Hardware and operating system commoditization has extended beyond PCs into the server business. In the markets in which the National Accounts Solutions Group competes, customers require applications, database software, system software, hardware, professional services 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 that include all of these customer requirements.

Systemedia Group

Products, Services and Solutions

Systemedia develops, produces and markets a complete line of business consumables to complement NCR's solutions for the retail, financial services and other industries. These products include paper rolls, paper products and imaging supplies for ink jet, laser, impact and thermal-transfer printers for the small office and home-office environment and forms for business operations and equipment. Systemedia also provides support specific to NCR's financial and retail industry solutions by working with banks and merchants to develop customer media programs for front- and back-office applications. Products developed for the financial services and retail industries include full-color customer printed receipt rolls, coupons, value documents, security papers, printer ribbons, encoding products, ink-jet cartridges, optical diskettes, journal paper, business forms and smart checks. In addition, Systemedia develops Automatic Identification solutions that bring together barcode labels, ribbons, software and printers to meet the product marketing and distribution requirements of manufacturers and retailers.

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 nineteen 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 8 of NCR's 1998 Annual Report to Stockholders and are incorporated herein by reference.

Seasonality

Seasonality information for NCR is reported on page 10 of NCR's 1998 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 10 of NCR's 1998 Annual Report to Stockholders and is incorporated herein by reference.

Patents and Trademarks

NCR owns approximately 1,300 patents in the United States and 1,400 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 and service marks in the United States and in a number of foreign countries. NCR considers the mark "NCR" and many of its other trademarks and service marks to be valuable assets.

Employees

At December 31, 1998, NCR had approximately 33,100 employees and contractors.

Environmental Matters

Information regarding environmental matters is included in the material captioned "Environmental Matters" on pages 30-31 of NCR's 1998 Annual Report to Stockholders and is incorporated herein by reference.

Item 2. PROPERTIES

At February 26, 1999, NCR operated approximately 34 research and development and manufacturing facilities which occupy in excess of 4.1 million square feet throughout the world. As of this same date, NCR also operated approximately 676 additional facilities which include warehouse, repair, office and other miscellaneous sites, occupying in excess of 11.8 million square feet throughout the world. Of the Research & Development and Manufacturing facilities, on a square footage basis, approximately 87% are owned and 13% are leased. Of the other sites, on a square footage basis, approximately 61% are owned and 39% are leased. NCR maintains facilities in 80 countries.

NCR's business units are headquartered in: Dayton, Ohio (National Accounts Solutions Group 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 31 of NCR's 1998 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 26, 1999) are as follows:

Name	Age	Position and Offices Held
Lars Nyberg	47	Chairman of the Board, Chief Executive Officer and President
David Bearman	53	Senior Vice President and Chief Financial Officer
Wilbert J. M. Buiter	40	Senior Vice President, Human Resources
Robert A. Davis	48	Senior Vice President and Chief Quality Officer
William J. Eisenman	52	Senior Vice President, Worldwide Customer Services Group
Daniel J. Enneking	51	Senior Vice President, Systemedia Group
Tony Fano	55	Senior Vice President, Retail Solutions Group
Jonathan S. Hoak	49	Senior Vice President and General Counsel
Mark V. Hurd	42	Senior Vice President, National Accounts Solutions Group
Per-Olof Loof	48	Senior Vice President, Financial Solutions Group
Hideaki Takahashi	50	Chairman, NCR Japan, Ltd., and Senior Vice President

Lars Nyberg. Mr. Nyberg has been Chairman, Chief Executive Officer and President of NCR since June 1, 1995. Before joining NCR, from 1993 to 1995, Mr. Nyberg was Chairman and Chief Executive Officer of the Communications Division of Philips Electronics NV, an electronics and electrical products company ("Philips"). He also served as a member of the Philips Group Management Committee during that time. In 1992, Mr. Nyberg was appointed Managing Director, Philips Consumer Electronics Division. From 1990 to 1992, he was the Chairman and Chief Executive Officer of Philips Computer Division. Mr. Nyberg became a director of NCR in 1995.

David Bearman. Mr. Bearman has been Senior Vice President and Chief Financial Officer of NCR since September 1, 1998. Before joining NCR, from 1989 to August 1998, Mr. Bearman was Executive Vice President and Chief Financial Officer of Cardinal Health, Inc., a pharmaceutical services provider.

Wilbert J. M. Buiter. Mr. Buiter has been Senior Vice President, Human Resources, of NCR since August 1, 1998. Before joining NCR, from July 1997 to July 1998, Mr. Buiter was Senior Vice President, Human Resources, for Philips Consumer Communications, a joint venture formed by Lucent and Philips. From 1995 to July 1997, Mr. Buiter was Human Resources Director of Philips Consumer Communications, a division of Philips, and prior to that he was a Human Resources Executive within the Philips Product Division Communications Systems.

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, Worldwide Customer Services Group, in November 1998. From 1995 to November 1998, Mr. Eisenman was Senior Vice President, National Accounts Solutions Group. 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.

Tony 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 service activity in that geographic region. From 1993 to 1994, he was Senior Vice President, Quality and Reengineering. From 1991 to 1993, he was Vice President, NCR Latin America/Middle East/Africa Group.

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.

Mark V. Hurd. Mr. Hurd became Senior Vice President, National Accounts Solutions Group, in November 1998. From 1995 to November 1998, Mr. Hurd was Vice President, Americas Sales and Worldwide Marketing. From 1994 to 1995, Mr. Hurd was Vice President, Americas Professional Services.

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.

Hideaki Takahashi. Mr. Takahashi is currently Chairman, NCR Japan, Ltd., and a Senior Vice President. He has announced his intention to leave the Company effective March 31, 1999, but will continue to serve as a Director and Advisor to the Chairman of NCR Japan beginning April 1. From October 1997 to December 1998, Mr. Takahashi was Senior Vice President, Worldwide Field Operations, 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.

PART II

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

NCR common stock is listed on the New York Stock Exchange and trades under the symbol "NCR." There were approximately 1 million registered holders of record of NCR common stock as of December 31, 1998. The following table presents the high and low per share sales prices for NCR common stock for each quarter of 1998 and 1997.

	1998			1997	
	High	Low		High	Low
1st Quarter	34 3/16	25 5/8	1st Quarter	39 7/8	32
2nd Quarter	38 3/8	30 3/4	2nd Quarter	35 3/8	28 1/4
3rd Quarter	36	23 1/2	3rd Quarter	37 5/16	27 7/16
4th Quarter	41 7/8	27 1/2	4th Quarter	38 1/4	25 15/16

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

The selected financial data for the five years ended December 31, 1998, which appears on page 2 of NCR's 1998 Annual Report to Stockholders, is incorporated by reference in this Form 10-K Annual Report.

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 3-14 of NCR's 1998 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 page 13 of NCR's 1998 Annual Report to Stockholders and are incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of NCR, together with the report thereon of PricewaterhouseCoopers LLP dated January 19, 1999 and selected quarterly financial data appearing on pages 15-32 of NCR's 1998 Annual Report to Stockholders are incorporated by reference in this Form 10-K Annual Report.

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 5-6 of NCR's Proxy Statement, dated March 4, 1999, 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 23-30 of NCR's Proxy Statement, dated March 4, 1999, 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 page 8 of NCR's Proxy Statement, dated March 4, 1999, and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management is included in the material captioned "Stock Ownership" on pages 4-5 of NCR's Proxy Statement, dated March 4, 1999, and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

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

* Incorporated by reference from the indicated pages of the 1998 Annual Report to Stockholders.

(b) Reports on Form 8-K

NCR filed a Current Report on Form 8-K dated October 15, 1998, including unaudited condensed consolidated balance sheets as of September 30, 1998, and unaudited condensed consolidated statements of operations, consolidated revenue summary and condensed consolidated statements of cash flows for the quarter ended September 30, 1998, with respect to its Information Release on its third quarter of 1998 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 (incorporated by reference to Exhibit 3.2 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 1997).
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 (Exhibit 10.20 to the NCR Corporation Annual Report on Form 10-K for the year ended December 31, 1997).
10.21	NCR Supplemental Pension Plan for AT&T Transfers, restated effective January 1, 1997 (Exhibit 10.1 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
10.22	NCR Mid-Career Hire Supplemental Pension Plan, restated effective January 1, 1997 (Exhibit 10.2 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
10.23	NCR Nonqualified Excess Plan, restated effective January 1, 1996 (Exhibit 10.3 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).
10.24	Purchase and Manufacturing Agreement, effective April 27, 1998, by and between NCR Corporation and Solectron Corporation (Exhibit 10.1 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 1998). Certain portions of this exhibit have been granted confidential treatment by the Securities & Exchange Commission.
10.25	Letter Agreement dated July 1, 1998 (Exhibit 10.1 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
10.26	Letter Agreement dated August 5, 1998 (Exhibit 10.2 to the NCR Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
10.27	Letter Agreement dated December 17, 1998.
13	Pages 1-32 of NCR's Annual Report to Stockholders.
21	Subsidiaries of NCR Corporation.
23.1	Consent of Independent Accountants.
27	Financial Data Schedule.

NCR will furnish, without charge, to a security holder upon written request a copy of the 1998 Annual Report to Stockholders and the 1999 Proxy Statement, portions of which are incorporated herein by reference thereto. NCR will furnish any other exhibit at cost. Document requests are available by writing to:

NCR - Investor Relations
1700 South Patterson Boulevard
Dayton, OH 45479
Phone: 937-445-5905
www.ncr.com/graphics/investor_info.htm

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of NCR Corporation

Our audits of the consolidated financial statements referred to in our report dated January 19, 1999, appearing on page 15 of the 1998 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(a)(2) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Dayton, Ohio
January 19, 1999

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, 1998					
Allowance for doubtful accounts	$ 36	$ 26	$ -	$ 15	$ 47
Deferred tax asset valuation allowance	553	-	-	55	498
Inventory valuation reserves	142	24	-	73	93
Reserves related to business restructuring ..	165	-	(111)	54	-
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

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 10, 1999

By:

/s/ Lars Nyberg

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

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

Signature	Title
/s/ Lars Nyberg Lars Nyberg	Chairman of the Board and Chief Executive Officer and President
/s/ David Bearman David Bearman	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ David R. Holmes David R. Holmes	Director
/s/ Linda Fayne Levinson Linda Fayne Levinson	Director
/s/ James R. Long James R. Long	Director
/s/ 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 10, 1999

EXHIBIT 10.27

December 17, 1998

Hideaki Takahashi
Worldwide Field Operations
NCR Corporation

Dear Hideh:

We appreciate your years of service to the company. Since you first joined NCR in 1974, you have made significant contributions to our success, playing key roles as Chairman of NCR Japan, head of the Asia/Pacific Region, and most recently as head of Worldwide Field Operations. Your leadership during these critical times for the company has not gone unrecognized, and all of your colleagues wish you the best as you leave the company.

As you prepare to depart, I am writing to describe the terms of your concluding months with NCR, and the respective rights and obligations of you and the company.

In order to facilitate an effective transition, you have agreed to continue employment with NCR as Senior Vice President through March 31, 1999, at your current salary. You will serve as advisor to the senior executive in charge of WFO. In addition, you will visit all major NCR Japan customers as is the customary business practice in Japan at this time of year. During these visits, you have agreed to speak only favorably of NCR and encourage the customers to continue doing business with NCR.

You will continue to serve as Chairman of NCR Japan until the next regularly scheduled NCR Japan Shareholders meeting, at which time you agree to resign as Chairman, but continue serving as a director. You have indicated your willingness to continue serving as an outside director of NCR Japan, and to serve as an advisor to the Chairman of NCR Japan, after your termination of employment. NCR appreciates your assistance in these areas, and will take steps to have you re-elected to the Board of NCR Japan as necessary for you to continue to serve. Your service as an outside director will continue for approximately one year, for as long as is mutually agreeable between you and NCR. While you are serving as outside director and advisor to the Chairman, effective April 1, 1999, NCR will pay you an annual fee of $40,000, paid on a quarterly basis in yen at the exchange rate in effect at the time of payment.

NCR will repatriate you to Japan. Your expatriate package will continue through March 31, 1999. Details of your repatriation support and conclusion of your expatriate package are shown in an attachment A to this letter.

You will be eligible for a MIP award for 1998 based on the full year's results for NCR and WFO, paid at the same time as awards are paid to executive officers. The MIP awards are determined by the Compensation Committee of the Board of Directors. You will not be eligible for a MIP award for 1999. Your restricted stock units awarded for the 1996-1998 LTIP cycle will be paid in cash in March, 1999. Your restricted stock units awarded for the 1997-1999 LTIP cycle will be forfeited. Your 1998 MIP payment and 1996-98 LTIP restricted stock units will be paid in U.S. currency in March, and will be subject to the U.S. tax withholding outside of the tax equalization provisions of your expatriate package.

Your stock options will continue to vest through March 31, 1999 and the unexercised vested options will be exercisable through May 30, 1999. Your turnaround option grant will vest in full on January 2, 1999. These terms assume that you do not violate the noncompetition provision of the option agreements, which would immediately cancel your options. You will not be eligible for a 1999 management stock option grant. You will be considered an NCR "insider" for purposes of the insider trading restrictions on option exercise through March 31, 1999. Your restricted stock will be forfeited because you are leaving the company prior to age 55.

You are eligible to receive pension benefits from several NCR plans, calculated according to the terms of the plans. The calculations will be finalized when final compensation amounts are available. You have a balance in the NCR Savings Plan in the U.S. that may be withdrawn any time after your termination date. You are vested in a benefit from the NCR Japan Directors' Plan, based on service through March 31, 1999, which you may withdraw in a lump sum immediately after your termination date. You are vested in a benefit from the NCR Pension Plan, based on service in the U.S. from 1974 through 1985 when you participated in that plan. You are also eligible for a pension from The Retirement Plan for Officers of NCR ("SERP II") starting at or after age 55, based on service as an officer through March 31, 1999. The SERP II benefit is payable in U.S. currency and is not recalculated after commencement for currency fluctuations. Details of your pension calculations are shown on attachments to this letter. The calculations are based on service through February 28, 1999 but will be recalculated to reflect service through March 31, 1999.

You may use any unused 1998 vacation prior to December 31, 1998. You will be entitled to take two weeks of vacation in March. You will continue to participate in the Executive Financial Counseling Program through 1999.

You agree to return to NCR, on or before your termination date, all NCR property or copies thereof, including, but not limited to, mobile or portable phones, files, records, computer access codes, computer programs, keys, card key passes, instruction manuals, documents, business plans, and other property which you received, prepared or helped to prepare in connection with your employment with NCR, and to assign to NCR all right, title and interest in such property, and any other inventions, discoveries or works of authorship created by you during the course of your employment.

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

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

You agree that from the date of this letter agreement through December 31, 1999, without the prior written consent of the Chief Executive Officer of NCR, you will not (a) hire, attempt to hire or assist any other person or entity in hiring or attempting to hire an exempt employee of NCR or any person who was an NCR exempt employee within the prior six-month period, or (b) solicit, in competition with NCR, the business of any NCR customer known to you to be an NCR customer or any entity whose business you knew NCR was actively soliciting during the six-month period immediately preceding your termination date, (c) provide either as a sole proprietor, agent, contractor, employee, officer, director, stockholder or partner on your own behalf or on behalf of any other entity, consulting or other services to any current or prospective customer of NCR, (d) participate in the solicitation of NCR employees, customers or suppliers to breach, modify or terminate any agreement(s) or relationship(s) that they may have with NCR, or (e) accept employment, either as an employee or independent contractor, with, or serve as a director of, any of NCR's direct, major competitors, or their subsidiaries or affiliates, namely: IBM, Anderson Consulting, Sequent, CSC, Unisys, Digital Equipment, Dell, Hewlett Packard (HP), Sun Microsystems, Oracle, Informix, Compaq, Data General, EDS, Diebold, and Perot Systems.

You understand that NCR is at a critical stage in its efforts to grow the business. You also understand that any adverse comments from you indicating in any way that NCR's business strategy or management decisions are unwise or unlikely to succeed could have a significant detrimental effect on NCR. Similarly, any adverse comments from you about NCR management, its products or its treatment of employees or customers could have a similar negative effect on NCR's reputation. NCR's damages, if you made such comments, would be impossible to calculate with precision. Therefore, you agree that you will not, from the date of this letter agreement through December 31, 1999, make any adverse or critical comments about NCR, its management, products, business plans or strategies nor will you make any other comments reasonably likely to create a negative impression about NCR or its chances for success in the marketplace. It will not be a violation of this paragraph for you to make truthful statements when required to do so by law.

In consideration for the non-competition and non-disparagement provisions in the preceding two paragraphs, you will be paid US$175,000 in a lump sum on September 1, 1999. This payment will be made in U.S. currency and will be subject to applicable U.S. tax withholding outside of the tax equalization provisions of your expatriate package. If you violate the non-competition or non-disparagement provisions after September 1, 1999 but before December 31, 1999, you agree to refund the full $175,000 to NCR.

Except for (i) our respective rights and obligations stated in this letter agreement, (ii) NCR's obligation to you under any benefit program in which you have vested rights, and (iii) any rights to indemnification and related rights in accordance with Maryland corporate law to which you may be entitled by reason of your having served as an officer of NCR, you and NCR hereby forever release, discharge and hold harmless each other, and our respective heirs, subsidiaries, affiliates, officers, directors, successors and assigns, from any claim or cause of action whatsoever which either may have against the other resulting from or arising out of or related to your employment by NCR, or your voluntary termination of employment, including any claims or causes of action you have or may have pursuant to Title VII of the Civil Rights Act of 1964 as amended, 42 U.S.C. Sec. 2000 et. seq.; the Age Discrimination in Employment Act, 29 U.S.C. Sec. 621 et. seq.; the Americans with Disabilities Act, 42 U.S.C. Sec. 12101; the Employee Retirement Income Security Act, as amended 29 U.S.C. Sec. 1001 et. seq.; and 42 U.S.C. Sec. 1981, and other state and local human or civil rights laws as well as all other statutes, in both the U.S. and Japan, which regulate employment; and the common law of contracts and torts. NCR and you agree not to make any claim whatsoever against the other (or, in your case, against any of NCR's direct or indirect subsidiaries) with any state or federal agency or in any court of law at any time concerning matters relating to your employment by NCR arising from acts or failures to act which occurred prior to your termination date.

Subject to NCR's rights to seek injunctive relief or equitable remedies in a court action, any controversy or claim related in any way to this letter agreement, or to your employment relationship with NCR (including, but not limited to, any claim of fraud or misrepresentation), shall be resolved by arbitration pursuant to this paragraph and the then current rules and supervision of the American Arbitration Association. The arbitration shall be held in Dayton, Ohio, before an arbitrator who is an attorney knowledgeable of employment law. The arbitrator's decision and award shall be final and binding and may be entered in any court having jurisdiction thereof. The arbitrator shall not have the power to award punitive or exemplary damages. Issues of arbitrability shall be determined in accordance with the federal substantive and procedural laws relating to arbitration; all other aspects shall be interpreted in accordance with the laws of the State of Ohio. Each party shall bear its own attorney's fees associated with the arbitration and other costs and expenses of the arbitration shall be borne as provided by the rules of the American Arbitration Association. If any portion of this paragraph is held to be unenforceable, it shall be severed and shall not affect either the duty to arbitrate or any other part of this paragraph.

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

This letter agreement is the entire agreement between NCR and you with respect to your termination of employment with NCR and fully supersedes all prior written or oral understandings, statements or agreements relating in any way to the terms and conditions of your employment relationship, or the end of that relationship with NCR, provided, however, that the terms of any NCR benefit plans in which you are a participant will govern the payment of benefits from the respective plans to the extent said plans are not in conflict with the terms of this letter agreement. You represent and acknowledge that in signing this letter agreement you have not relied on any representation or statement not set forth herein made by NCR or its agents, representatives or attorneys with regard to the subject matter of this letter agreement. Any waiver or modification of the terms of this letter agreement must be in writing and signed by you and NCR.

Sincerely,

Lars Nyberg, Chairman and Chief Executive Officer contents

NCR Corporation
Selected Financial Data

Dollars in millions,
except per share amounts

	Year Ended December 31				
	1998/4/	1997	1996	1995	1994
Results of Operations					
Revenue/1/	$6,505	$6,589	$6,963	$ 8,162	$8,461
Operating expenses					
Cost of revenue	4,583	4,715	4,925	6,386	5,894
Selling, general and administrative expenses	1,414	1,510	1,573	2,016	2,169
Research and development expenses	356	383	390	482	500
Non-recurring and restructuring charges	50	-	(55)	1,649	-
Income (loss) from operations	102	(19)	130	(2,371)	(102)
Interest expense	13	15	56	90	44
Other income, net	(68)	(61)	(36)	(45)	(130)
Non-recurring gain from asset disposition/2/	(55)	-	-	-	-
Income (loss) before income taxes	212	27	110	(2,416)	(16)
Income tax expense (benefit)	90	20	219	(136)	187
Net income (loss)	$ 122	$ 7	$ (109)	$(2,280)	$ (203)
Net income (loss) per common share/3/					
Basic	$ 1.21	$ .07	$(1.07)	$(22.49)	
Diluted	1.20	.07	(1.07)	(22.49)	
Financial Position and Other Data					
Cash and short-term investments	$ 514	$1,129	$1,203	$ 338	$ 661
Accounts receivable, net	1,556	1,471	1,457	1,908	1,860
Inventories	384	489	439	621	952
Property, plant, equipment and reworkable service parts, net	1,104	1,106	1,207	1,215	1,462
Total assets	4,892	5,376	5,280	5,256	5,836
Debt	83	94	76	375	715
Stockholders' equity	1,447	1,353	1,396	358	1,690
Headcount (employees and contractors)	33,100	38,300	38,600	41,100	50,000

/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/ Represents a non-recurring gain from the sale of TOP END(R).
/3/ Net loss per share for the years ended December 31, 1996 and 1995 was calculated by dividing the net loss by 101.4 million shares of common stock, as more fully explained in Note 1 of Notes to Consolidated Financial Statements. Such shares are assumed to be outstanding since January 1, 1995.
/4/ Income from operations is shown after deducting $50 million related to the non-recurring charge. (See Note 5 of Notes to Consolidated Financial Statements.) Net income includes the non-recurring charge and the benefit of the non-recurring gain from asset disposition. Excluding these one-time items, the 1998 income from operations, net income and net income per common share (diluted) would have been $152, $119 and $1.17, respectively.

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

OVERVIEW

NCR Corporation and its subsidiaries (NCR or the Company) provide information technology hardware, software and consulting and support services. NCR combines these hardware, software and services components into solutions designed to solve complex business problems for its customers. NCR's solutions offer companies the opportunity to capture and transform data from transactions into information for building consumer relationships.

Through its presence at customer interaction points, such as automated teller machines (ATMs) or point-of-sale workstations, NCR's solutions are designed to help businesses capture valuable consumer transaction data. They also offer businesses the opportunity to centralize detailed information in a data warehouse, analyze the complex relationships among all of the different data elements, and respond with programs designed to improve consumer acquisition, retention and profitability. NCR offers specific solutions for the retail and financial industries and also provides solutions for the communications, transportation, insurance and utilities industries, consumer goods manufacturers and government entities through its National Accounts Solutions Group. These solutions are complemented by NCR's business media products, such as paper rolls, ink ribbons and other business forms.

Integrated within the solutions NCR provides its customers, the Company offers a complete range of services in support of critical transaction-based systems. The consulting services included within the solutions consist of designing, integrating, installing and supporting scalable data warehousing technologies, applications software and related hardware and equipment. The support services are comprised of system staging and implementation, multi-vendor integration services, system-support services and a wide range of other support service offerings. Information technology hardware, software and consulting and support services together make up NCR's solutions portfolio.

REVENUE AND OPERATING MARGIN BY INDUSTRY SEGMENT

NCR categorizes its operations into four strategic operating segments: Retail, Financial, National Accounts Solutions Group (NASG) and Systemedia. The Retail, Financial and National Accounts Solutions Group segments may offer a variety of products, services and solutions to their customers that incorporate scalable data warehousing, applications software and a variety of other technologies. Professional consulting and customer support services are also offered through NCR's Retail, Financial and National Accounts Solutions Group segments. NCR's "All other segments" accumulates the results of operations not attributable to the above operating segments plus unallocated corporate expenses. (See Note 9 of Notes to Consolidated Financial Statements.)

The following table presents NCR's consolidated revenue and income (loss) from operations for the years ended December 31:

In millions	1998	1997	1996
Consolidated revenue	$6,505	$6,589	$6,963
Consolidated income (loss) from operations/1/	$ 152	$ (19)	$ 75

1 Consolidated income from operations excludes the impact of a $50 million one-time pension charge related to the reduction of 1,000 employees in Japan in 1998, and excludes the effects of $55 million of restructuring reserves released in 1996. The effects of these items have been excluded from the amounts presented above and the discussion of operating expenses which follows. (See Notes 5 and 13 of Notes to Consolidated Financial Statements.)

Total revenue decreased 1% in 1998. When adjusted for the unfavorable impacts of year-to-year changes in foreign currency exchange rates, revenue increased 1%. The decline in 1998 revenue reflects increased sales in the Retail, Financial and Systemedia industry segments, which were more than offset by declines in NASG and NCR's non-industry segments. Across all segments, aggregate revenues in 1998 declined 20% in Japan and 26% in the Asia/Pacific region, reflecting the economic conditions in these markets. These declines were largely offset by increased revenues in the Americas and Europe/Middle East/Africa regions. The significant increase in income from operations in 1998 reflects improved gross margins and tighter expense controls.

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%. Declines in NASG and Systemedia sales offset increased revenue in the Financial industry. NCR's operating loss in 1997 was principally due to significant declines in NASG revenue and margins and proportionally higher expenses as a percentage of revenue.

The following chart presents NCR's revenue by industry segment for the year ended December 31, 1998.

1998 Revenue by Industry

[1998 GRAPH APPEARS HERE]

Retail Industry Solutions
NCR offers customers in the retail industry hardware and software components combined with consulting and support services to create store-level and enterprise-wide solutions. These solutions are designed to improve service levels and operating efficiency. Products delivered to retail customers include traditional retail offerings such as point-of-sale terminals, barcode scanners, scanner-scales, electronic price labeling, applications software and other computer products typically found in merchandise checkout areas of supermarkets, department stores, specialty stores, convenience stores and quick-service restaurants. NCR provides the networking technology and services to link these products to computer servers on site and to link systems to enterprise-wide networks. Traditional retail products and NCR's networking offerings are typically provided to customers through NCR's Store Automation solutions portfolio. The Company also provides its retail customers in-store and decision level-support systems using NCR's scalable data warehousing technology, Teradata(R), and other enterprise server products (such as large servers with parallel processing capabilities, disk storage systems, database application software and other software tools). NCR offers consulting services to develop data warehouses and integrate them with a variety of consumer interaction points and application systems, including those offered through NCR's Store Automation solutions.
NCR's Teradata technology for the retail industry, is offered through its High Performance Merchandising and Marketing (HPM&M) solutions portfolio. These solutions are designed to enable retailers to use the valuable information gathered from consumer transactions to analyze and manage every outlet, every product and every consumer relationship, individually.
The following table presents NCR's Retail industry revenue and operating margin for the years ended December 31:

In millions	1998	1997	1996
Retail industry revenue	$1,449	$1,373	$1,374
Retail industry operating margin	$ 32	$ (10)	$ (8)

Retail industry revenues increased 6% in 1998 with sales growth in the Americas and Europe/Middle East/Africa regions of 13% and 10%, respectively. This revenue increase was partially offset by significant sales declines in Japan and the Asia/Pacific region. The Retail industry's substantial operating margin increase in 1998 was driven by gross margin improvements and expense reduction in the Americas. Declines in Japan and the Asia/Pacific region operating margin partially offset gains in the Americas and Europe/Middle East/Africa regions.
In 1997, Retail industry sales and operating margin remained essentially flat as retail terminal improvements were offset by declines in other computer products.
The following chart presents revenue for the year ended December 31, 1998 by the major product and service groups offered to retail industry customers.

1998 Retail Industry Revenue

[1998 GRAPH APPEARS HERE]

Financial Industry Solutions
NCR provides a full line of solutions, products and services to the financial services industry with particular focus on retail banking. Specifically, the Company offers a complete range of self-service consumer interaction points (principally ATMs), including specialized ATMs for different markets, locations and the self-service branch market, associated software and services, and self-service devices that dispense information and non-cash items (such as tickets and coupons). NCR incorporates biometrics technology in certain of its offerings to the financial industry, including iris-scanning for customer identification and ATMs for the sight-impaired. These products, services and technologies are generally provided to customers through NCR's Self-Service solutions portfolio. The Company also provides its financial services customers a combination of NCR's Teradata scalable data warehousing technologies, other enterprise server products, consulting services, and applications and modeling tools developed specifically for the financial services industry. These offerings are part of NCR's Customer Management portfolio of solutions which are designed to enable financial services institutions to transform data about consumer behavior into information that can be used to change the way they interact with consumers.
NCR provides products and services related to bank branch automation, call centers, home banking, switching and account processing through its Channel Delivery solutions portfolio. These solutions are designed to help increase the efficiency and marketing capabilities of banks and other financial service providers. NCR also offers customers in the financial services industry item-processing devices that read and sort checks and other paper items, image-

processing devices that convert checks and other paper items into electronic images, outsourced management of item- and image-processing facilities, and products and services related to emerging methods of payment, particularly "smart" cards. These products and services are offered as components of NCR's Payment solutions which are designed to enable even the most cumbersome and paper-based form of transaction to be handled effectively in digital format.

The following table presents NCR's Financial industry revenue and operating margin for the years ended December 31:

In millions	1998	1997	1996
Financial industry revenue	$2,886	$2,845	$2,766
Financial industry operating margin	$ 284	$ 254	$ 270

Financial industry revenues rose 1% in 1998, as increases in sales of financial products in the Americas and Europe/Middle East/Africa regions offset sales declines in Japan and the Asia/Pacific region, primarily in Korea and Australia. Operating margin in 1998 increased 12% as compared to 1997. In 1998, higher revenue and improved product mix in the Americas and Europe/Middle East/Africa contributed to the strong operating margin results, partially offset by operating expense increases. NCR's Financial industry revenue was up 3% in 1997 due primarily to strong financial products sales in the Americas, the Europe/Middle East/Africa and the Asia/Pacific regions, excluding Japan. Operating margins slipped 6% in 1997 as a result of a declining gross margin percentage.

The following chart presents revenue for the year ended December 31, 1998 by the major product and service groups offered to financial services industry customers.

1998 Financial Industry Revenue

[1998 GRAPH APPEARS HERE]

National Accounts Solutions

NCR's National Accounts Solutions Group provides solutions, products and services to generally large customers outside the retail and financial industries, including customers in the communications, transportation, insurance and utilities industries, consumer goods manufacturers and government entities. Such offerings include scalable data warehousing technologies, products and services focused on maintaining or improving system availability in transaction processing and electronic commerce, and consulting and support services. As part of its data warehousing technology offerings, the National Accounts Solutions Group provides the Customer Knowledge solutions portfolio which uses NCR's Teradata technology as the foundation to provide 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. This offering, coupled with other enterprise server products and consulting services, is designed to help companies profitably increase business by using data warehousing capabilities to gain insight to consumers' activities and choices, asset use, operations and financial results. In addition, NASG offers the Customer Interaction solutions portfolio, which includes providing call center services, web interaction solutions and kiosks, and together with Customer Knowledge solutions, provides an enterprise approach to understand and influence customer behavior through continuous communication, improving customer acquisition, retention and profitability. NCR's Lifekeeper(R) software is also offered through the Customer Interaction solutions portfolio and is designed to maximize system availability by recognizing and recovering hardware components or application faults before a total system failure occurs. The offerings of the National Accounts Solutions Group integrate NCR's software, hardware, and consulting and support services as well as other products from leading technology firms.

The following table presents NCR's National Accounts Solutions Group industry revenue and operating margin for the years ended December 31:

In millions	1998	1997	1996
NASG industry revenue	$1,498	$1,562	$1,922
NASG industry operating margin	$ 37	$ (41)	$ (3)

National Accounts Solutions Group sales decreased by 4% in 1998 compared to 1997 results. This change is primarily attributable to revenue declines in Japan and the Asia/Pacific region of 27% and 24%, respectively. These declines were partially offset by a slight increase in revenue in the Americas. NASG operating margin improved $78 million in 1998 in comparison to 1997. Operating margin improvement in 1998 was essentially driven by professional services and revenue mix shift towards high-end products and operating expense reductions. During 1998, a decrease in gross margin in Japan partially offset NCR's overall improved operating margins. In 1997, NASG sales declined 19% in comparison to 1996 sales levels. In 1998 and 1997, the decrease in NASG sales was primarily due to declines in other computer products sales. NASG operating margin declined to a $41 million loss during 1997 due to significant declines in revenue.

The following chart presents National Accounts Solutions Group revenue for the year ended December 31, 1998 by the major product and service groups offered to its customers.

1998 National Accounts Solutions Industry Revenue

[1998 GRAPH APPEARS HERE]

Systemedia

Systemedia develops, produces and markets a complete line of business consumables to complement NCR's solutions for the retail, financial and other industries. These products include paper rolls, paper products and imaging supplies for ink jet, laser, impact and thermal-transfer printers for the small office and home-office environment and forms for business operations and equipment. Systemedia also provides support specific to NCR's financial and retail industry solutions by working with banks and merchants to develop customer media programs for front- and back-office applications. Products developed for the financial and retail industries include full-color customer printed receipt rolls, coupons, value documents, security papers, printer ribbons, encoding products, ink-jet cartridges, optical diskettes, journal paper, business forms and smart checks. In addition, Systemedia develops Automatic Identification solutions that bring together barcode labels, ribbons, software and printers to meet the product marketing and distribution requirements of manufacturers and retailers.

The following table presents NCR's Systemedia industry revenue and operating margin for the years ended December 31:

In millions	1998	1997	1996
Systemedia industry revenue	$514	$510	$551
Systemedia industry operating margin	$ 42	$ 50	$ 63

Systemedia industry revenue increased slightly in 1998, mainly in the Americas and Europe/Middle East/Africa regions. Operating margins decreased by $8 million in 1998, as compared to 1997 levels due to continued declines in paper pricing partially offset by expense reductions. Systemedia sales decreased 7% in 1997, as 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. Operating margin as a percentage of revenue declined 2% from 1996 to 1997.

REVENUE BY PRODUCT AND SERVICE LINE

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

Revenue	Year Ended December 31				
Dollars in millions	1998	% Increase/ (Decrease)	1997	% Increase/ (Decrease)	1996
Retail	$ 509	7	$ 474	11	$ 428
Financial	1,146	7	1,069	6	1,007
Enterprise server	411	(2)	420	3	408
Other computer	948	(19)	1,170	(22)	1,494
Customer support services	2,182	2	2,142	(6)	2,273
Professional services	631	-	628	8	580
Systemedia	514	1	510	(7)	551
Other	164	(7)	176	(21)	222
Total	$6,505	(1)	$6,589	(5)	$6,963

retail products

1998............ $509 million
1997............ $474 million
1996............ $428 million

Revenue from retail products is primarily derived from sales of point-of-sale terminals, barcode scanners, scanner-scales, electronic price labeling and applications software specific to the retail industry. In 1998, revenue from retail products increased 7% due to significant increases in sales of point-of-sale terminals and scanner products in the Americas region. These increases were somewhat offset by substantial declines in sales of point-of-sale terminals in Japan and the Asia/Pacific region. Retail products revenue increased 11% in 1997 as point-of-sale terminals increased significantly in Japan, the Europe/Middle East/Africa and Asia/Pacific regions, while scanner products sales increased slightly.

financial products

1998............	$1,146 million
1997............	$1,069 million
1996............	$1,007 million

Financial products revenue is comprised principally of sales of self-service products that dispense cash (e.g., ATMs) and non-cash items (e.g., self-service information, tickets and coupons), electromechanical item- and image-processing devices, associated applications software and other products and software specific to the financial services industry. Revenue from financial products increased 7% in 1998 over 1997, due primarily to significant increases in revenues from cash-dispensing self-service products and item- and image-processing products in the Americas and Europe/Middle East/Africa regions. These increases more than offset substantial declines in financial products revenue in Japan and the Asia/Pacific region. In 1997, the increase in revenue reflects strong cash-dispensing self-service product sales in the Americas, the Europe/Middle East/Africa and the Asia/Pacific regions, excluding Japan.

enterprise server products

1998	$411 million
1997	$420 million
1996	$408 million

Revenue from enterprise server products is mainly derived from sales of computers and software used for data warehouses. These products include NCR's Teradata database software, large servers with parallel processing capabilities, disk storage systems, database applications software and other software tools. Enterprise server products revenue decreased 2% in 1998 despite a significant increase in revenues in the Americas region and a slight increase in the Europe/Middle East/Africa region. The increases in these regions were entirely offset by declines in enterprise server revenues in Japan and the Asia/Pacific region. In 1997, enterprise server products revenue increased 3%, primarily as a result of significant increases in sales in Japan and the Asia/Pacific region. These increases were somewhat offset by declines in enterprise server sales in the Americas and Europe/Middle East/Africa regions.

other computer products

1998	$ 948 million
1997	$1,170 million
1996	$1,494 million

Revenue from other computer products includes sales of medium-range servers which have symmetrical multiprocessing capabilities, small and entry-level servers, communications systems, peripherals and personal computers. Other computer products revenue decreased 19% in 1998 and 22% in 1997. The decline in both years is due to NCR's decision to no longer sell such products, especially personal computers and other commodity hardware, in volume but rather to sell them principally as solutions components.

customer support services

1998	$2,182 million
1997	$2,142 million
1996	$2,273 million

Revenue from customer support services includes staging and implementation services, networking, multi-vendor integration services, system support services, consulting, managed services and industry-specific support services. In 1998, customer support services revenue increased 2%. Similar to NCR's products revenue, customer support services revenue increased in both the Americas and Europe/Middle East/Africa regions, while substantial declines were experienced in Japan and the Asia/Pacific region. In 1997, revenue from customer support services decreased 6% due principally to the unfavorable impact of the strengthening of the U.S. dollar in relation to certain key foreign currencies and AT&T Corp.'s (AT&T) move to self-maintenance after spinning off NCR in 1996.

professional services

1998	$631 million
1997	$628 million
1996	$580 million

Professional services revenue is mainly comprised of consulting services provided as an integral part of NCR's various solutions. These professional services include business and technology consulting for data warehousing, project management for information technology architecture and systems integration. In 1998, professional services revenue was essentially flat, reflecting strong increases in the Americas and Europe/Middle East/Africa regions which were almost completely offset by significant declines in Japan and the Asia/Pacific region. Revenue from professional services increased 8% in 1997, primarily in Japan and the Asia/Pacific region. Professional services revenue was favorably impacted in 1997 by the overall increase in those same regions of sales of enterprise server products, which are typically used in data warehousing.

systemedia products

1998	$514 million
1997	$510 million
1996	$551 million

Systemedia products revenue includes sales of various business media products such as imaging supplies for printers, encoding products, customer receipt rolls and other business and equipment forms. Sales of Systemedia products increased 1% in 1998, mainly in the Americas and Europe/Middle East/Africa regions, compared to a decrease of 7% in 1997. 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.

GROSS MARGIN

Gross margin as a percentage of revenue increased 1.2 percentage points in 1998, compared to a decrease of 0.9 percentage points in 1997. The gross margin increase in 1998 consisted of a 2.2 percentage point increase in product gross margin and a 0.1 percentage point increase in services gross margin. Product gross margin in 1998 reflected a favorable sales mix which included increased sales of higher-margin retail and financial products and decreased sales of lower-margin other computer products. In addition, during 1998 NCR implemented certain initiatives, such as headcount reductions and the outsourcing of the manufacture of its retail and computer products to Solectron Corporation (Solectron), which contributed to gross margin percentage improvements in the retail, financial and enterprise server product groups. The gross margin decrease in 1997 consisted of a 0.1 percentage point increase in product 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.

OPERATING EXPENSES

Selling, general and administrative expenses decreased $96 million or 6% in 1998, compared with a decrease of $63 million or 4% in 1997. The decrease in 1998 was primarily due to NCR's continued focus on expense discipline, head-count reductions and the favorable impact of foreign currency exchange rate changes on expenses. 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. As a percentage of revenue, selling, general and administrative expenses were 21.7%, 22.9% and 22.6% in 1998, 1997 and 1996, respectively.

Research and development expenses decreased $27 million or 7% in 1998, compared with a decrease of $7 million or 2% in 1997. The decrease in 1998 reflects the overall headcount reductions in 1998, coupled with the impact of NCR's decision to outsource the manufacture of its retail and computer products to Solectron. NCR believes the 1998 research and development expenses reflect stabilized spending levels; however, the allocation of such expenditures will continue to move toward software and solutions development efforts, with less emphasis on hardware, operating systems and middleware. As a percentage of revenue, research and development expenses decreased slightly to 5.5% in 1998 compared to 5.8% in 1997 and 5.6% in 1996.

INCOME (LOSS) BEFORE INCOME TAXES

NCR had operating income of $152 million in 1998, an operating loss of $19 million in 1997 and operating income of $75 million in 1996 before the impact of non-recurring items.

Interest expense was $13 million in 1998, $15 million in 1997 and $56 million in 1996. The decrease in 1997 was the result of reduced debt levels. Interest expense in 1996 includes amounts charged by AT&T on interest-bearing cash advances, which were contributed to NCR by AT&T and were recorded in stockholders' equity as of December 31, 1996.

Other income, net, was $68 million in 1998, $61 million in 1997 and $36 million in 1996. The non-recurring gain from asset disposition in 1998 reflects the gain of $55 million on the sale of NCR's TOP END middleware technology and product family to BEA Systems, Inc. (BEA). In addition, NCR entered into agreements relating to the licensing of certain technologies whereby the Company recognized $17 million of other income in 1998. The $25 million increase in 1997 was principally attributable to higher interest income on increased levels of short-term investments.

NET INCOME (LOSS)

Income tax expense was $90 million in 1998, $20 million in 1997 and $219 million in 1996. The effective tax rate improvement to 42.5% in 1998 from 74.1% in 1997 is primarily due to improved profitability in certain tax jurisdictions, principally the United States. The 1998 and 1997 provisions also reflect the favorable results of certain programs implemented in 1997 which lowered tax expense. NCR's tax provisions in 1997 and 1996 resulted from a provision for income taxes in those foreign tax jurisdictions where NCR's subsidiaries were profitable, and an inability to reflect tax benefits related to tax losses reported in certain tax jurisdictions, primarily the United States. 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.

NCR's reported net income was $122 million and $7 million in 1998 and 1997, respectively, while NCR reported a net loss of $109 million in 1996. Excluding non-recurring items, net income was $119 million in 1998, which reflected NCR's substantial improvement in income from operations over 1997. 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. Excluding the impact of restructuring items, net losses were $82 million in 1996.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

NCR's cash, cash equivalents and short-term investments totaled $514 million at December 31, 1998, compared with $1,129 million at December 31, 1997 and $1,203 million at December 31, 1996. The decrease from 1997 to 1998 is primarily due to the Company's acquisition of an additional 27% ownership interest in its Japanese subsidiary at a cost of $274 million and its $200 million stock purchase program.

NCR used cash in operations of $57 million in 1998, while cash generated from operations was $248 million in 1997 and $368 million in 1996. The use of cash in operations in 1998 reflects a decline in other operating liabilities as a result of the timing of increased postemployment and postretirement benefit payments. The declines in these employee related liabilities were primarily due to substantial headcount reductions in 1998 and the curtailment of postretirement benefits for certain employees (see Note 5 of Notes to Consolidated Financial Statements). The use of cash in 1998 also reflects an increase in accounts receivable which was primarily due to an increase in revenue during the fourth quarter of 1998 compared with the fourth quarter of 1997. In addition, 1998 operating activities included a $55 million gain on the sale of TOP END to BEA. 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 1996 cash generated from operations was significantly impacted by restructuring activities, in that both accounts receivable and inventories decreased substantially (due in large part to NCR's decision to no longer produce PCs, or to sell PCs, entry-level servers and other computer products through high-volume indirect channels). In addition, $518 million of cash was used in connection with restructuring activities.

Net cash used in investing activities was $208 million, $524 million and $395 million in 1998, 1997 and 1996, respectively. Investing activities primarily represent purchases of short-term investments and capital expenditures. 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. In 1998, the cash used in investing reflects the purchase of the minority interest in its Japanese subsidiary for $274 million. This use of cash was partially offset by proceeds from the sale of TOP END to BEA and the sale of NCR's retail and computer systems manufacturing operations to Solectron. Capital expenditures, a historically significant component of investing activities, were $367 million, $309 million and $423 million, for the years ended 1998, 1997 and 1996, respectively.

Net cash used in financing activities was $154 million in 1998. Net cash provided by financing activities was $62 million and $895 million for the years ended 1997 and 1996, respectively. In April 1998, NCR implemented a share repurchase program which resulted in the use of $200 million of cash in 1998. Prior to December 31, 1996, the date AT&T distributed to its stockholders all of its interest in NCR (the Distribution), AT&T made decisions regarding NCR's financing activities including cash management and debt structure. Accordingly, until the Distribution date, 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 stockholders' equity. Third party debt of $225 million was repaid in 1996.

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, 1998, 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 expenditures and other financing requirements for the foreseeable future.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Management's Discussion and Analysis and other sections of this Annual Report to Stockholders contain information based on management's beliefs and forward-looking statements that involve a number of risks, uncertainties and assumptions. Any Form 10-K, Form 10-Q, Form 8-K and other written or oral statements made by the Company or its representatives may also contain such forward-looking statements. These statements are not guarantees of future performance. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements as a result of various factors, including, without limitation, those listed below.

Competition and New Solutions Introductions

NCR operates in the very competitive information technology industry. This industry is characterized by rapidly changing technology, evolving industry standards, frequent new product introductions, price and cost reductions, and increasingly greater commoditization of products, making differentiation more difficult. NCR's future operating results depend upon its ability to rapidly design, develop and market, or otherwise obtain and introduce solutions and related products and services that are competitive in the marketplace. The Company must commit significant resources in advance of bringing its business solutions to market. There are numerous risks and uncertainties inherent in this complex process, including proper identification of customer needs, technological changes, timely and cost-effective development and introduction, differentiation from NCR's competitors, timely recognition of and expansion into new and emerging markets, and market acceptance. In addition, new offerings may replace or compete with the Company's current offerings. Competition in the information technology industry has also increased pressure on gross margins and may cause NCR's future operating results to vary, subject to the

Company's ability to manage margin pressure by maintaining a favorable mix of solutions, products and services revenues. NCR also faces significant competition to attract and retain highly skilled technical, sales and other personnel.

Reliance on Third Parties

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

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

Seasonality

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

International Operations

For the year ended December 31, 1998, NCR's international operations represented approximately 56% of the Company's consolidated revenue. Specifically, Japan, the United Kingdom, Germany and France represented approximately 11%, 6%, 5% and 4% of consolidated revenue, respectively. Although the diversity of NCR's operations may help to mitigate some risks associated with geographic concentrations of operations (for example, adverse changes in foreign currency exchange rates and business disruptions due to natural disasters and economic or political uncertainties), there are numerous other risks inherent in operating abroad, many of which cannot be readily foreseen and over which NCR has no control.

Euro Changeover

On January 1, 1999, several European countries established the "Euro" currency. The Euro changeover may affect the cross-border competition experienced by NCR by removing cross-border pricing and market barriers created by varying currencies among the participating countries. NCR is unable to quantify the impact of the Euro changeover at this time, but the Company does not anticipate the impact to be material to its results of operations, financial condition or cash flows.

Contingencies

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

Year 2000

Please note that this is a Year 2000 Readiness Disclosure, as that term is defined in the Year 2000 Information and Readiness Disclosure Act (105 P.L.271).

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

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

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

The Company has completed inventory, assessment, remediation and testing of all of the products it presently develops and provides to customers. Installation of Year 2000 Qualified products at customer sites is largely dependent upon, among other things, the customers' schedules, the availability of personnel for installations and the presence or absence of Year 2000 plans on the customers' part. NCR expects that installation of Year 2000 Qualified products or upgrades will continue to take place at customer sites throughout 1999. Many such installations occurred in 1998. NCR is encouraging its customers to plan such installations promptly, because if a large number of customers delay their plans until late in the year, the demand for installation and related services may exceed their availability. There are certain products, primarily developed prior to 1995, which NCR does not intend to render Year 2000 Qualified that may continue to be requested by customers. NCR will evaluate such requests and may, under certain circumstances, including customer acknowledgment of a product's Year 2000 status, provide these products to customers.

The Company previously offered highly specialized products specifically targeted for niche markets, often unique to a single country ("local products"). The Company has nearly completed its assessment of these local products, typically sold prior to 1995 under the Company's previous business model, and has determined that the majority of them are not Year 2000 Qualified. NCR expects to complete this assessment in the first quarter of 1999. Where practical, NCR is communicating with purchasers of these products and is offering to assist them in identifying replacement NCR products, if available.

The Company has completed its inventory and assessment of the Year 2000 issues associated with its critical IT systems (e.g., manufacturing, financial management, incident management, payroll and statutory, and order processing systems). Remediation and testing for approximately 95% of such identified systems have been completed, with the remainder expected to be completed by the second quarter of 1999. Deployment is now complete for approximately 75% of these critical IT systems, with approximately 95% expected to be completed through the second quarter of 1999, and the remainder to be completed in the third quarter of 1999. The Company has also completed its analysis of non-critical internal information systems and has developed plans to address the Year 2000 issues associated with them, as appropriate. In addition, the Company has completed its inventory and assessment of the Year 2000 issues associated with its non-IT systems, including telecommunication equipment, security systems and embedded microprocessors, at its significant manufacturing, distribution and office facilities around the world. The Company has also completed its inventory of non-IT systems for its smaller or less critical facilities, and it expects to complete its assessment of the Year 2000 issues for these facilities in the first and possibly second quarters of 1999. Assessments of approximately 95% of critical non-IT systems were completed by the end of 1998, and the Company did not identify any significant business impact as a result of Year 2000 issues. The Company anticipates that assessment of the remainder of these systems will be completed by the end of the first quarter of 1999. For its most critical facility functions, such as manufacturing and parts distribution, NCR is planning site audits, including integration or subsystem testing as deemed necessary, in the first and possibly the second quarters of 1999.

NCR has requested information from substantially all of its suppliers concerning their Year 2000 readiness to assess the suppliers' ability to continue to deliver products and services to NCR, as well as the Year 2000 readiness of those products and services themselves. Suppliers are categorized as critical or non-critical, with 260 and 530 suppliers currently identified in those respective categories. NCR has conducted reviews of its critical suppliers in accordance with its Year 2000 Qualification guidelines, and completed its initial assessment of approximately 85% of those critical suppliers in 1998; NCR expects to complete its assessment of the remaining critical suppliers in the first quarter of 1999. All of the critical suppliers that the Company has assessed to date either have completed their Year 2000 internal compliance activities or have presented plans or statements that, at present, meet NCR's expectations. NCR will continue to monitor these suppliers and expects to be prepared to shift to alternate sources should the Company determine that any of its critical suppliers will not complete their plans on schedule. NCR also plans to test system interfaces with its critical suppliers as the Year 2000 approaches. In addition, NCR continues to assess its non-critical suppliers. As of the end of 1998, NCR had assessed approximately 80% of its non-critical suppliers; the Company expects that its assessment of the remaining non-critical suppliers will be completed at or near the end of the first quarter of 1999.

NCR's assessment of its suppliers is dependent upon its ability to obtain accurate and complete information from them, and on their willingness to provide such information. Moreover, there can be no assurances that all of NCR's suppliers, including its critical suppliers, will be able to effectively achieve Year 2000 readiness. NCR is developing contingency plans to address such situations with respect to its critical suppliers. Because of Solectron's particular significance to the Company's manufacturing operations, NCR will conduct multiple on-site reviews of Solectron's facilities in the first and possibly the second quarters of 1999 to ascertain the status of those facilities' Year 2000 readiness. Any major Year 2000 failures by Solectron or other critical suppliers could materially and adversely impact the Company.

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

Costs to Address Year 2000 Issues: Due to a number of factors, it is difficult to calculate the total cost of addressing the Company's Year 2000 issues with precision. These factors include, without limitation, the large number of NCR employees and contractors devoting a portion of their time and efforts to Year 2000 issues, and the inability to separately identify Year 2000 costs due to the concurrent remediation of both Year 2000 and non-Year 2000 issues associated with NCR's products, IT systems and non-IT systems. The Company estimates the total cost to address its Year 2000 issues, including costs already incurred in 1997 and 1998, to be approximately $205 million. These costs are comprised of (1) in connection with the products offered by the Company, personnel expenses, product upgrades, and other modifications, including the replacement of legacy systems, and (2) in connection with the Company's infrastructure, the internal IT and non-IT systems being addressed in the Company's Year 2000 plans as discussed above. Approximately $85 million of such total costs were incurred in fiscal 1998; the Company estimates it incurred approximately $20 million of such costs in 1997. NCR intends to capitalize or expense its Year 2000 costs as required by generally accepted accounting principles. In addition, the Company expects to fund these costs through operating cash flows. Because these Year 2000 costs will be funded through a reallocation of NCR's overall research and development, information technology and administrative spending, Year 2000 costs are not expected to result in significant increases in such expenditures. These cost estimates do not include potential increased service, customer satisfaction, warranty or litigation costs that may arise from Year 2000 issues affecting the Company's products or from unanticipated failures of the Company's IT and non-IT systems, nor do they include any increased costs, such as those associated with execution of contingency plans, that may result from supplier or customer disruptions related to a lack of readiness for Year 2000 issues. Although NCR believes its cost estimates are reasonable, there can be no assurance, for the reasons stated below, that the costs of implementing the Company's Year 2000 plans will not differ materially from its estimates.

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

Despite the Company's substantive Year 2000 plans and efforts, the Company could face significant risks associated with its business-critical operations, including, without limitation, the possible malfunction of NCR's IT and non-IT systems due to undetected errors or defects, and the potential impacts of Year 2000 difficulties experienced by third parties (e.g., suppliers, customers, utilities, governmental units and financial institutions). In particular, risks associated with non-U.S. third parties may be greater than those located domestically, as it is widely reported that many non-U.S. businesses and governments are not addressing their Year 2000 issues on a timely basis.

In addition, despite the Company's Year 2000 Qualification and testing processes, NCR could face significant Year 2000 risks as a vendor of technology products and services. Such risks include, but are not limited to, the following uncertainties: NCR's products may contain undetected errors or defects associated with Year 2000 issues; NCR may be unable to identify and notify affected customers of local or other products that are not Year 2000 Qualified; installation schedules of Year 2000 Qualified products may be delayed; and demand for installation services may exceed the ability of NCR and other service providers to meet that demand. In addition, NCR has provided a range of services, including software code development, as contracted and specified by its customers. Typically, such services and products have been accepted by the customers and warranties for them have expired; however, there is some risk that customers will claim that NCR bears responsibility for Year

2000 issues involving their systems. The Company also has provided Year 2000 code remediation services to a small number of its customers. Some commentators have noted that the complexity of identifying and testing Year 2000 issues in connection with such services raises prospects of liability. NCR's contractual arrangements typically contain limited warranties and limitations on liability, but there can be no assurance that these limitations will be upheld in all instances. Any of these or other unforeseen Year 2000 risks could increase service, customer satisfaction, warranty and litigation costs. While no litigation has been initiated against NCR in connection with Year 2000 issues, suits have been brought against other technology vendors and such claims may be advanced against NCR in the future.

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

Contingency Plans: NCR believes it has developed effective Year 2000 plans for the critical areas of its business. However, the Company recognizes that it is not possible to identify and test all potential variables and outcomes relative to Year 2000 issues. Accordingly, the Company is developing business continuity and contingency plans for each of its critical processes and facilities. NCR business continuity and contingency plans will include the potential for Year 2000 failures of third parties, including suppliers. Business continuity and contingency plans are also being developed for, among other things, customer support services, services delivery, order management, help desks, incident-based services, manufacturing systems, accounting and payroll, networks and processing centers. Such plans will be completed on a phased schedule, with the last of the plans targeted for completion by the end of the second quarter of 1999.

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. 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 stockholders' equity. Gains and losses on other foreign exchange contracts are generally recognized currently in other income or expense as exchange rates change. NCR does not hold or enter into derivative financial instruments for trading purposes.

For purposes of specific risk analysis, NCR uses sensitivity analysis to determine the impacts that market risk exposures may have on the fair values of the Company's hedge portfolio. The foreign currency exchange risk is computed based on the market value of future cash flows as impacted by the changes in the rates attributable to the market risk being measured. The sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the opposite gain or loss on the underlying transaction. The results of the foreign currency exchange rate sensitivity analysis at December 31, 1998 and 1997 were: a 10% movement in the levels of foreign currency exchange rates against the U.S. dollar with all other variables held constant would result in a decrease in the fair values of the Company's financial instruments by $13 million and $35 million, respectively, or an increase in fair values of the Company's financial instruments by $26 million and $36 million, respectively.

The interest rate risk associated with NCR's borrowing and investing activities at December 31, 1998 is not material in relation to NCR's consolidated financial position, results of operations or cash flows. NCR does not generally use derivative financial instruments to alter the interest rate characteristics of its investment holdings or debt instruments.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging." SFAS 133 provides guidance for the recognition and measurement of derivatives and hedging activities. It requires an entity to record, at fair value, all derivatives as either assets or liabilities in the balance sheet, and it establishes specific accounting rules for certain types of hedges. This Statement is effective for fiscal years beginning after June 15, 1999 and will be adopted by the Company when required, if not earlier. The impact, if any, of adopting SFAS 133 on NCR's consolidated financial position, results of operations and cash flows, has not been fully determined.

In March 1998, the Accounting Standards Executive Committee of the American

Institute of Certified Public Accountants issued Statement of Position 98-1 (SOP 98-1), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This Statement provides guidance on accounting for the costs of computer software developed or obtained for internal use and establishes certain capitalization criteria for such costs. SOP 98-1 is effective for fiscal years beginning after December 31, 1998 and will be adopted by NCR when required. The adoption of SOP 98-1 is expected to result in the capitalization of approximately $10 million of internal-use software development costs which will be amortized straight-line over three years.

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.

PricewaterhouseCoopers 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/ David Bearman
David Bearman
Senior Vice President and
Chief Financial Officer

Report of Independent Accountants

To the Board of Directors and
Stockholders of NCR Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in stockholders' equity, of cash flows and of comprehensive income present fairly, in all material respects, the financial position of NCR Corporation and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, 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 audits. We conducted our audits 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 audits provide a reasonable basis for the opinion expressed above.

/s/ PriceWaterhouseCoopers LLP
Dayton, Ohio
January 19, 1999

NCR Corporation
Consolidated Statements of Operations

In millions,
except per share amounts

	Year Ended December 31		
	1998	1997	1996
Revenue			
Products	$3,577	$3,709	$3,986
Services	2,928	2,880	2,977
Total Revenue	6,505	6,589	6,963
Operating Expenses			
Cost of products	2,362	2,528	2,722
Cost of services	2,221	2,187	2,203
Selling, general and administrative expenses	1,414	1,510	1,573
Research and development expenses	356	383	390
Non-recurring and restructuring charges	50	-	(55)
Total Operating Expenses	6,403	6,608	6,833
Income (Loss) from Operations	102	(19)	130
Interest expense	13	15	56
Other income, net	(68)	(61)	(36)
Non-recurring gain from asset disposition	(55)	-	-
Income Before Income Taxes	212	27	110
Income tax expense	90	20	219
Net Income (Loss)	$ 122	$ 7	$ (109)
Net Income (Loss) per Common Share			
Basic	$ 1.21	$ .07	$(1.07)
Diluted	$ 1.20	$ .07	$(1.07)
Weighted Average Common Shares Outstanding			
Basic	101.0	102.0	101.4
Diluted	102.1	102.0	101.4

The notes on pages 20 through 32 are an integral part of the consolidated financial statements.

NCR Corporation
Consolidated Balance Sheets

In millions,
except per share amounts

	At December 31	
	1998	1997
Assets		
Current assets		
Cash and short-term investments	$ 514	$1,129
Accounts receivable, net	1,556	1,471
Inventories	384	489
Other current assets	178	196
Total Current Assets	2,632	3,285
Reworkable service parts, net	232	248
Property, plant and equipment, net	872	858
Other assets	1,156	985
Total Assets	$4,892	$5,376
Liabilities and Stockholders' Equity		
Current liabilities		
Short-term borrowings	$ 50	$ 59
Accounts payable	376	378
Payroll and benefits liabilities	303	343
Customer deposits and deferred service revenue	352	348
Other current liabilities	619	850
Total Current Liabilities	1,700	1,978
Long-term debt	33	35
Pension and indemnity liabilities	420	342
Postretirement and postemployment benefits liabilities	655	813
Other liabilities	593	591
Minority interests	44	264
Total Liabilities	3,445	4,023
Commitments and contingencies		
Stockholders' Equity		
Preferred stock: par value $.01 per share, 100.0 shares authorized, no shares issued and outstanding at December 31, 1998 and 1997	-	-
Common stock: par value $.01 per share, 500.0 shares authorized, 105.0 and 103.2 shares issued and 98.7 and 103.2 shares outstanding at December 31, 1998 and 1997, respectively	1	1
Paid-in capital	1,295	1,438
Retained earnings	129	7
Accumulated other comprehensive income (loss)	22	(93)
Total Stockholders' Equity	1,447	1,353
Total Liabilities and Stockholders' Equity	$4,892	$5,376

The notes on pages 20 through 32 are an integral part of the consolidated financial statements.

NCR Corporation
Consolidated Statements of Cash Flows

In millions

	Year Ended December 31		
	1998	1997	1996
Operating Activities			
Net income (loss)	$ 122	$ 7	$ (109)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Depreciation and amortization	364	383	385
Deferred income taxes	54	13	241
Non-recurring and restructuring charges	50	-	(55)
Net (gain) loss on sales of assets	(47)	4	13
Changes in operating assets and liabilities:			
Receivables	(85)	(14)	451
Inventories	15	(50)	182
Accounts payable and other current liabilities	(271)	(34)	(882)
Other operating assets and liabilities	(259)	(61)	142
Net cash (used in) provided by operating activities	(57)	248	368
Investing Activities			
Purchases of short-term investments	(356)	(685)	(284)
Sales of short-term investments	573	482	268
Expenditures for reworkable service parts	(143)	(147)	(207)
Expenditures for property, plant and equipment	(224)	(162)	(216)
Acquisition of minority interest in subsidiary	(274)	-	-
Proceeds from sales of facilities and other assets	310	99	98
Other investing activities	(94)	(111)	(54)
Net cash used in investing activities	(208)	(524)	(395)
Financing Activities			
Purchase of Company common stock	(200)	-	-
Short-term borrowings, net	(9)	31	(17)
Long-term borrowings, net	(2)	(13)	(282)
Transfers from AT&T, net	-	-	1,194
Other financing activities	57	44	-
Net cash (used in) provided by financing activities	(154)	62	895
Effect of exchange rate changes on cash and cash equivalents	21	(63)	(19)
(Decrease) increase in cash and cash equivalents	(398)	(277)	849
Cash and cash equivalents at beginning of year	886	1,163	314
Cash and cash equivalents at end of year	$ 488	$ 886	$ 1,163

The notes on pages 20 through 32 are an integral part of the consolidated financial statements.

NCR Corporation
Consolidated Statements of Changes in Stockholders' Equity

In millions

	Common Stock Shares	Common Stock Amount	Paid-in Capital	AT&T's Net Investment	Accumulated Other Comprehensive Income	Retained Earnings	Total
January 1, 1996				$ 310	$ 48		$ 358
Net loss				(109)	-		(109)
Currency translation adjustments				-	(58)		(58)
Additional minimum pension liability and other				-	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)
Employee stock purchase and stock compensation plans	2	-	44	-	-	-	44
Additional minimum pension liability and other	-	-	-	-	(15)	-	(15)
December 31, 1997	103	1	1,438	-	(93)	7	1,353
Net income	-	-	-	-	-	122	122
Currency translation adjustments	-	-	-	-	95	-	95
Employee stock purchase and stock compensation plans	2	-	57	-	-	-	57
Additional minimum pension liability and other	-	-	-	-	20	-	20
Purchase of Company common stock	(6)	-	(200)	-	-	-	(200)
December 31, 1998	99	$ 1	$1,295	$ -	$ 22	$129	$1,447

Effective December 31, 1996, AT&T Corp. (AT&T) distributed to its stockholders all of its interest in NCR. The distribution resulted in 101 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 of Notes to Consolidated Financial Statements.)

NCR Corporation
Consolidated Statements of Comprehensive Income

In millions

	Year Ended December 31 1998	1997	1996
Net income (loss)	$122	$ 7	$(109)
Other comprehensive income (loss), net of tax:			
Currency translation adjustments	95	(79)	(58)
Additional minimum pension liability and other	20	(15)	11
Comprehensive income (loss)	$237	$(87)	$(156)

The notes on pages 20 through 32 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 or the Company) provide information technology hardware, software and consulting and support services throughout the world. NCR combines these hardware, software and services components into solutions designed to solve complex business problems for its customers. NCR's solutions offer companies the opportunity to capture and transform data from transactions into information for building consumer relationships.

Through its presence at customer interaction points such as automated teller machines or point-of-sale workstations, NCR's solutions are designed to help businesses capture valuable consumer transaction data. They also offer businesses the opportunity to centralize detailed information in a data warehouse, analyze the complex relationships among all of the different data elements, and respond with programs designed to improve consumer acquisition, retention and profitability. NCR offers specific solutions for the retail and financial industries and also provides solutions for the communications, transportation, insurance and utilities industries, consumer goods manufacturers and government entities. These solutions are complemented by NCR's business media products, such as paper rolls, ink ribbons and other business forms.

Integrated within the solutions NCR provides its customers, the Company offers a complete range of information technology services in support of critical transaction-based systems and networks, including staging and implementation, multi-vendor services, system-support services, consulting, managed services, life-cycle services and a wide range of other support services. In addition, NCR offers its customers consulting and support services which include designing, integrating, installing and supporting scalable data warehousing technologies, applications software and related hardware and equipment.

Effective December 31, 1996, AT&T Corp. (AT&T) distributed to its stockholders 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
For the years ended December 31, 1998 and 1997, NCR's consolidated financial statements reflect the results of operations, financial position, cash flows, changes in stockholders' equity and comprehensive income 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. Such financial statements 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 stockholders' 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 year ended December 31, 1996 may not necessarily reflect the consolidated results of operations, financial position, cash flows, changes in stockholders' equity and comprehensive income of NCR had NCR been a separate entity during that period.

Basis of Consolidation
The consolidated financial statements include the accounts of NCR and its majority-owned subsidiaries in which NCR exercises significant influence and control. Long-term investments in affiliated companies in which NCR exercises significant influence, but which it does not control are accounted for under the equity method. Investments in which NCR does not exercise significant influence (generally 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 in other comprehensive income.

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 trading 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 hedges and measured for effectiveness both at inception and on an ongoing basis. NCR primarily uses forward contracts and options 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, and foreign exchange options contracts that hedge anticipated transactions, 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 other foreign exchange contracts that hedge anticipated transactions, gains and losses are recognized currently in other income and expense as exchange rates change. When hedging certain foreign currency transactions of a long-term investment nature, gains and losses are recorded in the currency translation adjustment component of stockholders' equity. 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. At December 31, 1998, deferred net gains on foreign exchange options which hedged anticipated transactions were $6 million, and the unamortized foreign exchange option premiums were $9 million. The applicable amounts at December 31, 1997 were insignificant.

Revenue Recognition

Revenue from product and software license 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 such products or licenses at the time of sale, revenue is not recognized until the obligations are satisfied or the uncertainties are resolved. Services and maintenance revenue is recognized proportionately over the contract period or as services are performed.

Warranty, Sales Returns and Post Sales Support

Provisions for product warranties, sales returns and allowances and post sales support are recorded in the period in which the related revenue is recognized.

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 $65 million in 1998 and $66 million in both 1997 and 1996. Accumulated amortization for software development costs was $105 million and $125 million at December 31, 1998 and 1997, respectively.

Income Taxes

Income tax expense is provided based on income before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are 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. During such time, income tax expense in NCR's consolidated financial statements was calculated as if NCR had filed separate income tax returns.

Net Income (Loss) Per Common Share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the reported period. The calculation of diluted earnings (loss) per share is similar to basic, except that the weighted average number of shares outstanding includes the additional dilution from potential common stock such as stock options and restricted stock awards. For the year ended December 31, 1998, the weighted-average number of common shares outstanding used to compute diluted earnings per share included 0.5 million of restricted stock awards and 0.6 million of stock options. For the year ended December 31, 1997, the dilutive effect of potential common stock had no impact on reported net income per common share. Potential common stock during the year ended December 31, 1996 was not considered in calculating the net loss per common share since the effects would be antidilutive.

Cash, Cash Equivalents and 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, 1998 and 1997. All short-term, highly liquid investments having maturities of three months or less at the date of acquisition are considered to be cash equivalents.

Inventories

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

Long-Lived Assets and Goodwill

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.

Goodwill is included in other assets and is carried at cost less accumulated amortization. Amortization is computed on a straight-line basis over useful lives ranging from 5 to 25 years. Accumulated amortization was $18 million and $11 million at December 31, 1998 and 1997, respectively.

NCR reviews the carrying value of long-lived assets and goodwill for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

Reclassifications

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

Recently Issued Accounting Pronouncements

In July 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging." SFAS 133 provides guidance for the recognition and measurement of derivatives and hedging activities. It requires an entity to record, at fair value, all derivatives as either assets or liabilities in the balance sheet, and it establishes specific accounting rules for certain types of hedges. This Statement is effective for fiscal years beginning after June 15, 1999 and will be adopted by the Company when required, if not earlier. The impact, if any, of adopting SFAS 133 on NCR's consolidated financial position, results of operations and cash flows, has not been fully determined.

In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-1 (SOP 98-1), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This Statement provides guidance on accounting for the costs of computer software developed or obtained for internal use and establishes certain capitalization criteria for such costs. SOP 98-1 is effective for fiscal years beginning after December 31, 1998 and will be adopted by NCR when required. The adoption of SOP 98-1 is expected to result in the capitalization of approximately $10 million of internal-use software development costs which will be amortized on the straight-line basis over three years.

Note 2.
Supplementary Financial Information

In millions	Year Ended December 31 1998	1997	1996
Other Income			
Interest income	$ 44	$52	$ 29
Gain (loss) on sales of assets	47	(4)	(13)
Other, net	32	13	20
Total other income, net	$123	$61	$ 36

In millions	At December 31 1998	1997
Cash and Short-Term Investments		
Cash and cash equivalents	$ 488	$ 886
Short-term investments	26	243
Total cash and short-term investments	$ 514	$ 1,129
Accounts Receivable		
Trade	$1,423	$ 1,344
Other	180	163
	1,603	1,507
Less: allowance for doubtful accounts	(47)	(36)
Total accounts receivable, net	$1,556	$ 1,471
Inventories		
Finished goods, net	$ 324	$ 353
Work in process and raw materials, net	60	136
Total inventories	$ 384	$ 489
Reworkable Service Parts		
Reworkable service parts	$ 555	$ 572
Less: accumulated depreciation	(323)	(324)
Total reworkable service parts, net	$ 232	$ 248
Property, Plant and Equipment		
Land and improvements	$ 155	$ 90
Buildings and improvements	747	762
Machinery and other equipment	1,313	1,352
	2,215	2,204
Less: accumulated depreciation	(1,343)	(1,346)
Total property, plant and equipment, net	$ 872	$ 858
Other Assets		
Prepaid pension cost	$ 723	$ 607
Capitalized software, net	104	98
Other	329	280
Total other assets	$1,156	$ 985
Accumulated Other Comprehensive Income (Loss)		
Currency translation adjustments	$ 43	$ (52)
Additional minimum pension liability and other	(21)	(41)
Total accumulated other comprehensive income (loss)	$ 22	$ (93)

Note 3.
Income Taxes

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

	Year Ended December 31		
	1998	1997	1996
Income (Loss) Before Income Taxes			
U.S.	$272	$(121)	$(555)
Foreign	(60)	148	665
Total income before income taxes	$212	$ 27	$ 110

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

	Year Ended December 31		
	1998	1997	1996
Income Tax Expense (Benefit)			
Current			
Federal	$21	$(17)	$ -
State and local	(8)	(17)	11
Foreign	23	41	(33)
Deferred			
Federal	-	-	-
State and local	-	-	-
Foreign	54	13	241
Total income tax expense	$90	$ 20	$ 219

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

	Year Ended December 31		
	1998	1997	1996
Income tax expense at the U.S. federal tax rate of 35%	$ 74	$ 10	$ 39
Foreign income tax differential	98	2	(24)
Net U.S. tax losses	(91)	42	194
Other, net	9	(34)	10
Total income tax expense	$ 90	$ 20	$ 219

NCR's tax provisions include a provision for income taxes in those tax jurisdictions where its subsidiaries are profitable, but reflect no or only a portion of the tax benefits related to U.S. and certain foreign subsidiaries' tax losses 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 $271 million under its tax allocation agreement with AT&T for the U.S. tax losses and credits generated during the year ended December 31, 1996.

NCR paid income taxes of $60 million, $108 million and $88 million for the years ended December 31, 1998, 1997 and 1996, respectively.

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

	1998	1997
Deferred Income Tax Assets		
Employee pensions and other benefits	$242	$330
Other balance sheet reserves and allowances	261	288
Tax loss and credit carryforwards	252	209
Property, plant and equipment	31	22
Other	91	70
Total deferred income tax assets	877	919
Valuation allowance	(498)	(553)
Net deferred income tax assets	379	366
Deferred Income Tax Liabilities		
Property, plant and equipment	77	49
Employee pensions and other benefits	122	113
Taxes on undistributed earnings of foreign subsidiaries	126	83
Other	89	85
Total deferred income tax liabilities	414	330
Total net deferred income tax (liabilities) assets	$(35)	$ 36

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. The 1998 net change in the valuation allowance is primarily attributable to utilization of U.S. tax loss carryforwards partially offset by incremental foreign deferred tax valuation allowances. It is reasonably possible that the valuation allowance could continue to decrease in the near term if operations in certain of NCR's tax jurisdictions are able to demonstrate sustained profitability. As of December 31, 1998, NCR has U.S. federal and foreign tax loss carryforwards of approximately $408 million. The tax loss carryforwards subject to expiration expire in years 2001 through 2012.

NCR has not provided for U.S. federal income taxes or foreign withholding taxes on approximately $399 million and $457 million of undistributed earnings of a foreign subsidiary as of December 31, 1998 and 1997, 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.

The income tax effects relating to comprehensive income for 1998, 1997 and 1996 were not significant as a result of the Company's tax position in these years.

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 4.
Debt Obligations

NCR has debt with scheduled maturities within one year of $50 million and $59 million as of December 31, 1998 and 1997, respectively. The weighted average interest rate for such debt was 7.3% in 1998 and 7.4% in 1997. NCR has long-term debt and notes totaling $33 million and $35 million at December 31, 1998 and 1997, respectively. These obligations have interest rates ranging from 7.64% to 9.49% with scheduled maturity dates from 2000 to 2020. The scheduled maturities of the outstanding long-term debt and notes during the next five years are: $26 million in 2001, and the remainder after 2004. Interest paid was approximately $13 million, $19 million and $66 million in 1998, 1997 and 1996, 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, 1998 or 1997.

Note 5.
Employee Benefit Plans

Pension and Postretirement Plans

NCR sponsors defined benefit plans for substantially all U.S. employees and the majority of international employees. For salaried employees, the defined benefit plans are based primarily upon compensation and years of service. For certain hourly employees in the 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.

Prior to September 1998, substantially all U.S. employees who reached retirement age while working for NCR were eligible to participate in a postretirement benefit plan. The plan provides medical care and life insurance benefits to retirees and their eligible dependents. In September 1998, the plan was amended whereby participants who had not reached a certain age and years of service with NCR were no longer eligible for such benefits. NCR recognized a $19 million pre-tax gain on the curtailment of these benefits and expects that this and other plan changes will favorably impact future postretirement net benefit costs. 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.

Reconciliations of the beginning and ending balances of the benefit obligations for NCR's pension and postretirement benefit plans were (in millions):

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Change in Benefit Obligation				
Benefit obligation at January 1	$3,084	$2,861	$ 394	$ 377
Gross service cost	78	73	4	5
Interest cost	222	204	27	28
Amendments	7	4	(90)	-
Actuarial loss	328	334	36	16
Benefits paid	(204)	(199)	(36)	(32)
Curtailment	-	(9)	(19)	-
Settlement	(145)	(107)	-	-
Currency translation adjustments	52	(77)	-	-
Benefit Obligation at December 31	$3,422	$3,084	$ 316	$ 394

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

	Pension Benefits	
	1998	1997
Change in Plan Assets		
Fair value of plan assets at January 1	$3,662	$3,450
Actual return on plan assets	573	528
Company contributions	72	50
Plan participant contributions	6	5
Benefits paid	(204)	(199)
Settlement	(145)	(107)
Currency translation adjustments	36	(65)
Fair Value of Plan Assets at December 31	$4,000	$3,662

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

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Reconciliation to Balance Sheet				
Funded status	$579	$ 578	$ (316)	$ (394)
Unrecognized net gain	(206)	(229)	(35)	(73)
Unrecognized prior service cost	40	53	(58)	29
Unrecognized transition asset	(69)	(90)	-	-
Net Amount Recognized	$344	$ 312	$ (409)	$ (438)
Total Recognized Amounts Consist of:				
Prepaid benefit cost	$723	$ 607	$ -	$ -
Accrued benefit liability	(401)	(339)	(409)	(438)
Intangible asset	2	8	-	-
Accumulated other comprehensive income	20	36	-	-
Net Amount Recognized	$344	$ 312	$ (409)	$ (438)

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

	Pension Benefits			Postretirement Benefits		
	1998	1997	1996	1998	1997	1996
Discount rate	6.8%	7.3%	7.4%	7.0%	7.5%	7.5%
Expected return on plan assets	10.0%	9.6%	9.2%	-	-	-
Rate of compensation increase	4.3%	4.3%	4.4%	4.3%	4.3%	4.5%

For postretirement benefit measurement purposes, NCR assumed growth in the per capita cost of covered health care benefits (the health care cost trend rate) would gradually decline from 9.5% and 7.0%, pre-65 and post-65, respectively, in 1998 to 5.0% by the year 2006. In addition, a one percentage point change in assumed health care cost trend rates would have the following effect on the postretirement benefit costs and obligation (in millions):

	1% Increase	1% Decrease
1998 service and interest costs	$ 3	$ (2)
Postretirement benefit obligation at December 31, 1998	$21	$(19)

The net periodic benefit cost for the plans for the years ended December 31, follows (in millions):

	Pension Benefits			Postretirement Benefits		
	1998	1997	1996	1998	1997	1996
Net service cost	$ 75	$ 69	$ 71	$ 4	$ 5	$ 5
Interest cost	222	204	205	27	28	27
Expected return on plan assets	(349)	(314)	(277)	-	-	-
Settlement	46	-	-	-	-	-
Curtailment	1	-	-	(19)	-	-
Amortization of:						
Transition asset	(22)	(21)	(21)	-	-	-
Prior service cost	17	17	22	(3)	2	3
Actuarial losses (gains)	4	(2)	(1)	(1)	(3)	(4)
Net Benefit Cost	$ (6)	$ (47)	$ (1)	$ 8	$ 32	$ 31

In connection with a reduction in workforce of NCR's Japanese subsidiary of 1,000 employees, NCR settled the pension benefit obligations relating to the affected employees. As a result, the Company recognized a $50 million pre-tax non-recurring charge on the pension settlement/curtailment and other related charges in the fourth quarter of 1998.

The projected benefit obligation, accumulated benefit obligation and fair value of assets for the pension plans with accumulated benefit obligations in excess of plan assets were $460 million, $386 million and $10 million, respectively, at December 31, 1998 and $509 million, $417 million and $106 million, respectively, at December 31, 1997.

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. As a result of the finalization of the NCR pension plan asset valuation, 1997 pension expense decreased $23 million, favorably impacting gross margins and expenses.

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 $24 million, $30 million and $31 million for 1998, 1997 and 1996, respectively.

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, 1998 and 1997 was $271 million and $400 million, respectively. The decrease is attributable to benefit payments.

Note 6.
Acquisition of Minority Interest in Subsidiary

During 1998, NCR acquired an additional 27% ownership interest in its Japanese subsidiary, NCR Japan, Ltd. at a cost of $274 million, increasing NCR's ownership of the subsidiary to over 97%. As a result of the acquisition, which is being accounted for as a purchase, goodwill of approximately $65 million was recorded by NCR and is being amortized on a straight-line basis over 20 years. On a pro forma basis, the impact of the transaction on NCR's consolidated net income and net income per share for the years ended December 31, 1998 and 1997 was not material.

Note 7.
Stock Compensation Plans and Purchases of Company Common Stock

Stock Compensation Plans

The NCR Management Stock Plan provides for the grant of several different forms of stock-based benefits, including stock options, stock appreciation rights, restricted stock awards, performance awards, other stock unit awards and other rights, interests or options relating to shares of NCR common stock to employees and non-employee directors. Stock options are generally granted at the fair market value of the common stock at the date of grant, generally have a ten-year term and vest within three years of the grant date. Grants that were issued before 1998 generally had a four-year vesting period. Options to purchase common stock may be granted under the authority of the Board of Directors. Option terms as determined by the Compensation Committee of the Board will not exceed ten years, as consistent with the Internal Revenue Code. The number of shares of common stock authorized and available for grant under this plan were approximately 17 million and 10 million, respectively, at December 31, 1998.

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 January 2, 1998. The number of shares authorized and available for grant under this plan were approximately 7 million and 4 million, respectively, at December 31, 1998.

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 (hereafter referred to as "the substituted options").

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

	1998		1997	
	Shares Under Option	Weighted Average Exercise Price	Shares Under Option	Weighted Average Exercise Price
Outstanding at beginning of year	12,521	$33.26	6,871	$32.34
Granted	2,904	31.87	6,491	33.24
Exercised	(703)	27.13	(425)	20.43
Canceled	(1,552)	33.95	(349)	34.91
Expired	(264)	36.06	(67)	34.53
Outstanding at End of Year	12,906	$33.13	12,521	$33.26

The following table summarizes information about stock options outstanding at December 31, 1998 (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
$ 5.92 to $14.27	160	1.51 years	$12.92	160	$12.92
$15.28 to $29.72	881	3.87 years	23.84	733	23.36
$30.31 to $43.15	11,865	6.25 years	34.13	5,908	33.80
Total	12,906		$33.16	6,801	$32.18

NCR accounts for its stock-based compensation plans using the intrinsic value-based method, which requires compensation expense for options to be recognized when the market price of the underlying stock exceeds the exercise price on the date of grant. Compensation cost charged against income for NCR's stock-based plans was not material in 1998, 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):

		1998	1997	1996
Net income (loss)	As reported	$ 122	$ 7	$ (109)
	Pro forma	81	(58)	(144)
Net income (loss) per diluted share	As reported	$1.20	$.07	$(1.07)
	Pro forma	.80	(.57)	(1.42)

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. The pro forma amounts shown above are not necessarily indicative of the effects on net income (loss) 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 using the Black-Scholes option-pricing method. The following weighted average assumptions were used for the years ended December 31:

	1998	1997

Dividend yield	0%	0%
Risk-free interest rate	5.35%	6.35%
Expected volatility	40%	40%
Expected holding period (years)	5.00	4.06

For the 1996 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 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 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, 1998, 1997 and 1996 was $13.85, $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 both 1998 and 1997, employees purchased approximately 1 million shares of NCR common stock for approximately $28 million. The number of shares authorized for future issuance and available for grant under this plan at December 31, 1998 were approximately 8 million and 6 million, respectively.

Purchase of Company Common Stock

On April 16, 1998, NCR's Board of Directors approved a share repurchase program authorizing the purchase of shares of Company common stock valued up to $200 million. In the third quarter of 1998, NCR completed its stock buyback program, purchasing a total of 6.3 million shares at a cost of $200 million.

Note 8.
Financial Instruments

In the normal course of business, NCR enters into various financial instruments, including derivative financial instruments, for purposes other than trading. 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, French francs 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, 1998 and 1997. 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.

In millions	Contract Notional Amount	Carrying Amount Asset	Carrying Amount Liability	Fair Value Asset	Fair Value Liability
1998					
Foreign exchange forward contracts	$ 902	$37	$37	$57	$39
Foreign currency options	309	16	1	12	2
Debt	-	-	83	-	85
Letters of credit	47	-	-	-	-
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	-	-	-	-

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, 1998 and 1997, 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, 1998 or 1997, nor does NCR have any major concentration of credit risk related to any financial instrument.

Note 9.
Segment Information and Concentrations

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

Operating Segment Information

NCR assesses performance and allocates resources based principally on the customers served and the industries in which such customers operate. Accordingly, NCR categorizes its operations into four strategic segments: Retail, Financial, National Accounts Solutions Group and Systemedia. The Retail and Financial industry segments serve customers that operate in the respective industries. The National Accounts Solutions

Group provides solutions, products and services to generally large customers outside of the retail and financial industries, including customers in the communications, transportation, insurance and utility industries, consumer goods manufacturers and government entities. The Systemedia segment develops, produces and markets consumable media products principally for customers in industries served by NCR's other operating segments. The Retail, Financial and National Accounts Solutions Group segments may offer a variety of products, services and solutions to their customers which incorporate scalable data warehousing and a variety of other technologies.

Through its Retail industry segment, NCR provides a full line of solutions, systems, products and services for customers in the retail industry. Included in these offerings are NCR's point-of-sale terminals and barcode scanners, scaleable data warehousing technologies and networking. NCR's Financial industry segment provides a full line of solutions, products and services for customers in the financial industry. These offerings include automated teller machines, scaleable data warehousing technologies and electromechanical item- and image-processing devices, as well as, bank branch automation, call centers, home banking and account processing solutions. The Company's National Accounts Solutions Group segment provides to its customers solutions, products, systems and services which include NCR's transaction processing, high availability and data warehousing technologies. Professional consulting and customer support services are also offered through NCR's Retail, Financial and National Accounts Solutions Group segments. In addition, third-party applications and technologies are incorporated into the solutions and systems NCR provides through its operating segments. NCR's "All other segments" accumulates the revenue and operating income not attributable to the above operating segments. Unallocated corporate expenses primarily include the following types of charges: global education, corporate staff organizations and benefit plan costs.

The following tables present data for revenue and operating income by industry operating segments for the years ended December 31 (in millions):

	1998	1997	1996
Revenue			
Retail	$1,449	$1,373	$1,374
Financial	2,886	2,845	2,766
National Accounts Solutions Group	1,498	1,562	1,922
Systemedia	514	510	551
All other segments	158	299	350
Consolidated revenue	$6,505	$6,589	$6,963
Operating Income			
Retail	$ 32	$ (10)	$ (8)
Financial	284	254	270
National Accounts Solutions Group	37	(41)	(3)
Systemedia	42	50	63
Unallocated corporate expenses and other segments	(243)	(272)	(247)
Non-recurring and restructuring charges	(50)	--	55
Consolidated operating income	$ 102	$ (19)	$ 130

The assets attributable to NCR's operating segments consist primarily of accounts receivable, inventories and manufacturing assets dedicated to a specific segment. Assets not attributable to segments consist primarily of fixed assets not dedicated to a specific segment, prepaid pension costs, cash and short-term investments. Operating segment assets at December 31 were (in millions):

	1998	1997	1996
Operating Segment Assets			
Retail	$ 464	$ 444	$ 446
Financial	969	874	841
National Accounts Solutions Group	578	683	842
Systemedia	192	200	205
Operating segment assets	2,203	2,201	2,334
Assets not attributable to segments	2,689	3,175	2,946
Consolidated assets	$4,892	$5,376	$5,280

The following tables present revenue by product and service line and geographic area for NCR for the years ended December 31. Revenues are attributed to geographic areas/countries based principally upon the geographic area/country to which the product is delivered or in which the service is provided.

Revenue by Product and Service Line

In millions	1998	1997	1996
Retail products	$ 509	$ 474	$ 428
Financial products	1,146	1,069	1,007
Enterprise server products	411	420	408
Other computer products	948	1,170	1,494
Customer support services	2,182	2,142	2,273
Professional services	631	628	580
Systemedia products	514	510	551
Other	164	176	222
Consolidated revenue	$6,505	$6,589	$6,963

Revenue by Geographic Area

In millions	1998	1997	1996
United States	$2,846	$2,735	$2,944
Americas (excluding United States)	523	476	488
Europe/Middle East/Africa	2,046	1,976	2,131
Japan	687	859	865
Asia/Pacific (excluding Japan)	403	543	535
Consolidated revenue	$6,505	$6,589	$6,963

The following tables present certain long-lived assets by country at December 31:

Property, Plant and Equipment, Net

In millions	1998	1997	1996
United States	$366	$411	$451
Japan	210	130	148
All other countries	296	317	331
Consolidated property, plant and equipment, net	$872	$858	$930

Reworkable Service Parts, Net

In millions	1998	1997	1996
United States	$117	$137	$145
Japan	18	18	21
All other countries	97	93	111
Consolidated reworkable service parts, net	$232	$248	$277

Concentrations

No single customer accounts for more than 10% of NCR's consolidated revenue. As of December 31, 1998, 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.

Note 10.

Contingencies

In the normal course of business, NCR is subject to various regulations, proceedings, lawsuits, claims and other matters, including actions under laws and regulations related to the environment and health and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. NCR believes the amounts provided in its consolidated financial statements, as prescribed by generally accepted accounting principles, are adequate in light of the probable and estimable liabilities. However, there can be no assurances that the amounts required to discharge alleged liabilities from various lawsuits, claims, legal proceedings and other matters, and to comply with applicable laws and regulations, will not exceed the amounts reflected in NCR's consolidated financial statements or will not have a material adverse effect on its consolidated results of operations, financial condition or cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of December 31, 1998 cannot presently be determined.

Environmental Matters

NCR's facilities and operations are subject to a wide range of environmental protection laws 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 facilities that it currently owns or operates, or formerly owned or operated, 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, the U.S. Department of the Interior, Fish & Wildlife Service (USF&WS), two Native American tribes, and other federal agencies (Federal Trustees) notified NCR that the Federal Trustees consider NCR to be a PRP under the FWPCA and CERCLA with respect to alleged natural resource damages (NRD) 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 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 NRD in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. In January 1997, the Federal Trustees notified NCR and the other PRPs of the Federal Trustees' intent to commence a NRD lawsuit. The PRPs and the Federal Trustees agreed to postpone litigation and entered into tolling and standstill agreements; however, those agreements have expired and the Federal Trustees have not instituted litigation. In addition, NCR was identified, along with a number of other companies, by the State of Wisconsin (State) with respect to alleged liability under CERCLA and comparable Wisconsin law concerning the contaminated sediments in the Fox River. In July 1997, the Federal Trustees, the State and the United States Environmental Protection Agency (USEPA) entered into a Memorandum of Agreement to coordinate studies and actions regarding the Fox River, including the assertion of claims against the PRPs. In December 1997, the USEPA denied the PRPs' good faith proposal to perform a remedial investigation and feasibility study of Fox River (RI/FS) and the State thereafter commenced work on the RI/FS in conjunction with the USEPA. Finally, in July 1998, the USEPA formally proposed the Fox River for inclusion on the National Priorities List. An estimate of NCR's ultimate share of NRD or remedial liability cannot be made with certainty at this time due to (i) the unknown magnitude, scope and source of any alleged contamination, (ii) the uncertainty of the amount and scope of any alleged natural resource restoration or damages, and (iii) the absence of selected remedial and restoration objectives and methods. NCR believes that there are additional PRPs who may be liable for NRD or remediation costs. Further, in 1978, NCR sold the business to which the claims apply. In this connection, NCR commenced litigation against the buyer and its former parent alleging that they are responsible for the above-described claims. The parties have reached an interim partial settlement and arbitration agreement under which the parties are presently, and for the foreseeable future will be, sharing both defense and liability costs.

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

Legal Proceedings

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

Note 11.
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, 1998 were:

In millions	1999	2000	2001	2002	2003	Later Years	Total
Operating leases	$55	$49	$44	$27	$23	$33	$231

Total rental expense for operating leases was $76 million, $81 million and $85 million in 1998, 1997 and 1996, respectively.

Note 12.
Transactions With AT&T and Affiliates

For the year ended December 31, 1996, NCR had revenues from sales and services to AT&T and its current and former affiliates of $258 and $218 million, respectively. At December 31, 1996 receivables related to these 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 in 1996. 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 for the year ended December 31, 1996.

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 stockholders' 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, the purchase and provision of products and services, technology access and development, patent and technology licensing and certain defensive protection arrangements.

Note 13.
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 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.

In the fourth quarter of 1996, NCR released $55 million of reserves related to the 1995 restructuring. In 1997, NCR substantially completed its restructuring plan. The remaining restructuring liability at December 31, 1998 was not significant.

Note 14.
Quarterly Information (Unaudited)

In millions, except per share amounts	First	Second/1/	Third	Fourth/2/	Total
1998					
Total revenues	$1,309	$1,574	$1,555	$2,067	$6,505
Gross margin	354	472	461	635	1,922
Net income	-	48	25	49	122
Net income per share:					
Basic	$ 0.0	$ .47	$ .25	$ .50	$ 1.21
Diluted	0.0	.46	.25	.49	1.20
1997					
Total revenues	$1,389	$1,645	$1,563	$1,992	$6,589
Gross margin	400	458	449	567	1,874
Net income (loss)	(16)	(4)	(9)	36	7
Net income (loss) per share, basic and diluted	$ (.16)	$ (.04)	$ (.09)	$ .35	$ .07

1. In the second quarter of 1998, NCR recognized a $55 million pre-tax gain on the sale of its TOP END(R) middleware technology and products family to BEA Systems, Inc.
2. In the fourth quarter of 1998, NCR recognized a $50 million pre-tax loss on the settlement of pension benefit obligations relating to a reduction in workforce of the Company's Japanese subsidiary as more fully explained in Note 5.

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
NCR Superannuation Nominees, Ltd.	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
NCR Bulgaria Ltd.	Bulgaria
NCR Cameroon, S.A.	Cameroon
NCR Canada Ltd.	Canada
NCR de Chile, S.A.	Chile
NCR (Shanghai) Technology Services Ltd.	China
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 Dominicana C. por A.	Dominican Republic
NCR Finland Oy	Finland
NCR Petrol Management Systems 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
P. T. NCR Rencana	Indonesia
NCR Italia S.p.A.	Italy
NCR Japan, Ltd.	Japan
NCR Japan Sales Co., Ltd.	Japan
NCR Holdings Ltd.	Japan
NCR (Kenya) Limited	Kenya
Afrique Investments Ltd.	Kenya
Data Processing Printing and Supplies Limited	Kenya
NCR Korea 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 Financial Shared Services 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 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 (Switzerland)	Switzerland
National Registrierkassen 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 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 UK Ltd	United Kingdom
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 19, 1999 appearing on page 15 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 the Form 10-K.

PricewaterhouseCoopers LLP

Dayton, Ohio
March 12, 1999

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS OF NCR CORPORATION AT DECEMBER 31, 1998 AND 1997 AND THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

YEAR	YEAR
DEC-31-1998	DEC-31-1997
JAN-01-1998	JAN-01-1997
DEC-31-1998	DEC-31-1997
488	886
26	243
1,556	1,471
0	0
384	489
2,632	3,285
2,215	2,204
1,343	1,346
4,892	5,376
1,700	1,978
33	35
0	0
0	0
1	1
1,446	1,352
4,892	5,376
3,577	3,709
6,505	6,589
2,362	2,528
4,583	4,715
1,820	1,893
26	12
13	15
212	27
90	20
122	7
0	0
0	0
0	0
122	7
1.21	.07
1.20	.07