

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTER ENDED SEPTEMBER 30, 1997

Commission File Number 001-00395

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

MARYLAND
(State or other jurisdiction of
incorporation or organization)

31-0387920
(I.R.S. Employer
Identification No.)

1700 SOUTH PATTERSON BLVD.
DAYTON, OHIO
(Address of principal executive offices)

45479
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Number of shares of common stock, \$.01 par value, outstanding as of October 31, 1997 was 102,797,841.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NCR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1997	1996	1997	1996
REVENUES				
Sales	\$ 866	\$ 926	\$ 2,499	\$ 2,738
Services	697	732	2,098	2,185
TOTAL REVENUES	1,563	1,658	4,597	4,923
OPERATING EXPENSES				
Cost of sales	608	616	1,744	1,916
Cost of services	524	560	1,600	1,656
Selling, general, and administrative expenses	351	364	1,027	1,075
Research and development expenses	96	89	279	273
TOTAL OPERATING EXPENSES	1,579	1,629	4,650	4,920
INCOME (LOSS) FROM OPERATIONS	(16)	29	(53)	3
Interest expense	4	14	10	40
Other (income), net	(13)	(14)	(43)	(17)
INCOME (LOSS) BEFORE INCOME TAXES	(7)	29	(20)	(20)
Income tax expense	2	62	9	96
NET LOSS	\$ (9)	\$ (33)	\$ (29)	\$ (116)
NET LOSS PER COMMON SHARE	\$ (.09)	\$ (.32)	\$ (.28)	\$ (1.14)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (IN MILLIONS)	102.5	101.4	102.0	101.4

See accompanying notes.

NCR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS

	SEPTEMBER 30 1997	DECEMBER 31 1996
	-----	-----
ASSETS		
Current assets		
Cash and short-term investments	\$ 1,027	\$ 1,203
Accounts receivable, net	1,363	1,457
Inventories	540	439
Other current assets	236	219
	-----	-----
TOTAL CURRENT ASSETS	3,166	3,318
Rental equipment and service parts, net	245	277
Property, plant, and equipment, net	873	930
Other assets	841	755
	-----	-----
TOTAL ASSETS	\$ 5,125	\$ 5,280
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	\$ 69	\$ 28
Accounts payable	300	352
Payroll and benefits liabilities	345	383
Customer deposits and deferred service revenue	330	348
Other current liabilities	810	856
	-----	-----
TOTAL CURRENT LIABILITIES	1,854	1,967
Long-term debt	36	48
Pension and indemnity liabilities	306	300
Postretirement and postemployment benefits liabilities	817	777
Other liabilities	475	503
Minority interests	279	289
	-----	-----
TOTAL LIABILITIES	3,767	3,884
	-----	-----
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Common stock, par value \$.01 per share (authorized: 500 million shares; issued and outstanding: 102.7 million shares at September 30, 1997 and 101.4 million shares at December 31, 1996)	1	1
Paid-in capital	1,423	1,394
Retained earnings (deficit)	(29)	--
Other	(37)	1
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	1,358	1,396
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 5,125	\$ 5,280
	=====	=====

See accompanying notes.

NCR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
DOLLARS IN MILLIONS

	NINE MONTHS ENDED SEPTEMBER 30	
	1997	1996
	-----	-----
OPERATING ACTIVITIES		
Net loss	\$ (29)	\$ (116)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	278	275
Changes in operating assets and liabilities:		
Receivables	94	532
Inventories	(101)	62
Other operating assets and liabilities	(218)	(449)
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	24	304
	-----	-----
INVESTING ACTIVITIES		
Short-term investments, net	(214)	(49)
Expenditures for service parts	(90)	(177)
Expenditures for property, plant, and equipment	(125)	(133)
Other investing activities	9	42
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(420)	(317)
	-----	-----
FINANCING ACTIVITIES		
Short-term borrowings, net	41	(3)
Repayments of long-term debt, net	(12)	(240)
Transfers from AT&T, net	--	638
Other financing activities	29	--
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	58	395
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(52)	(1)
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(390)	381
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,163	314
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 773	\$ 695
	=====	=====

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared by NCR Corporation ("NCR") without audit pursuant to the rules and regulations of the Securities and Exchange Commission and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated results of operations, financial position, and cash flows for each period presented. The consolidated results for interim periods are not necessarily indicative of results to be expected for the full year. These financial statements should be read in conjunction with NCR's 1996 Annual Report to Shareholders and Form 10-K for the year ended December 31, 1996.

2. SUPPLEMENTAL BALANCE SHEET INFORMATION

	September 30 1997	December 31 1996
(In millions)	-----	-----
CASH AND SHORT-TERM INVESTMENTS		
Cash and cash equivalents	\$ 773	\$1,163
Short-term investments	254	40
	-----	-----
Total cash and short-term investments	\$1,027	\$1,203
	=====	=====
INVENTORIES		
Finished goods	\$ 373	\$ 297
Work in process and raw materials	167	142
	-----	-----
Total inventories	\$ 540	\$ 439
	=====	=====

3. CONTINGENCIES

In the normal course of business, NCR is subject to various regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment and health and safety, among others. Such matters are subject to the resolution of various uncertainties, and accordingly, outcomes are not predictable with assurance. Although NCR believes that amounts provided in its consolidated financial statements are adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to discharge alleged liabilities from various lawsuits, claims, legal proceedings, and other matters, and to comply with applicable laws and regulations, will not exceed the amounts reflected in NCR's consolidated financial statements or will not have a material adverse effect on its consolidated financial condition, results of operations, or cash flows. Any costs that may be incurred in excess of those amounts provided as of September 30, 1997 cannot currently be determined.

LEGAL PROCEEDINGS

As of September 30, 1997, there were a number of individual product liability claims pending against NCR alleging that its products, including personal computers, supermarket bar code scanners, cash registers, and check encoders, caused so-called "repetitive strain injuries" or "musculoskeletal disorders," such as carpal tunnel syndrome. As of September 30, 1997, approximately 70 such claims were pending against NCR. In such lawsuits, the plaintiff typically alleges that the injury was caused by the design of the product at issue or a failure to warn of alleged hazards. These plaintiffs generally seek compensatory damages and, in many cases, punitive damages. Most other manufacturers of these products have also been sued by plaintiffs on similar theories. Ultimate resolution of the litigation against NCR may substantially depend on the outcome of similar matters of this type pending in various courts. NCR has denied the merits and basis for the pending claims against it and intends to continue to contest these cases vigorously.

NCR was named as one of the defendants in a purported class-action suit filed in November 1996 in Florida. The complaint seeks, among other things, damages from the defendants in the aggregate amount of \$200 million, trebled, plus attorneys' fees, based on state antitrust and common-law claims of unlawful restraints of

trade, monopolization, and unfair business practices. The portions of the complaint pertinent to NCR, among other things, assert a purported agreement between Siemens-Nixdorf entities (Siemens) and NCR regarding the servicing of certain "ultra-high speed printers" manufactured by Siemens and the agreement's impact upon independent service organizations, brokers, and end-users of such printers. The amount of any liabilities or other costs, if any, that may be incurred in connection with this matter cannot currently be determined.

ENVIRONMENTAL MATTERS

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

In February 1996, NCR received notice from the U.S. Department of the Interior, Fish & Wildlife Service (USF&WS) that USF&WS considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages to the Fox River and related Green Bay environment (Fox River System) due to, among other things, sediment contamination in the Fox River System allegedly resulting from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. In addition, NCR has been identified, along with a number of other companies, by the Wisconsin Department of Natural Resources (State) with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. In December 1996, USF&WS, two Native American tribes, and certain other federal agencies (Federal Trustees) invited NCR, the other PRP companies, and the State to enter into settlement negotiations over these environmental claims. In January 1997, NCR and the other PRP companies reached agreement on an interim settlement with the State. The Federal Trustees are not party to that agreement. In January 1997, the Federal Trustees notified NCR and the other PRPs of the Federal Trustees' intent to commence a natural resource damages lawsuit under CERCLA and the FWPCA within 60 days of the notice, unless a negotiated resolution of their claims could be reached. In July 1997, the State, the United States Environmental Protection Agency (USEPA), and the Federal Trustees entered into a Memorandum of Agreement (MOA). The MOA states that it provides a framework under which the parties to that agreement can coordinate remedial and restoration studies and actions regarding the Fox River, including the assertion of claims against the PRPs. In June 1997, USEPA announced its intention to propose the Fox River for inclusion on the National Priorities List; shortly thereafter, the State of Wisconsin announced its opposition to such listing. In July 1997, the USEPA sent the PRPs a Special Notice Letter calling for formal negotiations on the preparation of a remedial investigation and feasibility study (RI/FS) on the Fox River; on July 15, 1997, the PRPs agreed to enter into such negotiations. NCR and the other identified PRPs have entered into a series of tolling and standstill agreements with the Federal Trustees, the State, and USEPA, effectively stopping any judicial or administrative actions so long as such agreements remain in effect (currently until December 2, 1997). The State proposed that it, the PRPs, USEPA, and the Federal Trustees enter into a more comprehensive agreement by early 1998. NCR expects there will be further discussions over the next few months about the preparation of an RI/FS and the State's proposal for a more comprehensive agreement. An estimate of NCR's ultimate share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be made with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of selected remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply and believes the claims described above are the responsibility of the buyer and its former parent company pursuant to the terms of the sale agreement. In this connection, NCR has commenced litigation against the buyer to enforce its position.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR accrues environmental provisions when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. Management expects that the amounts provided as of September 30, 1997 will be paid out over the period of investigation, negotiation, remediation, and restoration for the applicable sites, which may be 30 years or more. Provisions for estimated losses from environmental remediation are, depending on the site, based primarily on internal and third-party environmental studies, estimates as to the number and participation level of any other PRPs, the extent of the contamination, and the nature of required remedial

and restoration actions. Accruals are adjusted as further information develops or circumstances change. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amount of such liabilities, without deductions for insurance or third-party indemnity claims. In those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

4. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

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

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

RESULTS OF OPERATIONS

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

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1997	1996	1997	1996
Revenue:				
Sales	55.4%	55.9%	54.4%	55.6%
Services	44.6%	44.1%	45.6%	44.4%
	-----	-----	-----	-----
Total	100.0%	100.0%	100.0%	100.0%
	=====	=====	=====	=====
Gross Margin:				
Sales	29.8%	33.5%	30.2%	30.0%
Services	24.8%	23.5%	23.7%	24.2%
	-----	-----	-----	-----
Total	27.6%	29.1%	27.3%	27.4%
Selling, general, and administrative expenses	22.5%	22.0%	22.3%	21.8%
Research and development expenses	6.1%	5.4%	6.1%	5.5%
	-----	-----	-----	-----
Income (loss) from operations	(1.0)%	1.7%	(1.1)%	0.1%
	=====	=====	=====	=====

THREE MONTHS ENDED SEPTEMBER 30, 1997 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1996

REVENUE

Revenue for the three months ended September 30, 1997 was \$1,563 million, a decrease of 6% from the third quarter of 1996. When adjusted for the unfavorable impact of quarter-to-quarter changes in foreign currency exchange rates, revenue decreased by 1% compared to the third quarter of 1996.

Sales revenue decreased 6% to \$866 million in the third quarter of 1997 compared to the third quarter of 1996. Revenue gains from the year ago quarter in retail products of 14% and financial products of 2% were more than offset by revenue declines in computer products of 18% and systemedia products of 11%. Revenue decreased for computer products due partly to reduced AT&T Corp. (AT&T) sales and declines in the mid-range server business. Services revenue decreased 5% to \$697 million in the third quarter of 1997 compared to the third quarter of 1996, despite a 14% increase in revenue from professional services over the same period. The increase in professional services revenue was not sufficient to offset a decline of 8% in customer services revenue. The decline in customer services revenue was primarily the result of an overall decrease in sales revenue which impacts the maintenance contract business, the transition of AT&T to self-maintenance, and unfavorable impacts from foreign currency caused by the continued strengthening of the U.S. dollar.

Revenue in the third quarter of 1997 compared with the third quarter of 1996 increased by 2% in the Asia Pacific region, decreased by 10% in the Americas,

and decreased by 5% in Europe/Middle East/Africa (EMEA). When adjusted for the unfavorable impact of quarter-to-quarter changes in foreign currency exchange rates, revenue on a local currency basis increased 10% in Asia Pacific and increased 7% in EMEA. The Americas region comprised approximately 50% of NCR's total third quarter 1997 revenue, EMEA approximately 30%, and Asia Pacific approximately 20%.

OPERATING EXPENSES

Gross margin decreased 1.5 percentage points of revenue to 27.6% in the third quarter of 1997 from 29.1% in the third quarter of 1996. Sales gross margins decreased 3.7 percentage points to 29.8% for the third quarter of 1997 due largely to the mix and value of products sold in the quarter and continued strengthening of the U.S. dollar. Services gross margins increased 1.3 percentage points to 24.8% during the third quarter of 1997 in part due to actions taken to reduce the cost of infrastructure in the customer services business.

Selling, general, and administrative expenses decreased \$13 million or 4% in the third quarter of 1997 from the year ago quarter. The decline was a result of continued expense reduction efforts. The entire decline was in general and administrative expenses, as selling expenses increased slightly during the quarter. As a percentage of revenue, selling, general, and administrative expenses were 22.5% in the third quarter of 1997 and 22.0% in the same period of 1996. Research and development expenses increased \$7 million to \$96 million in the third quarter of 1997. As a percentage of revenue, research and development expenses were 6.1% in the third quarter of 1997 and 5.4% in the same period of 1996. Overall, operating expenses were favorably impacted by the quarter-to-date changes in foreign currency exchange rates.

During AT&T's ownership of NCR, the assets of NCR's domestic 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 Technologies Inc., 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, gross margins and expenses were favorably impacted in the quarter by a year-to-date increase in return on pension assets calculated using the 1997 estimated long-term rate of return on assets of 9.5%, which was increased from the 1996 rate of 9.0%.

INCOME (LOSS) BEFORE INCOME TAXES

NCR reported a loss from operations of \$16 million in the third quarter of 1997 compared to income from operations of \$29 million in the year ago quarter. Overall reductions in expenses were not sufficient to offset declines in revenue and gross margin for the quarter or the negative impacts from foreign currency. Interest expense was \$4 million in the third quarter of 1997 compared to \$14 million in the third quarter of 1996. The decrease in interest expense was the result of reduced debt levels in 1997 compared to 1996. Other income, net was \$13 million in the third quarter of 1997 and was comparable to the \$14 million in the third quarter of 1996.

NCR reported loss before taxes of \$7 million in the third quarter of 1997 compared to income before taxes of \$29 million in the third quarter of 1996.

NET LOSS

The provision for income taxes was \$2 million in the third quarter of 1997 compared to \$62 million in the third quarter of 1996. NCR's tax provision results from a normal provision for income taxes in those foreign tax jurisdictions where its subsidiaries are profitable, and an inability to reflect tax benefits from net operating losses and tax credits in certain tax jurisdictions, primarily in the United States.

Net loss was \$9 million in the third quarter of 1997 compared to \$33 million in the same period of 1996.

NINE MONTHS 1997 COMPARED TO NINE MONTHS 1996

REVENUE

Revenue for the first nine months of 1997 was \$4,597 million, a decrease of 7% from the comparable nine month period last year. When adjusted for the unfavorable impact in foreign currency exchange rates, revenue decreased 3% compared to the same year-to-date period in 1996.

Sales revenue decreased 9% to \$2,499 million in the first nine months of 1997 compared to the same period of 1996. Revenue gains in retail products of 11% and financial products of 2% were more than offset by revenue declines in computer products of 17%, PCs/entry level server products of 19% and systemedia products of 9%. The decrease in PCs/entry level server products revenue was due to NCR's decision to no longer sell these products through high-volume indirect channels. In addition, computer product sales to AT&T declined during the first nine

months of 1997 compared to 1996. Services revenue decreased 4% to \$2,098 million in the first nine months of 1997 compared to the same period of 1996. Revenue for professional services increased by 9% in the first nine months of 1997. The increase in professional services revenue was not sufficient to offset a decline of 6% in customer services revenue.

Revenue in the first nine months of 1997 compared with the same period of 1996 increased by 1% in the Asia Pacific region, decreased by 8% in the Americas, and decreased by 10% in EMEA. When adjusted for the unfavorable impact of foreign

currency exchange rates, revenue on a local currency basis increased 9% in Asia Pacific and decreased 1% in EMEA. The Americas region comprised approximately 50% of NCR's total first nine months 1997 revenue, EMEA approximately 29%, and Asia Pacific region approximately 21%.

OPERATING EXPENSES

Gross margin as a percentage of revenue of 27.3% for first nine months of 1997 was comparable to the 27.4% of the same period in 1996.

Selling, general, and administrative expenses decreased \$48 million or 4% in the first nine months of 1997. The decrease in 1997 was primarily the result of NCR's continued focus on expense reduction. As a percentage of revenue, selling, general, and administrative expenses were 22.3% in the first nine months of 1997 and 21.8% in the same period of 1996. Research and development expenses increased \$6 million to \$279 million in the first nine months of 1997. As a percentage of revenue, research and development expenses were 6.1% in the first nine months of 1997 and 5.5% in the same period of 1996. The increase in 1997 was primarily the result of NCR's continued investment in new products, systems, and solutions. Overall, operating expenses were favorably impacted by the year-to-date changes in foreign currency exchange rates.

INCOME (LOSS) BEFORE INCOME TAXES

NCR reported a loss from operations of \$53 million in the first nine months of 1997 compared to income from operations of \$3 million in the same period of 1996. Reductions in expenses were not sufficient to offset declines in revenue and gross margin for the first nine months of 1997. Interest expense was \$10 million in the first nine months of 1997 compared to \$40 million in the same period of 1996. The \$30 million decrease in interest expenses was the result of reduced debt levels in 1997 compared to 1996. Other income, net was \$43 million in the first nine months of 1997 compared to \$17 million in the first nine months of 1996. The \$26 million increase is largely attributable to higher interest income on increased levels of cash and short-term investments, the positive impact in prior quarters of certain foreign currency contracts, and insurance proceeds related to a prior year loss.

NCR reported a loss before taxes of \$20 million in the first nine months of both 1997 and 1996.

NET LOSS

The provision for income taxes was \$9 million in the first nine months of 1997 compared to \$96 million in the same period of 1996. NCR's tax provision results from a normal provision for income taxes in those foreign tax jurisdictions where its subsidiaries are profitable, and an inability to reflect tax benefits from net operating losses and tax credits, primarily in the United States.

Net loss was \$29 million in the first nine months of 1997 and \$116 million in the same period in 1996.

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

NCR's cash and short-term investments totaled \$1,027 million at September 30, 1997 compared to \$1,203 million at December 31, 1996.

Net cash provided by operating activities was \$24 million in the first nine months of 1997 and \$304 million in the first nine months of 1996. Receivable balances decreased \$94 million through September 30, 1997 compared to a decrease of \$532 million in the same period in 1996, due largely to NCR's decision to no longer sell PC/entry level servers through high-volume indirect channels and a reduction in receivable balances resulting from the sale of NCR's Switzerland data services business in 1996. Inventory balances increased \$101 million in the first nine months of 1997 compared to a decrease of \$62 million in the comparable period of 1996. The decrease in 1996 resulted from overall improved supply line management and an increased focus on inventory management practices. The increase in inventory in the first nine months of 1997 is consistent with historical inventory increases generally experienced during the first three quarters of the year. Cash required for other operating purposes decreased to \$218 million in the first nine months of 1997 from \$449 million in the same period of 1996 primarily due to significant payments made in the first nine months of 1996 relating to NCR's 1995 restructuring.

Net cash used in investing activities was \$420 million in the first nine months of 1997 and \$317 million in the same period of 1996. In 1997, NCR purchased \$214 million of short-term investments as a part of its overall cash management strategy. Capital expenditures were \$215 million for the first nine months of

1997 and \$310 million for the comparable period in 1996. 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 activities, and expenditures for facilities to support sales and marketing activities.

Net cash provided by financing activities was \$58 million in the first nine months of 1997 and \$395 million in the same period of 1996. In 1996, 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 for 1996 represent capital infusions that were used to fund NCR's ongoing operations. In addition, \$240 million of debt was repaid in the first nine months of 1996.

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

On October 15, 1997, NCR announced the fundamental realignment of its global business structure. The operational changes include realignment of the country-centered sales and professional services organizations within NCR's business units and implementation of various global business processes to simplify NCR's organizational structure and improve efficiency. Approximately 1,000 infrastructure and support jobs are expected to be eliminated during 1998 as a result of implementing global business processes. The expense savings expected from the realignment have not been fully determined, but the changes are expected to create clearer accountability, increase delivery speed, and reduce costs.

FACTORS THAT MAY AFFECT FUTURE RESULTS

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

NCR's ability to improve its operating results depends significantly upon its ability to profitably grow revenue, improve gross margins, maintain expense discipline, and improve its effective tax rate. There can be no assurances that NCR will not face unforeseen costs, delays or other impediments in the implementation of its strategy and business plan, that its strategy and business plan will generate the expected benefits, or that NCR's strategy will be successful. The success of NCR's strategy will also depend, among other things, upon the technologies, actions, products, and strategies of NCR's current and future competitors, general domestic and foreign economic and business conditions, the condition of the information technology industry and the industries in which NCR's customers operate, and other factors, including those described below.

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

Due to NCR's focus on providing complex integrated solutions to customers, NCR frequently relies on third parties to provide significant elements of NCR's offerings, which must be integrated with the elements provided by NCR. NCR has from time to time formed alliances with third parties that have complementary products, services, and skills. These business practices often require NCR to rely on the performance and capabilities of third parties which are beyond NCR's control. NCR's reliance on third parties introduces a number of risks to NCR's business. In addition to the risk of non-performance by alliance partners or other third parties, the need to integrate elements provided by NCR with those of third parties could result in delays in the introduction of new products, services, systems, or solutions. Further, the failure of any of these third parties to provide products or services that conform to NCR's specifications or quality standards could impair the ability of NCR to offer solutions that include such third party elements or may impair the quality of such solutions. Any of these factors could have an adverse impact on NCR's financial condition or results of operations.

A number of NCR's products and systems rely on specific suppliers for microprocessors, operating systems, and other central components. For example, NCR's computer systems are based on microprocessors and related peripheral chip

technology designed by Intel Corporation. NCR incorporates UNIX (R) and Microsoft Windows NT (R) operating systems into its products and utilizes Oracle Corporation and Informix Corporation's commercial databases for NCR's Scalable Data Warehousing and High Availability Transaction Processing solutions. The failure of any of these technologies to remain competitive, either individually or as part of a system or solution, or the failure of these providers to continue such technologies, could adversely impact NCR's financial condition or results of operations.

NCR also uses many standard parts and components in its products and systems, and believes there are a number of competent vendors for most parts and components. However, a number of important components are developed by and purchased from single sources due to price, quality, technology, or other considerations. In some cases, those components are available only from single sources. The process of substituting new producers of such parts could adversely impact NCR's results of operations.

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

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

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

NCR's sales are historically seasonal, with 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. In addition, in many quarters, a large portion of NCR's revenue is realized in the third month of the quarter. Operating expenses are relatively fixed in the short term and often cannot be materially reduced in a particular quarter if revenue falls below anticipated levels for such quarter.

NCR's international operations are subject to a number of risks inherent in operating abroad. Such operations may be adversely affected by a variety of factors, many of which cannot be readily foreseen and over which NCR has no control. A significant change in the value of the dollar or other functional currencies against the currency of one or more countries where NCR recognizes revenues or earnings or maintains net asset investments may adversely impact future operating results. NCR attempts to mitigate a portion of such changes through the use of foreign currency contracts.

NCR's tax rate is dependent upon the proportion of taxable earnings derived from those international subsidiaries where NCR is historically profitable and reports a normal provision for income taxes, in relation to its total consolidated results of operations. To the extent that NCR is unable to reflect tax benefits from net operating losses and tax credits, arising primarily in the United States, to offset provisions for income taxes attributable to its profitable foreign subsidiaries, NCR's overall effective tax rate could increase.

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

UNIX is a registered trademark in the United States and other countries, exclusively licensed through X/OPEN Company Limited. WINDOWS NT is a registered trademark of Microsoft Corporation.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

- 3 Amended and Restated Bylaws
- 10 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
- 27 Financial Data Schedule

(b) REPORTS ON FORM 8-K

On October 21, 1997, NCR filed a Current Report on Form 8-K, including unaudited condensed consolidated balance sheets as of September 30, 1997, and unaudited condensed consolidated statements of operations, consolidated revenue summary, and condensed consolidated statements of cash flows for the quarter ended September 30, 1997, with respect to its Information Release on its third quarter financial results.

SIGNATURE

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

NCR CORPORATION

Date: November 10, 1997

By: /s/ JOHN L. GIERING

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

EXHIBIT INDEX

EXHIBIT

NO.

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NCR CORPORATION

BYLAWS

AS AMENDED AND RESTATED ON OCTOBER 16, 1997

ARTICLE I.

Stockholders

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

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

Section 3. Written or printed notice of every annual or special meeting of the stockholders shall be given to each stockholder entitled to vote at such meeting, by leaving the same with him or at his residence or usual place of business, or by mailing it, postage prepaid, and addressed to him at his address, as it appears upon the books of the Corporation, at least ten days and not more than ninety days before such meeting. Notice of every special meeting shall state the place, day and hour of such meeting and the business proposed to be transacted thereat; and no business shall be transacted at such meeting except that specifically named in the notice. Failure to give notice of any annual meeting, or any irregularity in such notice, shall not affect the validity of any annual meeting if held at the time and place fixed by Section 1 of this Article I, or the validity of any proceedings at any such meeting (other than proceedings of which special notice is required by statute, by the Charter or by the Bylaws). No notice of an adjourned meeting of stockholders need be given, except as required by law.

Section 4. The Chairman of any special or annual meeting of stockholders may adjourn or postpone the meeting from time to time, whether or not a quorum is present. No notice of the time and place of adjourned meetings need be given except as required by law. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment or postponement, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. At any such adjourned or postponed meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 5. Any stockholder entitled to vote at any meeting of stockholders may vote either in person or by proxy, but no proxy which is dated more than eleven months before the meeting at which it is offered shall be accepted, unless such proxy shall, on its face, name a longer or shorter period for which it is to remain in force. Every proxy shall be in writing, subscribed by the stockholder or his duly authorized attorney, and dated, but need not be sealed, witnessed or acknowledged.

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

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

Section 8. (a) Annual Meetings of Stockholders.

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

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (a)(1) of this Bylaw, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th calendar day nor earlier than the close of business on the 120th calendar day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty calendar days before or more than sixty calendar days after such anniversary date, notice by the stockholder to be timely must be so

delivered not earlier than the close of business on the 120th calendar day prior to such annual meeting and not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the calendar day on which public announcement of the date of such meeting is first made by the Corporation. For purposes of determining whether a stockholder's notice shall have been delivered in a timely manner for the annual meeting of stockholders in 1997, the first anniversary of the previous year's meeting shall be deemed to be April 16, 1997. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Bylaw to the contrary, in the event that the number of Directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for Director or specifying the size of the increased Board of Directors at least 100 calendar days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th calendar day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to Section 2 of Article I of these Bylaws. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which Directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors, (b) provided that the Board of Directors has determined that Directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Bylaw, who shall

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

(c) General.

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

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

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

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

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

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

ARTICLE II.

Board of Directors

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

Section 2. Subject to removal, death, resignation or retirement of a Director, a Director shall hold office until the annual meeting of the stockholders for the year in which such Director's term expires and until a successor shall be elected and qualified, except as provided in Section 7.1(d) of the Charter.

Section 3. (a) From time to time, the number of Directors may be increased to not more than 20, or decreased to not less than 3, upon resolution approved by a majority of the total number of Directors which the Corporation would have if there were no vacancies (the "Whole Board"). The Directors, other than those who may be elected in accordance with the terms of any Articles Supplementary, shall be divided into three classes. Each such class shall consist, as nearly as may be possible, of one-third of the total number of Directors, and any remaining Directors shall be included with such group or groups as the Board of Directors shall designate. At the annual meeting of the stockholders of the Corporation for 1996, a class of Directors shall be elected for a one-year term, a class of Directors shall be elected for a two-year term, and a class of Directors shall be elected for a three-year term. At each succeeding annual

meeting of stockholders, beginning with 1997, successors to the class of Directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of Directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of Directors in each class as nearly equal as possible, but in no case shall a decrease in the number of Directors shorten the term of any incumbent Director.

(b) Except as provided by law with respect to Directors elected by stockholders of a class or series, any Director or the entire Board of Directors may be removed for cause by the affirmative vote of the holders of not less than 80% of the voting power of all Voting Stock (as defined in the Charter) then outstanding, voting together as a single class. Subject to such removal, or the death, resignation or retirement of a Director, a Director shall hold office until the annual meeting of the stockholders for the year in which such Director's term expires and until a successor shall be elected and qualified, except as provided in Section 7.1(d) of the Charter.

(c) Except as provided by law with respect to Directors elected by stockholders of a class or series, a vacancy on the Board of Directors which results from the removal of a Director may be filled by the affirmative vote of the holders of not less than 80% of the voting power of the then outstanding Voting Stock, voting together as a single class, and a vacancy which results from any such removal or from any other cause may be filled by a majority of the remaining Directors, whether or not sufficient to constitute a quorum. Any Director so elected by the Board of Directors shall hold office until the next annual meeting of stockholders and until his successor is elected and qualified and any Director so elected by the stockholders shall hold office for the remainder of the term of the removed Director. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

Section 4. The Board of Directors shall meet for the election of officers and for the transaction of any other business as soon as practicable after the annual meeting of stockholders. Other regular meetings of the Board of Directors shall be held at such times and from time to time as may be fixed by the Board of Directors, and on not less than 48 hours' notice, given in such manner as the Board of Directors any determine. Special meetings of the Board of Directors shall be held at such times and from time to time pursuant to call of the Chairman of the Board or of the President, if the President is also a Director, with notice thereof given in writing or by telephonic or other means of communication in such manner as the Chairman of the Board or the President, as the case may be, may determine.

Section 5. Regular and special meetings of the Board of Directors may be held at such place or places within or without the State of Maryland as the Board of Directors may from time to time determine.

Section 6. A majority of the Board of Directors shall constitute a quorum for the transaction of business, but if, at any meeting of the Board of Directors, there shall be less than a quorum present, the Directors present at the meeting, without further notice, may adjourn the same from time to time, not exceeding ten days at any one time, until a quorum shall attend. Except as required by statute, or as provided in the Charter or these Bylaws, a majority of the

Directors present at any meeting at which a quorum is present shall decide any questions that may come before the meeting.

ARTICLE III.

Committees of the Board of Directors

Executive Committee

Section 1. The Board of Directors may elect an Executive Committee consisting of three or more Directors. If such a Committee is established, the Board of Directors shall appoint one of the members of the Executive Committee to the office of Chairman of the Executive Committee. The Chairman and other members of the Executive Committee shall hold office until the first meeting of the Board of Directors following the annual meeting of stockholders next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Executive Committee or in the office of Chairman of the Executive Committee shall be filled by the Board of Directors.

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

Audit and Finance Committee

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

Compensation Committee

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

be Directors. Vacancies in the Compensation Committee or in the office of Chairman of the Compensation Committee shall be filled by the Board of Directors.

Committee on Directors

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

Other Committees

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

Meetings of Committees

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

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

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

ARTICLE IV.

Officers

Section 1. The Board of Directors shall appoint one of their number as Chairman of the Board and may appoint one of their number as Honorary Chairman of the Board. In addition, the Board of Directors may appoint one of their number as Acting Chairman of the Board. All of the duties and powers of the Chairman of the Board shall be vested in the Acting Chairman of the Board in the event of the absence of the Chairman or in the event that the Chairman ceases, for any reason, to be a member of the Board and the Board has not yet elected a

successor. The Board of Directors shall appoint a President who may also be a Director. The Board of Directors may also appoint one or more Senior Vice Presidents and Vice Presidents, who need not be Directors, and such other officers and agents with such powers and duties as the Board of Directors may prescribe. The President shall appoint a Treasurer and a Secretary, neither of whom need be a Director, and may appoint a controller and one or more Assistant Vice Presidents, Assistant Controllers, Assistant Secretaries and Assistant Treasurers, none of whom need be a Director. All said officers shall hold office until the first meeting of the Board of Directors following the annual meeting of the stockholders next succeeding their respective elections, and until their successors are appointed and qualify. Any two of said offices, except those of President and Senior Vice President or Vice President, may, at the discretion of the Board of Directors, be held by the same person.

Section 2. Subject to any supervisory duties that may be given to the Chairman of the Board by the Board of Directors, the President shall have direct supervision and authority over the affairs of the Corporation. If the President is also a Director, and in the absence of the Chairman of the Board, the President shall preside at all meetings of the Board of Directors at which he shall be present. He shall make a report of the operation of the Corporation for the preceding fiscal year to the stockholders at their annual meeting and shall perform such other duties as are incident to his office, or as from time to time may be assigned to him by the Board of Directors or the Executive Committee, or by the Bylaws.

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

Section 4. The Chairman of the Executive Committee shall preside at all meetings of the Executive Committee at which he shall be present and, in the absence of the Chairman of the Board and the President, if the President is also a Director, shall preside at all meetings of the Board of Directors at which he shall be present.

Section 5. Except as otherwise provided in the Bylaws, the Senior Vice Presidents shall perform the duties and exercise all the functions of the President in his absence or during his inability to act. The Senior Vice Presidents and Vice Presidents shall have such other powers, and perform such other duties, as may be assigned to him or them by the Board of Directors, the Executive Committee, the Chairman of the Executive Committee, the President, or the Bylaws.

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

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

ARTICLE V.

Annual Statement of Affairs and Fiscal Year

Section 1. There shall be prepared annually a full and correct statement of the affairs of the Corporation, to include a balance sheet and a financial statement of the operations for the preceding fiscal year. The statement of affairs shall be submitted at the annual meeting of the stockholders and not more than twenty (20) days after the meeting, placed on file at the Corporation's principal office. Such statement shall be prepared or caused to be prepared by such executive officer of the Corporation as may be designated by the Board of Directors. If no other executive officer is so designated, it shall be the duty of the President to prepare or cause to be prepared such statement.

Section 2. The fiscal year of the Corporation shall end on the thirty-first day of December in each year, or on such other day as may be fixed from time to time by the Board of Directors.

ARTICLE VI.

Seal

The Board of Directors shall provide (with one or more duplicates) a suitable seal, containing the name of the Corporation, which shall be in the charge of the Secretary or Assistant Secretaries.

ARTICLE VII.

Stock

Section 1. Shares of capital stock of the Corporation may be issued as share certificates or may be uncertificated. If issued as share certificates, such certificates shall be issued in such form as may be approved by the Board of Directors and shall be signed by the President, the Chairman of the Board, a Senior Vice President or a Vice President, and also countersigned by one of the following: the Treasurer, an Assistant Treasurer, the Secretary or an

Assistant Secretary; and shall be sealed with the seal of the Corporation (which may be in the form of a facsimile of the seal of the Corporation).

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

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

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

ARTICLE VIII.

Execution of Instruments

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

ARTICLE IX.

Waiver of Notice of Meetings

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

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

ARTICLE X.

Amendment to Bylaws

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

ARTICLE XI.

Indemnification

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

Section 2. Subject to the provisions of Section 4 of this Article XI, the Corporation (a) shall indemnify its Directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the General Laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures set forth in Section 3 hereof and to the full extent permitted by law and (b) may

indemnify other employees and agents to such extent, if any, as shall be authorized by the Board of Directors and be permitted by law, and may advance expenses to employees and agents under the procedures set forth in Section 5 hereof. For purposes of this Article XI, the "advance of expenses" shall include the providing by the Corporation to a Director, officer, employee or agent who has been named a party to a proceeding, of legal representation by, or at the expense of, the Corporation.

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

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

Section 5. The Corporation may advance expenses, prior to the final disposition of any proceeding, to or on behalf of an employee or agent of the Corporation who is a party to a proceeding as to action while employed by or on behalf of the Corporation and who is neither an officer nor Director of the Corporation upon (a) the submission by the employee or agent to the General Counsel of the Corporation of a written affirmation that it is such employee's or agent's good faith belief that such employee or agent has met the standard of conduct as set forth in Section 4 hereof and an undertaking by such employee or agent to reimburse the Corporation for

the advance of expenses by the Corporation to or on behalf of such employee or agent if it shall ultimately be determined that the standard of conduct has not been met and (b) the determination by the General Counsel, in his discretion, that advance of expenses to the employee or agent is appropriate in light of all of the circumstances, subject to such additional conditions and restrictions not inconsistent with this Article XI as the General Counsel shall impose.

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

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

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

July 13, 1995

Mr. Nyberg

Lars:

This will confirm our understanding that a special Hiring Bonus will be payable to you in addition to the payments due to you under my April 18, 1995 offer of employment.

A special Hiring Bonus of \$118,000 will be payable to you in three \$39,333 installments on June 1, 1996, June 1, 1997 and June 1, 1998. These payments are conditioned only upon your continued employment with AT&TGIS or AT&T.

Sincerely,

/s/ Hal Burlingame

Harold W. Burlingame
Senior Vice President

July 5, 1995 AT&T Share Price	\$ 54.000
June 1, 1995 AT&T Share Price	\$50.9375
Difference	\$ 3.062

$\$3.062 \times 38,484 \text{ options} = \$117,838 = \$118,000$

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF OPERATIONS OF NCR CORPORATION FOR THE PERIOD ENDED SEPTEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

U.S. DOLLARS

9-MOS		
	DEC-31-1997	
	SEP-30-1997	
	1	773
	254	
	1,363	
	0	
	540	
	3,166	2,265
	1,392	
	5,125	
1,854		36
0		0
		1
	1,357	
5,125		2,499
	4,597	1,744
	3,344	
	1,306	
	0	
	10	
	(20)	
	9	
(29)		
	0	
	0	
		0
	(29)	
	(.28)	
	0	