

TERADATA CORP /DE/

FORM 10-K (Annual Report)

Filed 03/02/09 for the Period Ending 12/31/08

Address	10000 INNOVATION DRIVE DAYTON, OH 45342
Telephone	937-242-4800
CIK	0000816761
Symbol	TDC
SIC Code	3571 - Electronic Computers
Industry	Computer Services
Sector	Technology
Fiscal Year	12/31

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

FORM 10-K

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

For the fiscal year ended December 31, 2008

OR

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

For the transition period from to

Commission File Number 001-33458

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

Delaware
(State or other jurisdiction of
incorporation or organization)

75-3236470
(I.R.S. Employer
Identification No.)

2835 Miami Village Dr.
Miamisburg, Ohio 45342
(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code: (866) 548-8348

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

Title of Each Class	Name of Each Exchange on which Registered
Common Stock, \$0.01 par value	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

At January 31, 2009, there were approximately 173.6 million shares of common stock outstanding.

Table of Contents

DOCUMENTS INCORPORATED BY REFERENCE

Part III: Portions of the registrant's Proxy Statement, to be filed with the Securities and Exchange Commission in connection with the Company's Annual Meeting of Stockholders to be held April 28, 2009.

TABLE OF CONTENTS

<u>Item</u>	<u>Description</u>	<u>Page</u>
PART I		
1.	Business	4
1A.	Risk Factors	11
1B.	Unresolved Staff Comments	21
2.	Properties	21
3.	Legal Proceedings	21
4.	Submission of Matters to a Vote of Security Holders	21
PART II		
5.	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	22
6.	Selected Financial Data	24
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
7A.	Quantitative and Qualitative Disclosures about Market Risk	35
8.	Financial Statements and Supplementary Data	36
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	65
9A.	Controls and Procedures	65
9B.	Other Information	66
PART III		
10.	Directors, Executive Officers and Corporate Governance	67
11.	Executive Compensation	68
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	68
13.	Certain Relationships and Related Transactions, and Director Independence	68
14.	Principal Accounting Fees and Services	68
PART IV		
15.	Exhibits, Financial Statement Schedules	69

This report contains trademarks, service marks, and registered marks of Teradata Corporation and its subsidiaries, and other companies, as indicated.

PART I

FORWARD-LOOKING STATEMENTS

Forward-looking statements in our public filings or other public statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other public statements. These forward-looking statements were based on various facts and were derived utilizing numerous important assumptions and other important factors, and changes in such facts, assumptions or factors could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives. Statements preceded by, followed by or that otherwise include the words “believes,” “expects,” “anticipates,” “intends,” “projects,” “estimates,” “plans,” “may increase,” “may fluctuate,” and similar expression or future or conditional verbs such as “will,” “should,” “would,” “may” and “could” are generally forward-looking in nature and not historical facts. You should understand that the factors described under “Risk Factors” and the following important factors could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

- the global economic downturn and its impact on the markets in general or on the ability of our suppliers and customers to meet their commitments to us, or the timing of purchases by our current and potential customers, and other general economic and business conditions;
- the rapidly changing and intensely competitive nature of the information technology industry and the enterprise data warehousing business, including the increasing consolidation activity and pressure on achieving continued price/performance gains for data warehousing solutions;
- fluctuations in our operating results, timing of transactions, unanticipated delays or accelerations in our sales cycles and the difficulty of accurately estimating revenues; and
- risks inherent in operating in foreign countries, including the impact of foreign currency fluctuations, economic, political, legal, regulatory, compliance, cultural and other conditions abroad.

Other factors not identified above, including the risk factors described in the section entitled “Risk Factors” included elsewhere in this Annual Report on Form 10-K (“Annual Report”), may also cause actual results to differ materially from those projected by our forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond our reasonable control.

You should consider the areas of risk described above, as well as those set forth in the section entitled “Risk Factors” included elsewhere in this Annual Report, in connection with considering any forward-looking statements that may be made by us and our businesses generally. We undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events.

Table of Contents

Item 1. BUSINESS

Overview. Teradata Corporation (“we,” “us,” “Teradata,” or the “Company”) is a global leader in enterprise data warehousing (“EDW”), including enterprise analytic technologies and services. Our data warehousing solutions are comprised of software, hardware, and related business consulting and support services. Recognized as market leading by both industry analysts and customers, our solutions integrate an organization’s departmental and enterprise-wide data—about customers, financials, operations, and more—into a single enterprise-wide data warehouse. Our enterprise analytical technologies then transform that data into actionable “enterprise intelligence.” This intelligence offers our customers a single view of their business, and the ability to leverage their organization’s data as a strategic corporate asset to gain competitive and operational advantage. Companies today realize that they require better information derived from their data to run their business, and are seeing data volumes and data sources continue to multiply. Using Teradata solutions, they can access more timely and accurate information, obtain better insight about all aspects of their business, and make decisions with greater speed and precision to drive profitable growth. Teradata is designed to enable our customers to maximize business value while minimizing their total costs.

We serve customers across a broad set of industries from around the world—ranging from small departmental and corporate implementations to many of the world’s largest data warehouses. Teradata operates from three main locations in the United States: Johns Creek (Atlanta), Georgia; Miamisburg (Dayton), Ohio; and Rancho Bernardo (San Diego), California. In addition, we have sales and services offices located in approximately 40 countries. For the full year ended December 31, 2008, we had net income of \$250 million and total revenues of \$1.762 billion, of which approximately 56% was derived in the North America and Latin America region (the “Americas”), 26% in the Europe, Middle East and Africa region (“EMEA”), and 18% in the Asia Pacific and Japan region (“APJ”), demonstrating our diversified business model. For financial information about these geographic areas that are also our reportable segments, see “Note 11—Segment, Other Supplemental Information and Concentrations” in Notes to Consolidated Financial Statements elsewhere in this Annual Report.

History and Development. Teradata was formed in 1979 as a Delaware corporation. Teradata established a relational database management system on a proprietary platform in 1984. In 1990, Teradata partnered with NCR Corporation (“NCR”) to jointly develop next-generation database systems. In 1991, AT&T Corp. (“AT&T”) acquired NCR and, later that year, NCR purchased Teradata.

In 1996, AT&T spun off NCR (including Teradata) to form an independent, publicly-traded company, NCR Corporation. In 1999, NCR consolidated its Teradata data warehousing operations and product offerings into a separate operating division. Since 1999, we have increased our investments and focus to extend the scope of our enterprise data warehousing solutions, including improvements to our leading database software, increasing our enterprise analytic software applications, and providing sophisticated support and professional consulting services.

The Separation. On August 27, 2007, NCR’s Board of Directors approved the separation of NCR into two independent, publicly-traded companies through the distribution of 100% of its Teradata data warehousing business to shareholders of NCR (the “Separation”).

To effect the Separation, Teradata was formed as a separate Delaware corporation on March 27, 2007, as a wholly-owned subsidiary of NCR. Immediately prior to the Separation, the assets and liabilities of the Teradata data warehousing business of NCR were transferred to Teradata in return for 180.7 million shares of the Company’s common shares. NCR accomplished the Separation through a distribution of one share of Teradata common stock for each share of NCR common stock on September 30, 2007. 100% of the Teradata shares were distributed to NCR shareholders of record as of September 14, 2007.

Our Relationship with NCR. NCR and Teradata entered into an Interim Services and Systems Replication Agreement, pursuant to which certain transitional services are provided by NCR and its subsidiaries, and vice versa. The services include the provision of administrative and other services identified by the parties. The Interim Services and Systems Replication Agreement provided for a term of up to 18 months for such services,

Table of Contents

which ends in March 2009, and may be extended for an additional six months by mutual agreement of the parties. The pricing was based on actual costs incurred by the party rendering the services plus a reasonable fixed percentage.

As discussed in the Company's Registration Statement on Form 10, filed on May 10, 2007, as amended on August 21, 2007 (the "Form 10"), NCR and the Company also entered into certain other agreements including the Separation and Distribution Agreement, Tax Sharing Agreement, Employee Benefits Agreement and several commercial agreements. The commercial agreements that were entered into included a network support agreement, service and distributor arrangements, intellectual property agreements, and various real estate arrangements.

Industry Overview

Our revenues are primarily generated in the multi-billion dollar data warehousing market. This market includes data warehouse database software; applications software; supporting hardware (servers, storage and interconnects); as well as professional, installation and maintenance services. We expect that the need for data warehousing will continue to grow as organizations increasingly rely on enterprise analytics to compete on a global basis. This need is further driven by the convergence of the following key market dynamics we have observed:

- high levels of data growth are being driven by globalization, merger and acquisition activities, alignment of information technology ("IT") and business functions, and increased government regulation;
- mission-critical applications used in business operations are increasingly requiring systems to be available at all times;
- improved data warehousing affordability due to price/performance gains on server and disk hardware as well as software is enabling new types of usage, and the maintenance and analysis of more historical and near real-time data; and
- the adoption by customers of more real time, or "active," environments for enterprise intelligence is driving more applications, usage and capacity.

Our Data Warehousing Solutions

Data Warehousing. Data warehousing is the process of capturing, integrating, storing, managing, and analyzing data to answer business questions and make more informed, faster decisions. Customers use our data warehousing software and hardware technologies and related services to:

- acquire, aggregate, store and integrate data from multiple sources, including transaction and enterprise resource planning systems;
- manage and analyze these data through the Teradata database software and tools, data mining, master data management and other enterprise analytical applications, such as customer management, demand and supply chain management, enterprise risk management, and financial management; and
- integrate analytics-based decisions into operational processes.

Our solutions allow customers to (1) obtain an integrated view of their business (including customers, products, channels, financials, suppliers, partners, services, etc.), and (2) transform business data into useful, insightful and actionable business intelligence.

In 2008, Teradata launched a new purpose-built Teradata Platform Family adding the Data Mart Appliance 551, the Data Warehouse Appliance 2550, and the Extreme Data Appliance 1550 to the existing Active Enterprise Data Warehouse 5550 platform. The Teradata Platform Family was released to extend market reach and opportunity to new customers and to grow Teradata's share of information technology spending within our existing customer base, by providing solutions from data marts, to entry-level data warehouses, to specialized analytical solutions and our active data warehouses. Teradata's purpose-built Platform Family allows customers

Table of Contents

to standardize on the Teradata database system, leveraging their existing training knowledge and experience, to meet all their analytical architecture needs at various price points.

Active Enterprise Intelligence. Teradata extends the use of traditional data warehousing by integrating advanced analytics into enterprise business processes through a solution known as Active Enterprise Intelligence, which reduces the time between obtaining information and acting on it. Specifically, this advanced solution integrates detailed historical information with near real-time data, and then deploys timely, accurate strategic intelligence to knowledge workers in the corporate office as well as operational intelligence to front line users, customers and partners.

Our Products. We are a single-source provider of enterprise data warehousing solutions with a fully integrated business that includes dedicated professionals and technologies. Our products are optimized and integrated specifically for data warehousing, including our database and application software, hardware platform, and related consulting and support services. Our key software and hardware products include:

- **Teradata Database Software** —Our Teradata database software combined with our massively parallel processing (“MPP”) hardware architecture provides the foundation for our unique ability to support and manage a wide range of mixed workloads and data warehousing functions. Our Teradata database software delivers near real-time intelligence for our customers with capabilities and features such as support of short-term operational and long-term strategic workloads (mixed workloads), the ability to handle thousands of concurrent queries, robust and simplified system management, high system availability, event monitoring, and easy integration into the enterprise. We also offer subscriptions that provide our customers with when-and-if-available upgrades and enhancements to our database software.
- **Teradata Platform** —For the hardware component of our solutions, Teradata integrates and optimizes open systems industry standard hardware components with our value-added, fault-tolerant BYNET MPP interconnect. We utilize industry standard Intel® XEON 32/64-bit servers, along with industry-standard storage offerings, to provide seamless, transparent scalability. As a result, our solutions perform in multiple operating environments, including UNIX®, LINUX and Microsoft Windows®. Our research and development efforts have sought to optimize the Teradata Platform Family as high performance, scalable, and easily supportable MPP systems, purpose-built to meet the analytical architecture needs of our customers, and to optimize the performance of the Teradata database software.
- **Teradata Logical Data Models** —Our enterprise industry logical data models (“LDMs”) are designed to be easy-to-follow blueprints for designing an enterprise data warehouse that reflects business priorities tailored to the specific needs of a particular industry. Our LDMs are licensed to our customers as a key component of our data warehousing solutions. We also offer subscriptions that provide our customers with when-and-if-available upgrades and enhancements to our LDMs.
- **Teradata Analytic Applications and Tools** —We offer a full suite of data access and management tools and applications that leverage enterprise intelligence to solve business problems. These tools and applications include: data mining, master data management, customer management, enterprise risk management, finance and performance management, demand and supply chain management, and profitability analytics.

Our service offerings include:

- **Teradata Professional Consulting Services** —Teradata consultants combine a patented methodology with extensive industry expertise and hands-on experience to help our customers quickly recognize business value and minimize risk by using data warehousing. We employ skilled consultants who provide data warehousing business impact modeling, design, architecture, implementation, and optimization consulting services, as well as enterprise analytics consulting, data management services, and managed services. Our Global Consulting Centers around the world are staffed with professionals trained in our patented solutions methodology, and supplement local area consulting teams by accessing and utilizing the accumulated wealth of our global knowledge base and providing offshore consulting resources as needed.
- **Teradata Customer Support Services** —Our customer services organization provides an experienced, single point of contact and delivery for the deployment, support and ongoing management of Teradata data

Table of Contents

warehouses around the world. In addition to installation, our customer support service offers both proactive and reactive services, including maintenance, monitoring, back up, and recovery services to allow customers to maximize availability and better leverage the value of their investments in data warehousing.

- **Training Services** —To enhance the value of their investment, we also provide our customers with training for their employees and contractors who are responsible for the operation and/or use of their Teradata data warehouses and analytical applications.

Our Strategy. Teradata is in a leadership position to help companies manage the continual increases in data volume and complexity and gain a competitive advantage. We have four key initiatives underway to broaden our position in the market and take advantage of this opportunity. These initiatives include continuing to:

- Increase our market coverage through additional sales territories (hiring sales account executives as well as technology and industry consultants),
- Invest to extend Teradata's core technology and expand our family of compatible data warehouse platforms to address multiple market segments,
- Differentiate Teradata technology and driving platform demand by delivering services that enable customers to achieve best-in-class analytics, and
- Invest in partners to increase the number of solutions available on Teradata platforms, to provide more market coverage and to maximize customer value.

Customers. We focus the majority of our sales efforts on the global 3,000 leading companies across a broad set of industries, including banking/financial services, entertainment (including gaming and media), government, insurance and healthcare, manufacturing, retail, telecommunications, transportation, and travel. The extent to which any given customer contributes to our revenues generally varies significantly from year to year and quarter to quarter. These industries provide a good fit for our data warehouse analytic solutions, as they tend to have large and increasing sources of data, complex data management requirements or large and varied groups of users.

With more than 30 years of experience, Teradata is a leader in implementing data warehouse solutions. Our customers represent some of the best-known Global 3000 companies. Teradata solutions power: ten of the top ten global telecommunication firms, 70% of the top global airlines, 70% of the top mail package and freight firms, six of the top ten global retailers, and 50% of the top global commercial and savings banks. (Rankings are based on the July 2008 Fortune Global Rankings and Teradata customers as of 2008.) Although Teradata is a well-established vendor with strong penetration in each of these industries, our market and growth potential remains strong. In addition to new accounts, expanded data warehouse investment within existing accounts is being driven by growth in the number of users, amounts of data, and types and complexity of analytics being directed to the customers' data warehouse environment.

Data warehouses are typically built one project at a time. For example, an initial data warehouse may start with a single subject area, which forms the foundation of data that is available to be leveraged for the next project, and so on. Therefore, a customer with a large order in one quarter is likely to generate additional revenue for Teradata in subsequent periods. However, due to the breadth of our customer base, no single customer of Teradata (overall or within any of our reportable segments) accounted for 10% or more of our total revenue in any of the last three fiscal years. For the year ended December 31, 2008, our top ten customers on a revenue basis collectively accounted for approximately 20% of our total revenues. Moreover, Teradata's total revenue and revenue for each reportable segment can vary considerably from period to period given the different growth patterns of our existing customers' data warehouse systems and the variable timing of new customer orders. Due to the size and complexity of these transactions (purchases), the sales cycle for an enterprise data warehouse is often fairly long (typically more than a year). Each of our large sales orders typically requires substantial lead time, and our results in any particular quarter have generally been dependent on our ability to generate a relatively small number of large orders for that quarter.

Table of Contents

Partners, Marketing and Distribution Channels

Strategic Partnerships. We seek to leverage our sales and marketing reach through our strategy of partnering with leading global and regional systems integrators, independent software vendors, and consultants which we believe complement our enterprise data warehousing solutions.

- **Alliance Partners** —Strategic partnerships are a key factor in our ability to leverage the value of our data warehousing solutions and expand the scope of our offerings to the marketplace. Our partner program is focused on working collaboratively with independent software vendors in several areas critical to data warehousing, including tools, data and application integration solutions, data mining and business intelligence, and specific horizontal and industry solutions. Our goal is to provide customer choices with partner offerings that are optimized with our solutions, and fit within the customer’s enterprise IT environment. Our strategic alliance partners include many leaders in the data warehousing and analytics market.
- **Systems Integrators** —Teradata works with a range of consultants and systems integrators that engage in the design, implementation and integration of data warehousing solutions for our joint clients. Our strategic partnerships with select global consulting and systems integration firms provide broad industry and technology expertise in the design of business solutions that leverage Teradata technology to enable enterprise analytics and operational intelligence. In general, these partners are trusted advisors who assist in vision and strategy development with our customers while objectively assessing and meeting their needs. By working with premier system integrators and consulting firms, we combine our expertise in data warehousing with top-notch consultants to provide true end-to-end solutions. Our strategic global consulting and systems integration partners include Accenture LLP (“Accenture”), BearingPoint, Capgemini, Deloitte and IBM Global Business Services.

Sales and Marketing. We sell and market our data warehousing solutions in our reportable segments, the Americas, EMEA, and APJ, primarily through a direct sales force. We believe our quota-carrying sales force increases our visibility and penetration in the marketplace and fosters long-term customer relationships and additional product sales. We have approximately 80% of our employees in customer-facing and/or revenue driving roles (including sales, professional and customer service, and product engineering).

We support our sales force with marketing and training programs which are designed to grow awareness and highlight our differentiation, as well as provide a robust set of tools for use by our direct sales force. In support of growing awareness of the need for enterprise data warehousing and Teradata solutions specifically, we employ a broad range of marketing tactics including programs to inform and educate the media, industry analysts, academics and other third-party influencers, targeted direct marketing, a website, webinars, and trade shows and conferences. We annually host or participate in worldwide and regional user conferences that take place in approximately 25 locations around the globe.

We also believe that promoting customer success and return on investment is an important element for our success. As a result, and because we have an enthusiastic customer base, we have developed an active program to support and leverage customer references.

Resellers and Distributors. Although the majority of our sales are direct, to extend our sales coverage, we market and sell our products through third-party channels, including resellers and distributors. We have a number of licensed resellers, including Accenture and BearingPoint, and have license and distribution agreements with independent distributors in many countries worldwide, including NCR. The distribution agreements generally provide for the right to offer our products within a territory. Our distributors generally maintain sales and services personnel dedicated to our products. Accordingly, we have dedicated sales, marketing, and technical alliance resources designed to optimize our reseller and distributor relationships.

Sources of Materials. Our hardware components are assembled exclusively by Flextronics Corporation. Our platform line is designed to leverage the best-in-class components from industry leaders such as Intel Corporation

Table of Contents

for microprocessors. In addition, our computer data storage devices (such as disk arrays) are industry-standard technologies provided by LSI Corporation and EMC Corporation, but are selected and configured by us to work optimally with our software and hardware platform. Flextronics also procures a wide variety of components used in the assembly process on our behalf. Although many of these components are available from multiple sources, the Company utilizes preferred supplier relationships to better ensure more consistent quality, cost and delivery. Typically, these preferred suppliers maintain alternative processes and/or facilities to ensure continuity of supply. Given our strategy to outsource manufacturing activities to Flextronics and to source certain components from single suppliers, a disruption in production at Flextronics or at a supplier could impact the timing of customer shipments.

Competition. The overall data warehousing market is very competitive, and we face competition for nearly every sales opportunity we pursue. Our primary competitors include IBM and Oracle for our core EDW platform and Netezza for our data warehouse appliances. Since the overall market is large and growing, we expect to see new and emerging competitors with other alternative approaches, especially in the low-end of the data warehousing market. We compete successfully in the marketplace and intend to continue to do so based on our new Teradata Platform Family, proven architecture, integrated solutions with high performing and scalable technology, deep and broad services capabilities, and our successful track record. For more information, see the section entitled “Risk Factors—Risks Relating to Our Business” included in Item 1A of this Annual Report.

Competitors take different technical and integration approaches to addressing enterprise analytics needs, and therefore they often recommend a different architecture than our solutions. We believe that our customers recognize the advantages of our technology, our integrated enterprise data warehousing approach and the new purpose-built Teradata Platform Family to meet their architecture needs, which enables us to successfully compete in the marketplace.

Key factors used to evaluate competitors in these markets include: data warehousing experience and customer references; technology leadership; product quality; performance, scalability, availability and manageability; support and professional services consulting capabilities; industry knowledge; and total cost of ownership. We believe we have a competitive advantage in providing complete, integrated, and optimized data warehousing solutions based on our Teradata Platform Family that address these customer business, technical and architecture requirements. Our high performance Active Enterprise Data Warehouse platform technology is designed to not only seamlessly and linearly scale with customer growth needs but to do so in a manner that allows us to add current generation nodes with several generations of our technology, thereby protecting our customers’ prior investments. With the addition of our new appliances in our Teradata Platform Family we believe we have the right platform for any analytical architecture need which makes our data warehousing solutions particularly attractive to customers.

Many companies participate in specific areas of our business, such as enterprise analytic and business intelligence application software. The status of our business relationships with these companies can influence our ability to compete for data warehousing opportunities that include such areas. Our products also complement offerings of some of our competitors, with whom we have formed partnerships to work with their business intelligence and application software businesses. Examples of these companies include both IBM and Oracle, due to their recent acquisitions of other business intelligence and application software companies.

Seasonality. Historically our sales are seasonal, in line with capital spending patterns of our customers, with lower revenue typically in the first quarter and higher revenue generally in the fourth quarter of each year. Such seasonality causes our 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, revenue in the third month of each quarter has historically been significantly higher than in the first and second months. These factors, among others as more fully described in the section entitled “Risk Factors—Risks Relating to Our Business” included in Item 1A of this Annual Report, make forecasting more difficult and may adversely affect our ability to accurately predict financial results.

Table of Contents

Research and Development. We remain focused on designing and developing data warehousing products, services and solutions that anticipate our customers' changing technological needs. As we seek improvements in our products and services, we also consider our customer's current needs as we design our new technology so that new generations of the Teradata database software and operating platforms are compatible with prior generations of our technology. We believe our extensive research and development ("R&D") workforce is one of our core strengths. This global R&D team is headquartered at our facility in Rancho Bernardo, California. We anticipate that we will continue to have significant R&D expenditures in the future in order to continue a flow of innovative, high-quality products and services, which is vital to our leading competitive position. For information regarding the accounting and costs included in R&D activities see "Note 1—Description of Business, Separation, Basis of Presentation and Significant Accounting Policies" in Notes to Consolidated Financial Statements elsewhere in this Annual Report.

Intellectual Property and Technology. The Company owns approximately 440 patents in the United States and about 45 patents in foreign countries. The foreign patents are generally counterparts of the Company's U.S. patents. Many of the patents that we own are licensed to others, and we are licensed to use certain patents owned by others. While our portfolio of patents and patent applications in aggregate is of significant value to our Company, we do not believe that any particular individual patent is by itself of material importance to our business as a whole.

In addition, the Company owns copyrights and trade secrets in its vast code base which makes up the core Teradata software product offerings, including the Teradata database and application software products. The Teradata database software, which was initially based upon computer science research at the California Institute of Technology, works on multiple tasks at once, an approach known as "parallel processing." The Teradata database software architecture is known in the industry as a massively parallel processing system. Parallel processing vastly increases the speed with which results are delivered and correspondingly increases the amount of data that can be queried and the number and complexity of queries that can be run at the same time. The name "Teradata" evokes the ability to manage terabytes (*i.e.* , trillions of bytes) of data. One of our key technological advances has been making the Teradata database software and hardware compatible with several operating systems, such as UNIX, LINUX and Windows. In addition, the Teradata database software, as an example of a relational database management system ("RDBMS"), comprises more than seven million lines of computer code. The source code versions of our products are protected as trade secrets and, in all major markets, as unpublished copyright works. We also vigorously protect our rights in the Teradata database software and related intellectual property; however, there can be no assurance that these measures will be successful.

Upon the Separation, the Company assumed ownership of the Teradata[®] trademark, which is registered in the U.S. and in many foreign countries, as well as other tradenames, service marks, and trademarks such as BYNET.

Employees. As of December 31, 2008, we had approximately 6,400 employees globally. We believe that our future success will depend, in part, on our ability to continue to attract, hire and retain skilled and experienced personnel.

Properties and Facilities. Our corporate headquarters is located in Miamisburg, Ohio, and we manage our business through three main locations in the United States: Johns Creek (Atlanta), Georgia; Miamisburg (Dayton), Ohio; and Rancho Bernardo (San Diego), California. As of December 31, 2008, we operated more than 90 facilities throughout the world. We own our Rancho Bernardo complex, which is the headquarters of our research and development operations. All of our other research and development facilities are leased, as well as our offices in Miamisburg and Johns Creek, technical support centers, training, and other miscellaneous sites. We maintain facilities in approximately 40 countries.

Information. Teradata makes available through its website, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and all amendments to such reports, as soon as reasonably practicable after these reports are electronically filed or furnished to the U.S. Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. These reports and other information are also available, free of charge, at www.sec.gov . Alternatively, the public may

Table of Contents

read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Teradata will furnish, without charge to a security holder upon written request, the Notice of Meeting and Proxy Statement for the 2009 Annual Meeting of Stockholders (the "2009 Proxy Statement"), portions of which are incorporated herein by reference. Teradata will furnish the Code of Conduct and any other exhibit at cost (the Code of Conduct is also available through Teradata's website). Document requests are available by calling or writing to:

Teradata – Shareholder Relations
2835 Miami Village Drive
Miamisburg, OH 45342
Phone: 937-242-4878
Website: <http://www.teradata.com>

Item 1A. RISK FACTORS

You should carefully consider each of the following risk factors and all of the other information set forth in this Annual Report. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our company in each of these categories of risks. However, the risks and uncertainties our company faces are not limited to those set forth in the risk factors described below. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

In addition, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

If any of the following risks and uncertainties develops into actual events, these events could have a material adverse effect on our business, financial condition or results of operations. In such case, the trading price of our common stock could decline.

Economic Pressures and Uncertainty—Our business is affected by the global economies in which we operate and the economic climate of the industries we serve.

Our business and results of operations are affected by international, national and regional economic conditions. The duration and depth of the macroeconomic downturn that is currently impacting the United States and other economies, and its impact on our current and potential customers, is unclear but could be severe. The IT industry in which we operate is susceptible to significant changes in the strength of the economy and the economic health of companies who make capital commitments for new technologies. Accordingly, downturns in the global or regional economies in which we operate or certain economic sectors (such as the retail, manufacturing or financial services industries) may adversely impact our business. For example, adverse changes to the economy could impact the timing of purchases by our current and potential customers or the ability of our customers to fulfill their obligations to us. In addition, further tightening of credit markets and difficulty in forecasting results may restrict our customers' ability and willingness to make purchases, which could result in delays, decreased or more closely scrutinized capital spending in our customers' businesses and in the industries we also serve, and may adversely impact our business. Uncertainty about future economic conditions makes it difficult for us to forecast operating results and to make decisions about future investments. Accordingly, if global economic and market conditions remain uncertain or persist, spread, or deteriorate further, we may experience material impacts on our results of operations, prospects and financial condition. The Company's success in periods of economic uncertainty is also dependent, in part, on our ability to reduce costs in response to changes in demand and other activity.

Table of Contents

Competition—The information technology industry is intensely competitive, and competitive pressures could adversely affect prices (including pricing practices or pricing models) or demand for our products and services.

We operate in the intensely competitive information technology industry, which is characterized by rapidly changing technology, evolving industry standards, frequent new product introductions, and price and cost reductions. In general, as a participant in the data warehousing market, we face:

- Changes in customer IT spending habits and other shifts in market demands, which drive competition;
- A trend toward consolidation of companies which could adversely affect our ability to compete, including if our key partners merge or partner with our competitors;
- Continued pressure on price/performance for data warehousing solutions due to constant technology improvements in processor capacity and speed;
- Changes in pricing, marketing and product strategies, such as potential aggressive price discounting and the use of different pricing models by our competitors or other factors;
- Rapid changes in computing technology and capabilities that challenge our ability to maintain differentiation at the lower range of data warehousing analytic functions; and
- Changing competitive requirements and deliverables in developing and emerging markets.

To compete successfully in this environment, we must rapidly and continually design, develop and market solutions and related products and services that are valued in the marketplace. To do this, we must react on a timely basis to shifts in market demands. In addition, our market position depends on our ability to reduce costs without creating operating inefficiencies and to sustain competitive operating margins, while also maintaining the quality of our products and services. Reacting quickly to reduce costs and maintain margins is particularly important during economic downturns.

Our primary competitors for our EDW solutions are IBM and Oracle, who are well-capitalized companies with widespread distribution, brand recognition and penetration of platforms and service offerings. The significant purchasing and market power of these larger competitors, which have greater financial resources than we do, could allow them to surpass our market penetration and marketing efforts to promote and sell their products and services. Netezza is our primary competitor in the data warehouse appliance market, which we have recently entered. In addition, many other companies participate in specific areas of our business, such as enterprise application analytic and business intelligence software. The status of our business relationships with these companies can influence our ability to compete in data warehousing opportunities in such areas. We also expect additional competition from both established and emerging companies who have recently become active at the entry-levels of the data warehousing market and who may increase their level of competitive activities. Failure to compete successfully with new or existing competitors in these and other areas could have a material adverse impact on our ability to generate new revenues or sustain existing revenue levels.

Data Warehousing Market—If the overall data warehousing market declines or does not grow, we may sell fewer products and services, and our business may not be able to sustain its current level of operations.

If the market trends toward more limited IT spending, or limited liquidity, this could result in fewer customers making investments in our products and services. In the past, we have seen periodic breaks in the buying patterns from some of our larger customers, which indicate a level of maturation of their current data warehouse implementation or a shifting of IT priorities when these customers are still incorporating the investments they have made in their core data warehousing infrastructures during past years. In addition, reduced prices and improvements in data warehousing solutions increase pressure on our software and hardware revenues, as well as on the annuity revenue streams we receive from our maintenance business. If the growth rates for the data warehousing market decline for any reason, there could be a decrease in demand for our products and services, which would have a material adverse effect on our financial results.

Table of Contents

Renewal Rates and Support Services Pricing Pressures—If our existing customers fail to renew their support agreements, or if customers do not license updated products on terms favorable to us, our revenues could be adversely affected.

We currently derive a significant portion of our overall revenues from maintenance and subscription services, and we depend on our installed customer base for future revenue from maintenance and subscription services and licenses of updated products. The terms of our standard maintenance and subscription service arrangements generally provide for the payment of license fees and prepayment of first-year support fees and are generally renewable on an annual basis. The IT industry generally has been experiencing increasing pricing pressure from customers when purchasing or renewing support agreements. Moreover, the trend towards consolidation in certain industries that we serve, such as financial services and telecommunications, could result in a reduction of the software and hardware being serviced and put pressure on our maintenance terms with customers who have merged. Given this environment, there can be no assurance that our current customers will renew their maintenance agreements or agree to the same terms when they renew, which could result in our reducing or losing maintenance fees, and therefore in reduced revenue.

If our existing customers fail to renew their maintenance agreements, or if we are unable to generate additional maintenance fees through the license of updated products to existing or new customers, our business and future operating results could be adversely affected.

Operating Result Fluctuations—Our financial results are subject to fluctuations caused by many factors that could result in our failing to achieve anticipated financial results.

Our quarterly and annual financial results have varied in the past and are likely to continue to vary in the future due to a number of factors, many of which are beyond our control. In particular, if transactions that we expect to close by the end of a quarter are not closed until a later date, our revenue and/or net income for that quarter could be substantially below expectations, especially given the large size of our transactions. These and any one or more of the factors listed below or other factors could cause us not to achieve our revenue or profitability expectations. The resulting failure to meet market expectations could cause a drop in our stock price. These factors include the risks discussed elsewhere in this section and the following:

- Downturns in our customers' businesses, in the domestic economy or in international economies where our customers do substantial business;
- Changes in demand for our products and services, including changes in growth rates in the data warehousing market;
- The size, timing and contractual terms of large orders for our products and services, which may impact in particular our quarterly operating results (either positively or negatively);
- Possible delays in our ability to recognize revenue as the result of revenue recognition rules;
- The budgeting cycles of our customers and potential customers;
- Changes in pricing policies resulting from competitive pressures, such as aggressive price discounting by our competitors, or other factors;
- Our ability to develop and introduce on a timely basis new or enhanced versions of our products and services;
- Unexpected needs for capital expenditures or other unanticipated expenses;
- Changes in the mix of revenues attributable to domestic and international sales;
- Seasonal fluctuations in buying patterns; and
- Future acquisitions and divestitures of technologies, products and businesses.

Unanticipated delays or accelerations in our sales cycles make accurate estimation of our revenues difficult and could result in significant fluctuations in our quarterly operating results.

The size and timing of large orders for our products and services varies considerably, which can impact results from quarter to quarter. The process we use to forecast sales and trends in our business relies heavily on estimates of closure on a transaction-specific basis. It is very difficult to predict sales in a particular quarter or over a longer

Table of Contents

period of time. Unanticipated delays or accelerations in our sales cycles make accurate estimation of our revenues difficult and could result in significant fluctuations in our quarterly operating results.

The length of our sales cycle varies depending on a number of factors over which we may have little or no control, including the size and complexity of a potential transaction, the level of competition that we encounter in our selling activities and our current and potential customers' internal budgeting and approval process. As a result of a generally long sales cycle, we may expend significant effort over a long period of time in an attempt to obtain an order, but ultimately not complete the sale, or the order ultimately received may be smaller than anticipated. Our revenue from different customers varies from quarter to quarter, and a customer with a large order in one quarter may generate significantly lower revenue in subsequent quarters. Our results in any particular quarter have generally been dependent on the timing of a relatively small number of large transactions.

Due to resulting fluctuations, we believe that quarter-to-quarter comparisons of our revenue and operating results may not be meaningful, and that these comparisons may not be an accurate indicator of our future performance.

In addition, the budgeting and IT capital spending cycles of our customers and potential customers make forecasting more difficult and may adversely affect our ability to accurately predict financial results. Spending may be particularly heavy in our fourth quarter because of large enterprise customers placing orders before the expiration of IT budgets tied to that calendar year.

Our operating expenses are based on projected annual and quarterly revenue levels and are generally incurred ratably throughout each quarter. Since our operating expenses are relatively fixed in the short term, failure to generate projected revenues for a specified period could adversely impact our operating results, reducing net income or causing an operating loss for that period. The deferral or non-occurrence of such sales revenues could materially adversely affect our operating results for that quarter and could impair our business in future periods.

Seasonal trends in sales of our products and services could adversely affect our quarterly operating results.

In general, we see fluctuations in buying patterns with lower revenue in the first quarter and higher revenue in the fourth quarter of each year. Such seasonality also causes our 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, revenue in the third month of each quarter has historically been significantly higher than in the first and second months, which further impacts our ability to predict financial results accurately and enhances the enterprise risks inherent in our business. These and other factors make forecasting more difficult and may adversely affect our ability to predict financial results accurately.

Revenue Mix Variability—Our revenue is variable depending on the mix of products and services in any given period, and changes in the mix of products and services that we sell could materially adversely affect our operating results.

Our business model is based on our anticipated mix of products and services and the corresponding profit margins for such products and services. Unanticipated shifts in such mix could adversely impact our results of operations and require changes to our business model. Professional consulting services margins are generally lower than the other elements of our data warehousing solutions. In addition, when we use third parties to supplement the services we provide to customers, this generally results in lower margin rates. As a result, increases in professional consulting services revenues as a percentage of our total revenues may decrease overall margins, which could materially adversely affect our operating results.

We also realize different margins on the storage components we re-sell as part of our solutions, and the mix of such third-party hardware varies from quarter to quarter depending on customer requirements. In addition, changes in the price and performance of our data warehousing hardware could negatively impact maintenance, support and subscription service revenues.

Table of Contents

Advancement of Our Solutions—The solutions we sell are advanced, and we need to rapidly and successfully develop and introduce new solutions in a competitive, demanding and rapidly changing environment.

To succeed in the intensely competitive information technology industry, we must continually improve and refresh our product and service offerings to include newer features, functionality or solutions, and keep pace with price-to-performance gains in the information technology industry. Shortened product life cycles due to customer demands and competitive pressures impact the pace at which we must introduce and implement new technology. This requires a high level of innovation by both our software developers and the suppliers of the third-party software components included in our systems. In addition, bringing new solutions to the market entails a costly and lengthy process, and requires us to accurately anticipate customer needs and technology trends. We must continue to respond to market demands, develop leading technologies and maintain leadership in data warehouse performance and scalability, or our business operations may be adversely affected.

We must also anticipate and respond to customer demands regarding the compatibility of our current and prior offerings. These demands could hinder the pace of introducing and implementing new technology. Our future results may be affected if our products cannot effectively interface and perform well with software products of other companies and with our customers' existing information technology infrastructures, or if we are unsuccessful in our efforts to enter into agreements allowing integration of third-party technology with the Teradata database platform. Our efforts to develop the interoperability of our products may require significant investments of capital and employee resources. In addition, many of our principal products are used with products offered by third parties and, in the future, some vendors of non-Teradata products may become less willing to provide us with access to their products, technical information and marketing and sales support.

As a result of these and other factors, our ability to introduce new or improved solutions could be adversely impacted. There can be no assurance that our innovations will be profitable, and if we cannot successfully market and sell both existing and newly developed solutions, our business and operating results could be impacted. If we were to lose our significant technology advantage, our market share and growth could be adversely affected. In addition, if we are unable to deliver products, features, and functionality as projected, we may be unable to meet our commitments to customers, which could have an adverse affect on our reputation and business.

Highly Advanced Products—Our products include highly advanced technology, and as we develop new products with greater capacity and performance capabilities, the increased difficulty and complexity associated with producing these products increases the likelihood of reliability, quality or operability problems.

Despite rigorous testing prior to their release and superior quality processes, our software and hardware products may contain undetected errors or security flaws, which may be found after the products are introduced and shipped. This risk is enhanced when products are first introduced or when new versions are released, as well as when we develop products with more advanced technology, since the increased difficulty and complexity associated with producing these products increases the likelihood of reliability, quality or operability problems. The correction and detection of errors may cause delays, lost revenues and incremental costs. Errors in our software products could also affect the ability of our products to work with other hardware or software products, could delay the development or release of new products or new versions of products, and could adversely affect market acceptance of our products. While we attempt to remedy errors that we believe would be considered critical by our customers prior to shipment, we may not be able to detect or remedy all such errors.

Our customers who rely on our solutions for business-critical applications are more sensitive to product errors, which could expose us to product liability, performance and warranty claims, as well as harm our reputation. These and other risks associated with new product and service offerings may have a material adverse impact on our results of operations and future performance.

Product introductions and certain enhancements of existing products by us in the future periods may also reduce demand for our existing products or could delay purchases by customers awaiting arrival of our new products. As new or enhanced products are introduced, we must successfully manage the transition from older products.

Table of Contents

In the ordinary course of business, we continually evaluate opportunities for new product and service offerings, new markets and new geographic sectors, and development of such opportunities could entail certain business risks which could affect our financial condition.

Security Lapses—The confidentiality of information we hold or the security of our computer systems could be jeopardized.

We operate pursuant to a business-to-business model, and therefore we normally do not handle large volumes of personally identifiable information for our customers—such as employee data, customer data, data that our customers collect from their customers, and information regulated by the Health Insurance Portability and Accountability Act of 1996. However, some of our services require us to have access to such highly confidential information. If unauthorized access to or use of such information occurs, despite our data security measures to protect it, our results of operation and reputation could be adversely impacted.

Reliance on Third Parties—Our future results depend in part on our relationships with key suppliers, strategic partners and other third parties.

Our development, marketing and distribution strategies depend in part on our ability to form strategic alliances with third parties that have complementary products, software, services and skills. Our strategic partners include consultants and system integrators, software and technology providers, and indirect channel distributors in certain countries. These relationships create risks beyond our control of our partners changing their business focus, entering into strategic alliance with other companies, being acquired by our competitors, failing to meet performance criteria or improperly using our confidential information. If we fail to maintain or expand our relationships with strategic partners, our business may be adversely affected.

Third-party vendors provide important elements to our solutions; if we do not maintain our relationships with these vendors or if these vendors cease to be going concerns, interruptions in the supply of our products may result. There are some components of our solutions that we purchase from single sources due to price, quality, technology or other reasons. For example, we have relied on Flextronics as a key single source contract manufacturer for our hardware systems for the last several years. In addition, we depend on Accenture for transaction processing services, and buy silicon computer chips and microprocessors from Intel Corporation, and storage disk systems from EMC Corporation and LSI Corporation. Some components supplied by third parties may be critical to our solutions, and several of our suppliers may terminate their agreements with us without cause with 180 days notice. If we were unable to purchase necessary services, parts, components or products from a particular vendor and had to find an alternative supplier, our shipments and deliveries could be delayed, and our operations could be adversely impacted.

In addition, smaller suppliers have operating risks that could impact our business. These risks could create product time delays, inventory and invoicing problems, staging delays, and other operational difficulties. We could also be impacted by their inability to provide high-quality products or services that conform to required specifications or contractual arrangements, which could negatively impact our business and operating results.

Reliance on the Intellectual Property of Third Parties—The loss of our rights to use software licensed to us by third parties could harm our business.

We have an active partner program that offers rights to sublicense third party software as part of a complete suite of solutions for our customers. This offering, as well as our reliance on third party software and licenses in our operating system software and business, creates risks that are not present when developing software in-house. For example, the viability, reliability and quality of such partners' businesses, as well as their ability to fulfill their obligations to us, are factors that come into play and could adversely affect our financial condition. Our operations could also be impacted if we are forced to seek alternative technology, or technology for new solutions, that may not be available on commercially reasonable terms. Also, many of our offerings are complemented by technologies developed by others, and if we are unable to continue to obtain licenses for such technologies at competitive prices, our business would be impacted.

Table of Contents

Intellectual Property—If we are unable to develop, preserve and protect our intellectual property assets, our operating results may be adversely affected.

As a technology company, our intellectual property portfolio is crucial to our continuing ability to be a leading data warehouse solutions provider. We strive to protect and enhance our proprietary intellectual property rights through patent, copyright, trademark and trade secret laws, as well as through technological safeguards. These efforts include protection of the products and application, diagnostic and other software we develop.

To the extent we are not successful, our business could be materially adversely impacted. We may be unable to prevent third parties from using our technology without our authorization or independently developing technology that is similar to ours, particularly in those countries where the laws do not protect our proprietary rights as fully as in the United States. With respect to our pending patent applications, we may not be successful in securing patents for these claims, and our competitors may already have applied for patents that, once issued, will prevail over our patent rights or otherwise limit our ability to sell our products.

While we take steps to provide for confidentiality obligations of employees and third parties with whom we do business (including customers, suppliers and strategic partners), there is a risk that such parties will breach such obligations and jeopardize our intellectual property rights. Many customers have outsourced the administration and management of their data warehouses to third parties, including some of our competitors, who then have access to our confidential information. Although we have agreements in place to mitigate this risk, there can be no assurance that such protections will be sufficient. In addition, our ability to capture and re-use field-based developed intellectual property is important to future business opportunities and margins.

We are actively engaged in efforts to protect the value of our intellectual property and to prevent others from infringing our intellectual property rights. However, due to the complex and technical nature of such efforts and the potentially high stakes involved, such enforcement activity can be expensive and time consuming, and there can be no assurance that we will be successful in these efforts.

Research and Development—We make significant investments in research and development and cannot assure that these investments will be profitable.

As part of our business strategy, we must continue to dedicate a significant amount of resources to our research and development efforts in order to maintain our competitive position. However, we do not expect to receive significant revenues from these investments for several years, if at all. Research and development expenses represent a significant portion of our discretionary fixed costs. We believe these new technologies could significantly improve our products and services over the long-term. However, if we have invested too much in these or other technologies, our results of operations could be adversely affected. In addition, as we replace our existing assets with new, higher cost assets, we expect that our depreciation expense will increase, which will contribute to our high level of fixed costs and reduce our earnings.

Intellectual Property Infringement Claims by Third Parties—Claims by others that we infringe their intellectual property rights could harm our business and financial condition.

We have seen a trend towards aggressive enforcement of intellectual property rights as the functionality of products in our industry increasingly overlaps and the volume of issued software patents continues to grow. As a result, there is a risk that we could be subject to infringement claims which, regardless of their validity, could:

- Be expensive, time consuming and divert management attention away from normal business operations;
- Require us to pay monetary damages or enter into non-standard royalty and licensing agreements;
- Require us to modify our product sales and development plans; or
- Require us to satisfy indemnification obligations to our customers.

Table of Contents

Regardless of whether these claims have any merit, they can be burdensome to defend or settle and can harm our business and reputation.

Open Source Software—The growing market acceptance of open source software presents benefits and challenges for our industry.

We have developed a version of the Teradata database software to operate on the LINUX open source platform and have incorporated other types of open source software into our products, allowing us to enhance certain solutions without incurring substantial additional research and development costs and expand our solution offerings. “Open source” software is made widely available by its authors and is licensed for a nominal fee or, in some cases, at no charge. For example, LINUX is a free UNIX-type operating system, and the source code for LINUX is freely available. While we believe our contractual obligations are limited with respect to such software, no assurances can be given that unanticipated problems arising from our use of open source software will not arise in the future.

Open source licenses typically mandate that proprietary software, when combined in specific ways with open source software, become subject to the open source license. We take steps to ensure that our proprietary software is not combined with, or does not incorporate, open source software in ways that would require our proprietary software to be subject to an open source license. However, few courts have interpreted the open source licenses, and the manner in which these licenses may be interpreted and enforced is therefore subject to uncertainty.

International Operations—Generating substantial revenues from our multinational operations helps us to meet our strategic goals, but poses a number of risks.

In 2008, the percentage of our total revenues from outside of the United States was 49%. We believe that our geographic diversity may help to mitigate some risks associated with geographic concentrations of operations (*e.g.* , adverse changes in foreign currency exchange rates and deteriorating economic environments or business disruptions due to economic or political uncertainties). However, our ability to sell our solutions domestically and internationally is subject to the following risks, among others:

- General economic and political conditions in each country that could adversely affect demand for our solutions in these markets;
- Currency exchange rate fluctuations that could result in lower demand for our products as well as generate currency translation losses;
- The impact of civil and political unrest relating to war and terrorist activity on the economy or markets in general, or on our ability, or that of our suppliers, to meet commitments;
- Changes to and compliance with a variety of local laws and regulations that may increase our cost of doing business in these markets or otherwise prevent us from effectively competing in these markets;
- Cultural and management challenges with managing new and growing professional services consulting and engineering functions overseas in such countries as India, China and Pakistan;
- Difficulties in staffing and managing our foreign offices and the increased travel, infrastructure and legal and compliance costs associated with multiple international locations;
- Longer payment cycles for sales in foreign countries and difficulties in enforcing contracts and collecting accounts receivable;
- Additional withholding taxes or other taxes on our foreign income, and tariffs or other restrictions on foreign trade or investment;
- Difficulties in repatriating overseas earnings;
- Costs and delays associated with developing products in multiple languages; and
- Changing competitive requirements and deliverables in developing and emerging markets.

Our products are subject to U.S. export controls and, when exported from the United States, or re-exported to another country, must be authorized under applicable U.S. export regulations. Changes in our products or changes in export regulations may create delays in the introduction of our products in international markets, prevent our

Table of Contents

customers with international operations from deploying our products throughout their global systems or, in some cases, prevent the export of our products to certain countries or customers altogether. Any change in export regulations or related legislation, shift in approach to the enforcement or scope of existing regulations, or change in the countries, persons or technologies targeted by these regulations could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations.

Foreign Currency Fluctuations

Our revenue and operating income are subject to variability due to the effects of foreign currency fluctuations against the U.S. dollar. We have exposure to approximately 30 functional currencies. The primary currencies to which we are exposed include the euro, British pound, Japanese yen, the Australian dollar and other Asian and South American currencies. A significant portion of our revenue and operating income is generated outside the United States, and therefore our financial results may fluctuate due to the effects of such foreign currency fluctuations, which are difficult to predict.

Dependence on Key Employees—We depend on key employees and face competition in hiring and retaining qualified employees.

Our employees are critical to our success. Our future success depends on our ability to attract and retain the services of senior management and key personnel in all functional areas of our company, including engineering and development, marketing and sales professionals, and consultants. Competition for highly skilled personnel in the IT industry is intense. No assurance can be made that key personnel will remain with us, and it may be difficult and costly to replace such employees. Our failure to hire, retain and replace our key personnel could have a material adverse impact on our business operations.

Internal Controls—Inadequate internal control over financial reporting and accounting practices could lead to errors, which could adversely impact our ability to assure timely and accurate financial reporting.

Internal control over financial reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control objectives will be met. These inherent limitations include system errors, the potential for human error and unauthorized actions of employees or contractors, inadequacy of controls, temporary lapses in controls due to shortfalls in transition planning and oversight or resources, and other factors. Consequently, such controls may not prevent or detect misstatements in our reported financial results as required under SEC and New York Stock Exchange (“NYSE”) rules, which could increase our operating costs or impair our ability to operate our business. Controls may also become inadequate due to changes in circumstances, and it is necessary to replace, upgrade or modify our internal information systems from time to time.

If management is not successful in maintaining a strong internal control environment, material weaknesses could reoccur, causing investors to lose confidence in our reported financial information. This could lead to a decline in our stock price, limit our ability to access the capital markets in the future, and require us to incur additional costs to improve our internal control systems and procedures.

Damage to Our Information Systems—Our information systems, computer equipment and information databases are critical to our business operations, and any damage or disruptions could adversely affect our operations.

Our operations are dependent on our ability to protect our computer equipment and the information stored in our databases from damage by, among other things, earthquake, fire, natural disaster, power loss, telecommunications failures, unauthorized intrusions and other catastrophic events. A significant part of our operations is based in an area of California that has experienced power outages and earthquakes and is considered seismically active. Despite our best efforts at planning for such contingencies, catastrophic events of this nature may still result in system failures and other interruptions in our operations, which could have a material adverse effect on our business and financial condition.

Table of Contents

In addition, it is periodically necessary to replace, upgrade or modify our internal information systems. If we are unable to do this in a timely and cost-effective manner, especially in light of demands on our information technology resources, our ability to capture and process financial transactions and therefore our financial condition or results of operations may be adversely impacted.

Acquisitions and Alliances—Our ability to successfully integrate acquisitions and effectively manage acquisition and alliance activities may be an important element of future growth.

From time to time, we may make investments in companies, products, service capabilities and technologies through acquisitions, equity investments, joint ventures or strategic alliances. Such transactions entail various risks, including risks associated with:

- Assimilating and integrating different business operations, corporate cultures, personnel, infrastructure and technologies or products acquired or licensed;
- The potential for unknown liabilities and quality issues within the acquired or combined business;
- Disruptions of our ongoing business or inability to successfully incorporate acquired products, services or technologies into our solutions and maintain quality;
- Failure to achieve the projected synergies after integration of acquired companies; and
- Additional costs not anticipated at the time of acquisition.

Our operating results may fluctuate as a result of acquisitions and other strategic growth transactions, and there is a risk that our financial results may be adversely affected.

Legal Contingencies and Regulatory Matters—Like other technology companies, we face uncertainties with regard to lawsuits, regulations and other related matters.

In the normal course of business, we are subject to proceedings, lawsuits, claims and other matters, including those that relate to the environment, health and safety, employee benefits, export compliance, intellectual property, tax matters, and other regulatory compliance and general matters. See “Note 9—Commitments and Contingencies” in Notes to Consolidated Financial Statements elsewhere in this Annual Report. Because such matters are subject to many uncertainties, their outcomes are not predictable. While we believe that amounts provided in our consolidated financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to satisfy alleged liabilities from such matters will not impact future operating results.

In addition, we are subject to diverse and complex laws and regulations, including those relating to corporate governance, public disclosure and reporting—which are rapidly changing and subject to many possible changes in the future. From time to time, we may conduct internal investigations in connection with our efforts to ensure compliance with such laws and regulations, the costs or results of which could impact our results. Laws and regulations impacting our customers, such as those relating to privacy and data protection, could also impact our future business.

In addition, our facilities and operations, including former facilities and former operations for which we may have liabilities, are subject to a wide range of environmental protection laws. There have not been any known actual material effects that compliance with environmental provisions has had upon the capital expenditures, earnings or competitive position of the Company or its subsidiaries, and there are no material estimated capital expenditures for environmental remediation or liabilities planned. However, we do expect to incur some costs in connection with compliance with these matters and given the uncertainties inherent in such activities, there can be no assurances that the costs required to comply with applicable environmental laws will not adversely impact future operating results.

There is an increased focus by the SEC on Foreign Corrupt Practices Act (“FCPA”) enforcement activities. Given the breadth and scope of our international operations, we may not be able to detect improper or unlawful conduct

Table of Contents

by our international partners and employees, despite our high ethics, governance and compliance standards, which could put the Company at risk regarding possible violations of laws, including the FCPA.

Considerable management time and resources will be spent to understand and comply with changing laws, regulations and standards relating to corporate governance, public disclosure (including the Sarbanes-Oxley Act of 2002), SEC regulations, Basel II and the rules of the NYSE where our shares are listed. Although we do not believe that recent regulatory and legal initiatives will result in significant changes to our internal practices or our operations, rapid changes in accounting standards, taxation requirements, and federal securities laws and regulations, among others, may substantially increase costs to our organization and could have an impact on our future operating results.

Other Factors—There are a number of other factors that could cause our operating results to fluctuate and could have a material adverse impact on our financial condition.

Our revenue and operating results could fluctuate for a number of reasons, including, among other things:

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

Management Assumptions, Estimates and Judgments: In connection with the preparation of the Company's financial statements, we are required to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosure of contingent liabilities. For additional information regarding the Company's use of assumptions, estimates and judgments, see "Critical Accounting Policies and Estimates" in Item 7 of Part II of this Annual Report.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

As of January 1, 2008, Teradata operated more than 90 facilities consisting of just over 1.1 million square feet throughout the world. On a square footage basis, 40% of these facilities are owned and 60% are leased. Within the total facility portfolio, Teradata operates 9 research and development facilities totaling approximately 570 thousand square feet, 81% of which are owned. The remaining approximately 570 thousand square feet of space includes office, repair, warehouse and other miscellaneous sites, and is 100% leased. Teradata maintains facilities in approximately 40 countries. Teradata believes its facilities are suitable and adequate to meet its current needs. Teradata's corporate headquarters are located in Miamisburg, Ohio.

Item 3. LEGAL PROCEEDINGS

Information regarding legal proceedings is included in Item 8 of Part II of this Annual Report as part of Note 9 of Notes to Consolidated Financial Statements, "Commitments and Contingencies," and is incorporated herein by reference.

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

None.

PART II

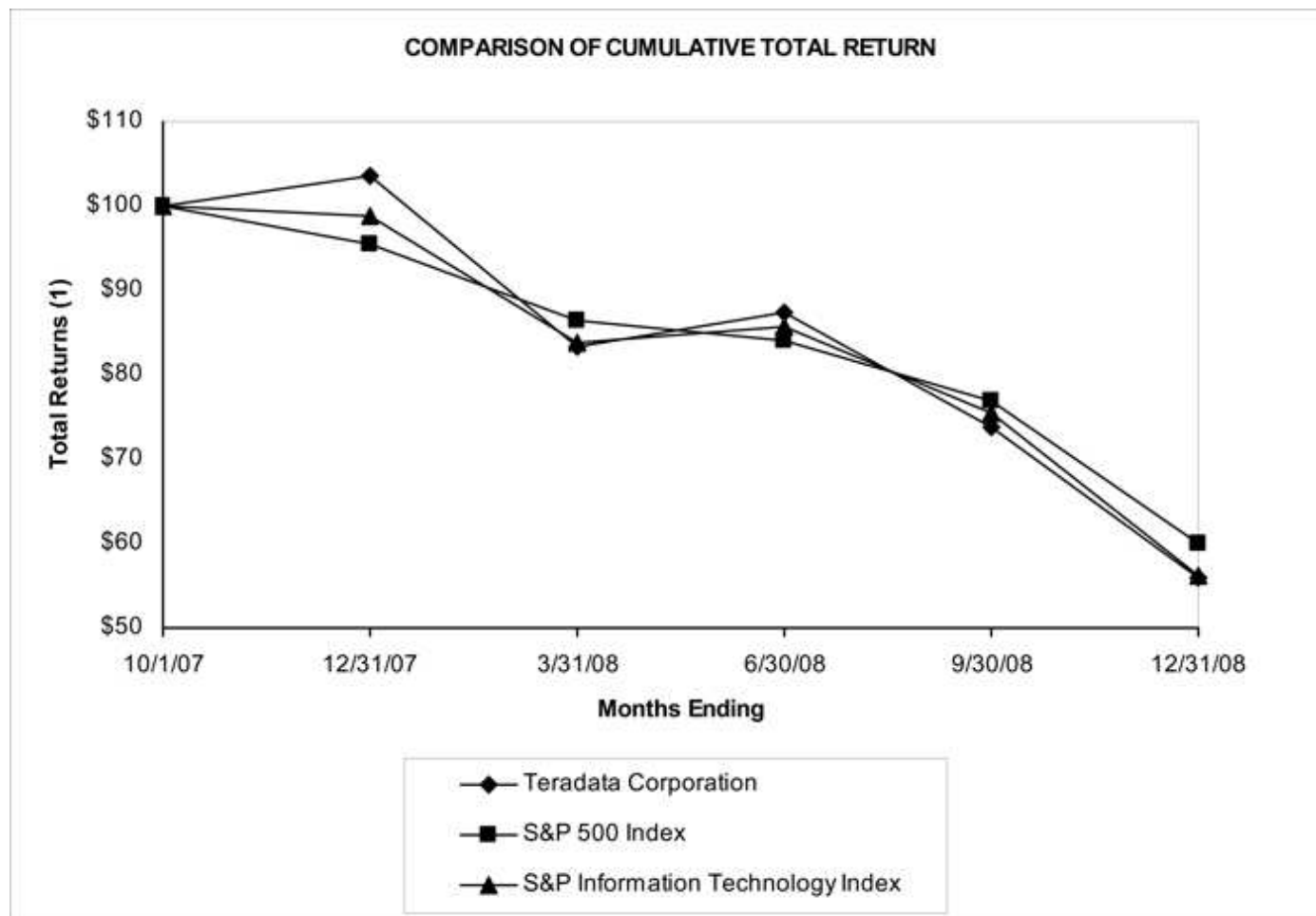
Item 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Teradata common stock began trading on the New York Stock Exchange under the symbol “TDC” on October 1, 2007. There were approximately 115,000 registered holders of Teradata common stock as of February 19, 2009. The following table presents the high and low closing per share prices of Teradata common stock traded on the New York Stock Exchange during the calendar quarter indicated.

	Common Stock Closing Market Price	
	High	Low
2008		
Fourth quarter	\$ 18.85	\$ 11.46
Third quarter	\$ 25.18	\$ 18.41
Second quarter	\$ 27.01	\$ 20.61
First quarter	\$ 26.99	\$ 21.75
2007		
Fourth quarter	\$ 29.08	\$ 23.13

Teradata has not paid cash dividends and does not anticipate the payment of cash dividends to shareholders of Teradata common stock in the immediate future. The declaration of dividends in the future would be subject to the discretion of Teradata’s Board of Directors.

The following graph compares the relative performance of Teradata stock, the Standard & Poor’s 500 Stock Index and the Standard & Poor’s Information Technology Index. This graph covers the fifteen-month period from October 1, 2007 (immediately following the Separation), through December 31, 2008.



Company/Index	1 Oct 2007	31 Dec 2007	31 Mar 2008	30 Jun 2008	30 Sep 2008	31 Dec 2008
Teradata Corporation	\$ 100	\$ 104	\$ 83	\$ 87	\$ 74	\$ 56
S&P 500 Index	\$ 100	\$ 95	\$ 86	\$ 84	\$ 77	\$ 60
S&P Information Technology Index	\$ 100	\$ 99	\$ 84	\$ 86	\$ 76	\$ 56

⁽¹⁾ In each case, assumes a \$100 investment immediately following the Separation on October 1, 2007, and reinvestment of all dividends, if any.

Purchases of Equity Securities by the Issuer and Affiliated Purchases

For the year ended December 31, 2008, the Company purchased approximately 8.5 million shares of its common stock at an average price per share of \$20.67 under the two share repurchase programs authorized by our Board of Directors on February 11, 2008. The first program (the “dilution offset program”) authorized the Company to purchase Teradata common stock to the extent of cash received from the exercise of stock options and the Teradata Employee Stock Purchase Plan (“ESPP”). The second program (the “general share repurchase program”) authorizes the Company to repurchase an additional \$250 million over a two-year period of the Company’s outstanding shares of common stock. As of December 31, 2008, the Company had \$82 million of authorization remaining on the \$250 million general share repurchase program to repurchase outstanding shares of Teradata common stock.

In addition to those share purchase programs, Section 16 officers occasionally sell vested shares of restricted stock to the Company at the current market price to cover their withholding taxes. For the year ended December 31, 2008, the total of these purchases was 56,279 shares at an average price of \$16.63 per share.

Table of Contents

The following table provides information relating to the Company's repurchase of common stock for the year ended December 31, 2008:

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Total Number of Shares Purchased as Part of Publicly Announced General Share Repurchase Program	Maximum Dollar Value that May Yet Be Purchased Under the Dilution Offset Program	Maximum Dollar Value that May Yet Be Purchased Under the General Share Repurchase Program
First quarter total	1,564,100	\$24.53	50,000	1,514,100	\$1,137,142	\$212,912,054
Second quarter total	1,362,800	\$24.79	50,000	1,312,800	\$2,501,180	\$180,433,920
Third quarter total	2,662,900	\$24.38	175,000	2,487,900	\$ 588,398	\$119,739,011
October 2008	—	N/A	—	—	\$1,192,816	\$119,739,011
November 2008	1,532,000	\$12.59	—	1,532,000	\$1,654,902	\$100,447,876
December 2008	1,379,000	\$14.05	50,000	1,329,000	\$2,522,583	\$ 81,745,283
Fourth quarter total	2,911,000	\$13.28	50,000	2,861,000	\$2,522,583	\$ 81,745,283
Full year total	8,500,800	\$20.67	325,000	8,175,800	\$2,522,583	\$ 81,745,283

Item 6. TERADATA CORPORATION SELECTED FINANCIAL DATA

In millions, except per share and employee amounts	For the Year Ended December 31				
	2008	2007 ⁽¹⁾	2006	2005 ⁽²⁾	2004 ⁽³⁾
Revenue	\$1,762	\$1,702	\$1,547	\$1,467	\$1,349
Income from operations	\$ 333	\$ 320	\$ 302	\$ 284	\$ 199
Other income	\$ 5	\$ 2	\$ —	\$ —	\$ —
Income tax expense	\$ 88	\$ 122	\$ 110	\$ 78	\$ 61
Net income	\$ 250	\$ 200	\$ 192	\$ 206	\$ 138
Net income per common share					
Basic	\$ 1.40	\$ 1.11	\$ 1.06	\$ 1.14	\$ 0.76
Diluted	\$ 1.39	\$ 1.10	\$ 1.06	\$ 1.14	\$ 0.76

	At December 31				
	2008	2007	2006	2005	2004
Total assets	\$1,430	\$1,294	\$1,003	\$ 911	\$ 871
Debt	\$ —	\$ —	\$ —	\$ —	\$ —
Total stockholders' equity/parent company equity	\$ 777	\$ 631	\$ 591	\$ 517	\$ 444
Cash dividends	\$ —	\$ —	\$ —	\$ —	\$ —
Number of employees	6,400	5,900	5,100	4,500	4,100

⁽¹⁾ Includes \$17 million (\$15 million after-tax) for expenses related to the Separation from NCR; a \$10 million charge related to a tax rate change in Germany; an out-of-period income tax expense adjustment of \$7 million relating to prior years; and \$6 million for a tax benefit related to the Separation from NCR.

⁽²⁾ Includes income tax benefits totaling \$33 million from the favorable settlement of tax audit issues relating to the tax years 1997—1999 and 2000—2002.

⁽³⁾ Includes \$14 million income tax benefit resulting from the favorable settlement of tax audit issues relating to the period when NCR was a subsidiary of AT&T Corp.

Table of Contents

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (“MD&A”)

You should read the following discussion in conjunction with the consolidated financial statements and the notes to those statements included elsewhere in this Annual Report on Form 10-K (“Annual Report”). This Annual Report contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements contained in the MD&A are forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in other sections of this Annual Report. See “Risk Factors” and “Forward-looking Statements.”

BUSINESS OVERVIEW

Teradata provides data warehousing solutions for customers worldwide that combine software (including the Teradata database software and tools, data mining and analytical applications), hardware and related consulting and support services. These solutions can also include third-party products and services from other leading technology and service partners.

Our solutions enable customers to integrate detailed enterprise-wide data such as customer, financial and operational data into a single data warehouse and provide the analytical capabilities to transform that data into useful information. As a result, customers have a consistent, accurate view of their data and businesses, which gives them more accurate, insightful and timely information when and where they need it so they can make better and faster decisions. This approach provides customers with better insight, faster access to new analytics and less redundancy within their information technology infrastructure so they can maximize business value while minimizing their total cost of ownership.

Our data warehousing technologies provide a high level of performance, scalability, availability and manageability for strategic and operational analytic requirements. Our professional service consultants combine a proven methodology, deep industry expertise and years of hands-on experience to help clients quickly capture business value while minimizing risk. Our customer services professionals provide a single source of support services to allow customers to maximize use and fully leverage the value of their investments in data warehousing.

Through active enterprise intelligence, Teradata is extending the use of traditional enterprise data warehousing (“EDW”) by integrating advanced analytics into enterprise business processes, allowing companies to combine the analysis of current and historical data so operations personnel can make decisions at the point of contact or service and take action as events occur.

On August 27, 2007, the Board of Directors of NCR Corporation, the Company’s former parent, approved the separation of NCR into two independent, publicly traded companies through the distribution of 100% of its Teradata data warehousing business to shareholders of NCR (the “Separation”).

In 2008, Teradata launched a new family of data warehouse offerings, now also providing customers with the ability to use Teradata for point solutions or data marts, in addition to our core EDW technology. Teradata offers data warehousing solutions to many major industries, including banking/financial services, entertainment (including gaming and media), government, insurance and healthcare, manufacturing, retail, telecommunications, transportation and travel. Teradata delivers its solutions primarily through direct sales channels, as well as through alliances with system integrators, other independent software vendors, value-added resellers and distributors. We deliver our solutions to customers on a global basis, and organize our operations in the following three regions which are also our reportable segments: North America and Latin America (“Americas”), Europe, the Middle East and Africa (“EMEA”), and Asia Pacific and Japan (“APJ”).

Table of Contents

2008 FINANCIAL OVERVIEW

As more fully discussed in later sections of this MD&A, the following are the financial highlights for 2008:

- Revenue increased 4% in 2008 from 2007, with growth in our services businesses offset somewhat by lower product revenue.
- Gross margin was 53.9% in 2008, relatively unchanged from 2007.
- Operating income was \$333 million in 2008, up from \$320 million in 2007. Operating income in 2008 included incremental costs of \$29 million associated with Teradata operating as an independent, publicly-traded company as well as \$10 million of investment in new sales territories, while the operating income for 2007 included \$17 million of Separation-related expenses and \$8 million of recurring, incremental independent company costs.
- Net income of \$250 million in 2008 increased from \$200 million in 2007. Net income per common share (diluted) of \$1.39 in 2008 compared to \$1.10 in 2007. Net income for 2008 benefited from a lower tax rate of 26.0% in 2008, compared to 37.9% in 2007.

STRATEGY OVERVIEW

Teradata is in a leadership position to help companies manage the continual increases in data volume and complexity and gain a competitive advantage. We have four key initiatives underway to broaden our position in the market and take advantage of this opportunity. These initiatives include continuing to:

- Increase our market coverage through additional sales territories (hiring sales account executives as well as technology and industry consultants),
- Invest to extend Teradata's core technology and expand our family of compatible data warehouse platforms to address multiple market segments,
- Differentiate Teradata technology and driving platform demand by delivering services that enable customers to achieve best-in-class analytics, and
- Invest in partners to increase the number of solutions available on Teradata platforms, to provide more market coverage and to maximize customer value.

Further discussion of our business strategy is included in the section entitled "Business" included in Item 1 of this Annual Report and incorporated herein by reference.

FUTURE TRENDS

We believe that demand for our solutions will continue to increase due to the continued increase in data volumes, the scale and complexity of business requirements, and the growing use of new data elements and more near real-time analytics over time. The adoption by customers of more near real-time analysis for enterprise intelligence is driving more applications, usage and capacity.

Recently, the U.S. and global economies have experienced a significant downturn driven by a financial and credit crisis that could continue to challenge such economies for some period of time, and may have a negative effect on our business. We have seen a lengthening of the sales cycle for enterprise data warehousing solutions as a result of closer scrutiny and tighter review processes for larger capital expenditures during 2008; however, we anticipate an opportunity for shorter sales cycles for our new purpose-built data warehouse appliance platforms. The size, timing and contracted terms of large customer orders for our products and services can impact, both positively and negatively, our long-term operating results. In addition to the uncertainty created by the economic environment,

Table of Contents

Teradata expects approximately 4 percentage points of negative impact from currency translation on its reported revenue and a corresponding currency impact on operating income, based on currency rates as of February 9, 2009.

While macroeconomic challenges and fluctuations in the information technology environment do occur, our long-term outlook remains positive. We did not experience significant changes in 2008 to competitive and/or technological pricing trends, although there is a risk that pricing pressure could occur in the future. We continue to be committed to new product development and achieving maximum yield from our research and development spending and resources, which are intended to drive revenue growth, as evidenced by the recent expansion of our purpose-built Teradata Platform Family. We also continue to evaluate opportunities to increase our market coverage and are committed to continuing to expand our sales territories, among other things, to drive future revenue growth. Given the length of sales cycles in the data warehouse market, new sales account territories typically take a year or more, on average, to become productive. During 2009, we plan to actively scrutinize our overall selling expense, including monitoring the pace of adding new sales territories as well as tightly managing our professional services costs structure in an effort to keep such cost in line with revenue trends.

RESULTS FROM OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

In millions	2008	% of Revenue	2007	% of Revenue	2006	% of Revenue
Product revenue	\$ 849	48.2%	\$ 884	51.9%	\$ 807	52.2%
Service revenue	913	51.8%	818	48.1%	740	47.8%
Total revenue	<u>1,762</u>	<u>100%</u>	<u>1,702</u>	<u>100%</u>	<u>1,547</u>	<u>100%</u>
Gross margin						
Product gross margin	547	64.4%	572	64.7%	518	64.2%
Service gross margin	402	44.0%	344	42.1%	311	42.0%
Total gross margin	<u>949</u>	<u>53.9%</u>	<u>916</u>	<u>53.8%</u>	<u>829</u>	<u>53.6%</u>
Expenses						
Selling, general and administrative expenses	508	28.8%	470	27.6%	410	26.5%
Research and development expenses	108	6.1%	126	7.4%	117	7.6%
Total expenses	<u>616</u>	<u>35.0%</u>	<u>596</u>	<u>35.0%</u>	<u>527</u>	<u>34.1%</u>
Operating income	<u>\$ 333</u>	<u>18.9%</u>	<u>\$ 320</u>	<u>18.8%</u>	<u>\$ 302</u>	<u>19.5%</u>

Revenue

Teradata revenue increased 4% in 2008 from 2007. The revenue growth included a net benefit of 2% from foreign currency fluctuations. Product revenue decreased 4% in 2008 from 2007, due to a lengthening of sales cycles and the general downturn in the global economy. Service revenue increased 12% in 2008 from 2007, driven by a 17% increase in maintenance revenue and an 8% increase in professional and installation services revenue, as compared to 2007. Maintenance revenues benefited from product expansion, including the full-year impact of the increase in product revenues from 2006 to 2007.

Teradata's total revenue increased 10% in 2007 from 2006. The total revenue increase included a net benefit of 2% from foreign currency fluctuations. Product revenue increased 10% in 2007 from 2006, led by a 36% increase in the APJ region and a 14% increase in the EMEA region. Service revenue increased 11% in 2007 from 2006, driven by strong growth in both professional services and maintenance services.

Gross Margin

Gross margin was 53.9% in 2008, relatively unchanged from 2007. Product gross margin decreased slightly to 64.4% in 2008 from 64.7% in 2007 with an adverse deal mix offset in part by the positive impact of currency translation on international product revenue. The term "deal mix" refers to the revenue mix of our product sales consummated in a particular period, including both software versus hardware content, and amount and mix of third-party products re-sold. Services gross margin increased to 44.0% in 2008 from 42.1% in 2007, due largely to

Table of Contents

operating leverage arising from lower headcount growth of customer service technicians when compared to revenue growth.

Gross margin for 2007 was slightly higher at 53.8% compared to 53.6% in 2006. Product gross margin increased to 64.7% in 2007, compared to 64.2% in 2006. Service gross margin was 42.1% in 2007, comparable to the 42.0% in 2006. The increase in product gross margins was driven primarily in the EMEA and APJ regions, which benefited from the impact of currency translation. Total gross margin improved despite the adverse revenue mix effect of having a higher growth rate of the lower-margin service revenue (as compared to product revenue) in 2007.

Operating Expenses

Total operating expenses, characterized as “selling, general and administrative” (“SG&A”) and “research and development” (“R&D”) expenses, were \$616 million in 2008 compared to \$596 million in 2007. The \$38 million increase in SG&A expenses included \$10 million of increased sales territory expense, as well as the negative impact from foreign currency fluctuations. The SG&A expenses for 2007 included \$17 million related to the Separation from NCR. R&D expenses were lower by \$18 million in 2008, compared to 2007, primarily as a result of \$11 million more in capitalization of software development cost as well as reduced variable compensation programs. Operating expenses for 2008 included \$19 million of recurring incremental costs associated with Teradata operating as an independent, publicly-traded company.

Total operating expenses were \$596 million in 2007 compared to \$527 million in 2006. The increase in SG&A expenses of \$60 million included \$17 million in Separation-related expenses as well as increased selling and marketing expense (consisting of compensation expense, marketing, partnering and pre-sale activities), foreign currency impact and stock-based compensation. R&D expenses were \$9 million higher in 2007 compared to 2006, reflecting increased investment in product development. Capitalizations of software development cost were lower by \$3 million in 2007 from 2006. Operating expenses for 2007 included \$6 million of recurring incremental costs subsequent to the Separation as Teradata began operating as an independent, publicly-traded company.

Effects of Pension and Postemployment Benefit Plans

Teradata’s pension and postemployment benefit expense for the years ended December 31, 2008, 2007 and 2006 is shown below. Pension and postemployment benefit expenses incurred prior to the Separation were allocated to Teradata by NCR.

In millions	2008	2007	2006
Pension expense	\$ 8	\$ 9	\$23
Postemployment expense	11	15	16
Total expense	<u>\$19</u>	<u>\$24</u>	<u>\$39</u>

The decrease in postemployment expense from 2007 to 2008 was primarily driven by a decrease in the Company’s involuntary turnover rate assumption. The decrease in pension expense from 2006 to 2007 was due primarily to NCR’s action to freeze its U.S. defined pension plans and cease the accrual of additional benefits for all participants in the U.S. plans after December 31, 2006. For additional information on pension and postemployment benefit obligations, see “Note 7—Employee Benefit Plans” in Notes to Consolidated Financial Statements elsewhere in this Annual Report.

Income Taxes

The income tax rate was 26.0%, 37.9% and 36.4% for the years ended December 31, 2008, 2007 and 2006, respectively. The tax rate for the year ended December 31, 2008 included a \$3 million charge to reflect a change in estimate identified in conjunction with filing the Company’s 2007 U.S. federal tax return. The provision for income taxes for the year ended December 31, 2008 is based on the pre-tax earnings mix by jurisdiction of Teradata and its subsidiaries under the Company’s current structure. For periods prior to the Separation, while the Company was

Table of Contents

operated as part of NCR, Teradata's provision for income taxes in certain tax jurisdictions reflected only a portion of the tax benefits related to certain foreign operations' tax net operating losses due to the uncertainty of the ultimate realization of future benefits from those losses under NCR's tax structure. The 2007 tax rate included a discrete \$10 million charge, or 3.1%, related to a tax rate change in Germany, as well as a \$7 million charge, or 2.2%, to correct prior period errors in the calculation of the income tax provision related to intercompany profit eliminations. As the impact of this error was not material to the then current, or any prior period, it was recorded in the second quarter of 2007. The 2007 tax rate also included a \$6 million tax benefit, or 1.9%, related to the utilization of certain tax attributes associated with foreign sourced income. We currently estimate our full year effective tax rate for 2009 will be approximately 26% to 27%. For additional information on these prior-year tax items, see "Note 5—Income Taxes" in Notes to Consolidated Financial Statements elsewhere in this Annual Report.

Revenue and Gross Margin by Operating Segment

As described in "Note 11—Segment, Other Supplemental Information and Concentrations" in Notes to Consolidated Financial Statements, Teradata manages its business in three geographic regions, which are also the Company's operating segments: (1) the Americas region; (2) the EMEA region; and (3) the APJ region. Teradata believes this format is useful to investors because it allows analysis and comparability of operating trends by operating segment. It also includes the same information that is used by Teradata management to make decisions regarding the segments and to assess our financial performance. The discussion of our segment results describes the changes in results as compared to the prior-year period.

The following table presents revenue and operating performance by segment for the years ended December 31:

In millions	2008	% of Revenue	2007	% of Revenue	2006	% of Revenue
Revenue						
Americas	\$ 984	56%	\$ 964	57%	\$ 920	60%
EMEA	451	26%	424	25%	360	23%
APJ	327	18%	314	18%	267	17%
Total revenue	<u>1,762</u>	<u>100%</u>	<u>1,702</u>	<u>100%</u>	<u>1,547</u>	<u>100%</u>
Segment gross margin						
Americas	557	56.6%	554	57.5%	539	58.6%
EMEA	234	51.9%	205	48.3%	166	46.1%
APJ	158	48.3%	157	50.0%	124	46.4%
Total segment gross margin	<u>\$ 949</u>	<u>53.9%</u>	<u>\$ 916</u>	<u>53.8%</u>	<u>\$ 829</u>	<u>53.6%</u>

Americas Revenue increased 2% in 2008 from 2007, with increases in services revenue offset somewhat by lower product revenue. Gross margin decreased to 56.6% for 2008, from 57.5% in 2007, primarily driven by lower product margins as a result of the deal mix as compared to the prior period.

Revenue increased 5% in 2007 from 2006, largely driven by a 9% growth in service revenue. The revenue growth included 1% of benefit from foreign currency fluctuations. Gross margin decreased to 57.5% for 2007, from 58.6% for 2006, driven primarily by reduced professional services margins.

EMEA Revenue increased 6% in 2008 from 2007, driven by a 17% increase in maintenance revenue. The revenue growth included 3% of benefit from foreign currency fluctuations. Gross margin increased to 51.9% for 2008, from 48.3% in 2007, primarily driven by increased product margins. Product margins benefited from an improved deal mix and the benefit of foreign currency translation.

Revenue increased 18% in 2007 from 2006, with double-digit growth in both product and service revenue. The revenue growth included 7% of benefit from foreign currency fluctuations. Gross margin increased to 48.3% in 2007, from 46.1% in 2006, with improvements in both product and service margin. The improvement in gross margin rates was offset somewhat by the increased mix of lower-margin services revenue.

Table of Contents

APJ Revenue increased 4% in 2008 from 2007, with double-digit increases in service revenue largely offset by lower product revenue as compared to a very strong performance in 2007. The revenue growth included 6% of benefit from foreign currency fluctuations. Gross margin decreased to 48.3% in 2008, from 50.0% in 2007. Lower gross margins were driven by the higher proportion of services revenue compared to the prior-year period. This impact was partially offset by improved maintenance services margins.

Revenue increased 18% in 2007 from 2006, led predominantly by a 36% growth in product revenue. The revenue growth included 3% of benefit from foreign currency fluctuations. Gross margin was 50.0% in 2007, up from 46.4% in 2006, driven by the greater mix of product revenue, as well as improved product margins.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Teradata ended 2008 with \$442 million in cash and short-term investments, a \$172 million increase from December 31, 2007, even after using \$176 million for repurchases of Company common stock during the year. Cash provided by operating activities increased by \$53 million to \$440 million in 2008. The increase in cash provided by operating activities was primarily due to increased collections on accounts receivables and higher net income in 2008. These improvements were partially offset by decreased payables and accrued expenses due to the timing of related payments, decreased deferred income taxes, and a smaller increase in deferred revenue as compared to 2007.

Teradata's management uses a non-GAAP measure called "free cash flow," which we define as net cash provided by operating activities less capital expenditures for property and equipment, and additions to capitalized software, as one measure of assessing the financial performance of the Company. Free cash flow does not have a uniform definition under GAAP; and therefore, Teradata's definition of this measure may differ from the definition used by other companies. The components that are used to calculate free cash flow are GAAP measures taken directly from the Consolidated Statements of Cash Flows. We believe that free cash flow information is useful for investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash available after capital expenditures for, among other things, investments in the Company's existing businesses, strategic acquisitions and repurchase of Teradata common stock. Free cash flow does not represent the residual cash flow available for discretionary expenditures since there may be other non-discretionary expenditures that are not deducted from the measure. This non-GAAP measure should not be considered a substitute for, or superior to, cash flows from operating activities under GAAP.

The table below shows net cash provided by operating activities and capital expenditures for the following periods:

In millions	2008	2007	2006
Net income	<u>\$250</u>	<u>\$200</u>	<u>\$192</u>
Net cash provided by operating activities	\$440	\$387	\$219
Less:			
Expenditures for property and equipment	(19)	(50)	(20)
Additions to capitalized software	<u>(52)</u>	<u>(45)</u>	<u>(46)</u>
Free cash flow	<u>\$369</u>	<u>\$292</u>	<u>\$153</u>
Free cash flow as a percentage of net income	148%	146%	80%

Financing activities and certain other investing activities are not included in our calculation of free cash flow. These other investing activities primarily consisted of purchases and sales of short-term investments and an immaterial acquisition consummated during the first quarter of 2008. Teradata's short-term investments consist of bank time deposits with original maturities between three months and one year. Teradata's financing activities for the year ended December 31, 2008 consisted primarily of cash outflows from our share repurchase activities. During 2008 the Company purchased 8.5 million shares of its common stock at an average price per share of \$20.67 under the two share repurchase programs authorized by our Board of Directors in 2008. The first program (the "dilution offset program") authorizes the Company to purchase Teradata common stock to the extent of cash received from the exercise of stock options and the Teradata Employee Stock Purchase Plan ("ESPP"). The second program (the

Table of Contents

“general share repurchase program”) authorizes the Company to repurchase an additional \$250 million of the Company’s outstanding shares of common stock. As of December 31, 2008, the Company had \$82 million of authorization remaining under the \$250 million general share repurchase program to repurchase outstanding shares of Teradata common stock. Our share repurchase activity depends on factors such as our working capital needs, our cash requirements for capital investments, our stock price, and economic and market conditions. Proceeds from the ESPP and the exercise of stock options were \$8 million in 2008. These proceeds are included in Other Financing Activities, Net in the Consolidated Statement of Cash Flows.

Prior to the second quarter of 2008, stock repurchased through the share repurchase programs was retired. Beginning in the second quarter of 2008, stock repurchased through the share repurchase programs was held as treasury stock.

On October 1, 2007, the Company entered into a five-year, \$300 million unsecured revolving credit facility. This credit facility contains certain representations and warranties; conditions; affirmative, negative and financial covenants; and events of default customary for such facilities. For most borrowings, Teradata would anticipate choosing a floating rate based on the London Interbank Offered Rate (“LIBOR”). If the facility had been fully drawn at December 31, 2008, the spread over the LIBOR would have been 32 basis points (for an interest rate of 2.13%, assuming a 6 month borrowing term) given Teradata’s leverage ratio at that date. As of December 31, 2008, the Company had no borrowings outstanding under this revolving credit facility and was in compliance with all covenants.

Management believes current cash and short-term investment resources, cash flows from operations and its \$300 million credit facility will be sufficient to satisfy future working capital, research and development activities, capital expenditures, pension contributions, and other financing requirements for the foreseeable future. The Company uses a number of financial instruments to hold its cash, cash equivalents and short-term investments, including bank deposits, money market funds and government treasury instruments.

The Company’s ability to generate positive cash flows from operations is dependent on general economic conditions, competitive pressures, and other business and risk factors described elsewhere in this Annual Report. If the Company is unable to generate sufficient cash flows from operations, or otherwise to comply with the terms of its credit facility, the Company may be required to seek additional financing alternatives.

Contractual and Other Commercial Commitments. In the normal course of business, we enter into various contractual obligations that impact, or could impact, our liquidity. The following table and discussion outlines our material obligations at December 31, 2008, with projected cash payments in the periods shown:

In millions	Total Amounts	2009	2010- 2011	2012- 2013	2014 and Thereafter
Lease obligations	\$ 58	\$16	\$ 23	\$ 13	\$ 6
Purchase obligations	11	5	5	1	—
Total lease and purchase obligations	<u>\$ 69</u>	<u>\$21</u>	<u>\$ 28</u>	<u>\$ 14</u>	<u>\$ 6</u>

Our lease obligations in the above table include Company-only facilities in various domestic and international locations. Purchase obligations are committed purchase orders and other contractual commitments for goods and services, and include contractual payments in relation to service agreements with various vendors for ongoing service parts logistics, payroll and tax services. Unrecognized tax benefits under FASB Interpretation No. 48 (“FIN 48”), *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*, are not included in the table above as such amounts are not material.

We also have product warranties and guarantees to third parties, as well as postemployment and international pension obligations that may affect future cash flow. These items are not included in the table of obligations shown above. Product warranties and third-party guarantees are described in detail in “Note 9—Commitments and Contingencies” in Notes to Consolidated Financial Statements. Postemployment and pension obligations are described in detail in “Note 7—Employee Benefit Plans” in Notes to Consolidated Financial Statements.

Table of Contents

Off-Balance Sheet Arrangements. We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (“SPE”), which would have been established for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Revenue Recognition

Teradata’s solution offerings typically include hardware, software, software subscriptions, maintenance support services and other professional consulting, implementation and installation services. Teradata records revenue when it is realized, or realizable, and earned. Teradata considers these requirements met when: (a) persuasive evidence of an arrangement exists; (b) the products or services have been delivered to the customer; (c) the sales price is fixed or determinable and free of contingencies or significant uncertainties; and (d) collectibility is reasonably assured. Our judgment is required in assessing the probability of collection and that fees are fixed or determinable, which is generally based on evaluation of customer-specific information, historical collection experience and economic market conditions. If Teradata cannot conclude that a fee is fixed or determinable at the outset of an arrangement, revenue is deferred until the determination is made that the arrangement fee is fixed or determinable. If market conditions decline, or if the financial condition of our customers deteriorates, we may be unable to determine that collectibility is probable, and we could be required to defer the recognition of revenue until we receive customer payments. Teradata reports revenue net of any taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions. Teradata delivers its solutions primarily through direct sales channels, as well as through alliances with system integrators, other independent software vendors and distributors, and value-added resellers (collectively referred to as “resellers”). In assessing whether the sales price to a reseller is fixed or determinable, the Company considers, among other things, past business practices with the reseller, the reseller’s operating history, payment terms, return rights and the financial wherewithal of the reseller. When we determine that the contract fee to a reseller is not fixed or determinable, we account for that transaction upon sell-through to the end customer.

Substantially all of Teradata’s solutions contain software that is more than incidental to the hardware and services. The typical solution requires no significant production, modification or customization of the software or hardware, and the software is not essential to the functionality of the hardware. Revenue related to software and software-

Table of Contents

related elements are recognized under Statement of Position 97-2, *Software Revenue Recognition*. Revenue for hardware and related installation services is recognized under Staff Accounting Bulletin No. 104 (“SAB 104”), *Revenue Recognition*. For software and software-related elements, Teradata allocates revenue to each software element based upon its fair value as determined by vendor-specific objective evidence (“VSOE”) using the residual method as discussed below. VSOE of fair value is based upon the normal pricing and discounting practices for those products and services when sold separately. For non-software related elements, fair value is based upon Verifiable Objective Evidence (“VOE”). VOE is based on the price when products or services are sold separately or the price other companies charge when selling a similar product separately. These elements often involve delivery or performance at different periods of time. Revenue for software is generally recognized upon delivery with the hardware using the residual method described below. Revenue for software subscriptions, which provide for unspecified upgrades or enhancements on a when-and-if-available basis, is recognized straight-line over the term of the subscription arrangement. Revenue for maintenance support services is also recognized on a straight-line basis over the term of the contract. Revenue for other professional consulting, implementation and installation services is recognized as services are provided. In certain instances, customer acceptance is required prior to the passage of title and risk of loss of the delivered products. In such cases, no revenue is recognized until the customer acceptance is obtained. Delivery and acceptance generally occur in the same reporting period.

For arrangements involving multiple deliverables, where the deliverables include software and non-software products and services, Teradata applies the provisions of Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, to separate the deliverables and allocate the total arrangement consideration. Accordingly, Teradata evaluates each deliverable to determine whether it represents a separate unit of accounting based on the following criteria: (a) whether the delivered item has value to the customer on a stand-alone basis; (b) whether there is objective and reliable evidence of the fair value of the undelivered items; and (c) if the contract includes a general right of return relative to the delivered item, delivery or performance of the undelivered items is considered probable and substantially in the control of Teradata. If objective and reliable evidence of fair value exists for all units of accounting in the arrangement, revenue is allocated to each unit of accounting based on relative fair values. Each unit of accounting is then accounted for under the applicable revenue recognition guidance. In situations where there is objective and reliable evidence of fair value for all undelivered elements, but not for delivered elements, the residual method is used to allocate the arrangement’s consideration. Teradata does not typically have VSOE of fair value for its software products. Therefore, in a substantial majority of Teradata arrangements, the residual method is used to allocate arrangement consideration. Under the residual method, the fair value of the undelivered elements is deferred and accounted for under the applicable revenue recognition guidance, and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue. If we cannot determine or maintain VSOE for an undelivered element, it could impact the timing of revenues as all or a portion of the revenue from the multiple-element arrangement may need to be deferred.

Revenue recognition for complex contractual arrangements requires a greater degree of judgment, including a review of specific contracts, past experience, creditworthiness of customers, international laws and other factors. We must also apply judgment in determining all elements of the arrangement, and in determining the fair value of each element, considering the price charged for each product, and applicable renewal rates for services. Changes in judgments about these factors could impact the timing and amount of revenue recognized between periods.

Capitalized Software

We account for research and development costs in accordance with applicable accounting pronouncements, including Statement of Financial Accounting Standards No. 2 (“SFAS 2”), *Accounting for Research and Development Costs*, and Statement of Financial Accounting Standards No. 86 (“SFAS 86”), *Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed*. SFAS 86 specifies that costs incurred internally in researching and developing a computer software product should be charged to expense until technological feasibility has been established. Technological feasibility is established when planning, designing and initial coding and testing activities that are necessary to establish the product can be produced to meet its design specifications are complete. In the absence of a detailed program design, a working model is used to establish technological feasibility. Once technological feasibility is established, all development costs are capitalized until the product is available for general release to customers. Judgment is required in determining when technological

Table of Contents

feasibility of a product is established. The timing of when various research and development projects become technologically feasible or ready for release can cause fluctuation in the amount of research and development costs that are expensed or capitalized in any given period, thus impacting our reported profitability for that period.

Income Taxes

We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109 (“SFAS 109”), *Accounting for Income Taxes*, which recognizes deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The deferred tax assets and liabilities are determined based on the enacted tax rates expected to apply in the periods in which the deferred tax assets or liabilities are expected to be settled or realized. Teradata’s operating results were included in NCR’s income tax returns for periods prior to the Separation. The provision for income tax in Teradata’s consolidated financial statements prior to the Separation was determined on a separate-return basis.

The Company’s intention is to permanently reinvest its foreign earnings outside of the United States. As a result, the effective tax rates in the periods presented after Separation are largely based upon the forecasted pre-tax earnings mix and allocation of certain expenses in various taxing jurisdictions where the Company conducts its business that apply a broad range of statutory income tax rates. The Company has not provided federal income taxes on earnings of approximately \$266 million from its foreign subsidiaries.

We adopted FASB Interpretation No. 48 (“FIN 48”), *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*, on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing thresholds and attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under FIN 48, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. We record any interest and/or penalties related to FIN 48 in the income tax expense line on our Consolidated Statements of Income. The adoption of FIN 48 did not impact our results of operations or net assets. In accordance with the Tax Sharing Agreement between NCR and Teradata, NCR is responsible for all taxes reported on any separate or joint return of NCR, which may also include Teradata for periods prior to the Separation. As of December 31, 2008, the Company has recorded \$1 million of unrecognized tax benefits.

We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. We had zero and \$5 million of valuation allowances as of December 31, 2008 and 2007, respectively.

Share-based Compensation

We account for employee share-based compensation costs in accordance with Statements of Financial Accounting Standards No. 123 (revised 2004) (“SFAS 123R”), *Share-Based Payment*, which requires us to measure compensation cost for stock awards at fair value and recognize compensation expense over the service period for which awards are expected to vest. We utilize the Black-Scholes option pricing model to estimate the fair value of stock-based compensation at the date of grant, which requires the input of subjective assumptions, including expected volatility and expected term. Further, as required under SFAS 123R, we estimate forfeitures for options granted which are not expected to vest. The estimation of stock awards that will ultimately vest requires judgment, and to the extent that actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period in which estimates are revised. We consider many factors when estimating expected forfeitures including types of awards and historical experience. Actual results and future changes in estimates may differ substantially from our current estimates.

In addition, we have performance-based awards that vest only if specific performance conditions are satisfied, typically at the end of an award’s three-year performance period. The number of shares that will be earned can vary based on actual performance. No shares will vest if the threshold objectives are not met. In the event the objectives are exceeded additional shares will vest up to a maximum payout. The cost of these awards is expensed over the

Table of Contents

performance period based upon management's estimate and analysis of the probability of meeting the performance criteria. Because the actual number of shares to be awarded is not known until the end of the performance period, the actual compensation expense related to these awards could differ from our current expectations.

Pension and Postemployment Benefits

We account for defined benefit pension plans in accordance with Statement of Financial Accounting Standards No. 87 ("SFAS 87"), *Employers' Accounting for Pensions*, which requires that amounts recognized in financial statements be determined on an actuarial basis. Our postemployment plans are accounted for in accordance with Statement of Financial Accounting Standards No. 112 ("SFAS 112"), *Employers' Accounting for Postemployment Benefits*. Beginning December 31, 2006, we also apply Statement of Financial Accounting Standards No. 158 ("SFAS 158"), *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which amends each of these two standards, primarily relative to balance sheet presentation and disclosure requirements. Prior to the Separation, we accounted for pension and postemployment benefit costs under the multiemployer plan approach.

We have pension and postemployment benefit costs and credits, which are developed from actuarial valuations. Actuarial assumptions attempt to anticipate future events and are used in calculating the expense and liability relating to these plans. These factors include assumptions we make about interest rates, expected investment return on plan assets, total and involuntary turnover rates, and rates of future compensation increases. In addition, our actuarial consultants also use subjective factors such as withdrawal rates and mortality rates to develop our valuations. We review and update these assumptions on an annual basis at the beginning of each fiscal year. We are required to consider current market conditions, including changes in interest rates, in making these assumptions. The actuarial assumptions that we use may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. These differences may result in a significant impact to the measurement of our pension and postemployment benefit obligations, and to the amount of pension and postemployment benefits expense we have recorded or may record. For example, as of December 31, 2008, a one-half percent increase/decrease in the discount rate would change the projected benefit obligation of our pension plans by \$3 million, and a one percent increase/decrease in our involuntary turnover assumption would change our postemployment benefit obligation by \$18 million.

At December 31, 2008, we reduced the involuntary turnover assumption used in calculating our postemployment benefit obligation from 3% to 2%, to reflect the Company's prior experience. This change in assumption reduced our postemployment benefit obligation recognized on our balance sheet by \$18 million and is expected to reduce 2009 postemployment expense by approximately \$5 million.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

A discussion of recently issued accounting pronouncements is described in "Note 1—Description of Business, Separation, Basis of Presentation and Significant Accounting Policies" in Notes to Consolidated Financial Statements elsewhere in this Annual Report, and we incorporate such discussion by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company employs a foreign currency hedging strategy to limit potential losses in earnings or cash flows from adverse foreign currency exchange rate movements. Foreign currency exposures arise from transactions denominated in a currency other than the Company's functional currency and from foreign denominated revenue and profit translated into U.S. dollars. The primary currencies to which the Company is exposed include the euro, the British pound, the Japanese yen, the Australian dollar, and other Asian and South American currencies. Exposures are hedged with foreign currency forward contracts with maturity dates of twelve months or less. The potential loss in fair value at December 31, 2008, for such contracts resulting from a hypothetical 10% adverse change in all foreign currency exchange rates is approximately \$5 million. This loss would be mitigated by corresponding gains on the underlying exposures. For additional information regarding the Company's foreign currency hedging strategy, see "Note 8— Derivative Instruments and Hedging Activities" in Notes to Consolidated Financial Statements elsewhere in this Annual Report.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management’s Responsibility for Financial Statements

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

PricewaterhouseCoopers LLP, our independent registered public accounting firm, is engaged to perform audits of our consolidated financial statements and the effectiveness of the internal control over financial reporting. These audits are performed in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our independent registered public accounting firm was given unrestricted access to all financial records and related data, including minutes of all meetings of stockholders, the Board of Directors, and committees of the board.

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

/s/ Michael F. Koehler	/s/ Stephen M. Scheppmann
Michael F. Koehler	Stephen M. Scheppmann
President and Chief Executive Officer	Executive Vice President and Chief Financial Officer

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Teradata Corporation:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)1 present fairly, in all material respects, the financial position of Teradata Corporation and its subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing in Item 15(a)2 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our audits (which was an integrated audit in 2008). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Cincinnati, Ohio
March 2, 2009

TERADATA CORPORATION
Consolidated Statements of Income
In millions, except per share amounts

	For the Year Ended December 31		
	2008	2007	2006
Revenue			
Product revenue	\$ 849	\$ 884	\$ 807
Service revenue	913	818	740
Total revenue	<u>1,762</u>	<u>1,702</u>	<u>1,547</u>
Operating expenses			
Cost of products	302	312	289
Cost of services	511	474	429
Selling, general and administrative expenses	508	470	410
Research and development expenses	108	126	117
Total operating expenses	<u>1,429</u>	<u>1,382</u>	<u>1,245</u>
Income from operations	333	320	302
Other income, net	5	2	—
Income before income taxes	338	322	302
Income tax expense	88	122	110
Net income	<u>\$ 250</u>	<u>\$ 200</u>	<u>\$ 192</u>
Net income per common share			
Basic	\$ 1.40	\$ 1.11	\$ 1.06
Diluted	\$ 1.39	\$ 1.10	\$ 1.06
Weighted average common shares outstanding			
Basic	178.1	180.8	180.7
Diluted	179.8	181.3	180.7

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

Table of Contents

TERADATA CORPORATION

Consolidated Balance Sheets

In millions, except share amounts

	At December 31	
	2008	2007
Assets		
Current Assets		
Cash and cash equivalents	\$ 402	\$ 270
Short-term investments	40	—
Accounts receivable, net	451	507
Inventories	44	51
Other current assets	78	45
Total current assets	1,015	873
Property and equipment, net	88	94
Capitalized software, net	80	61
Goodwill	110	90
Deferred income taxes	109	140
Other assets	28	36
Total assets	\$1,430	\$1,294
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 99	\$ 120
Payroll and benefits liabilities	83	91
Deferred revenue	255	246
Other current liabilities	103	115
Total current liabilities	540	572
Pension and other postemployment plan liabilities	83	88
Other liabilities	30	3
Total liabilities	653	663
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding at December 31, 2008 and 2007, respectively	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 180.5 and 181.0 shares issued at December 31, 2008 and 2007, respectively	2	2
Paid-in capital	572	555
Treasury stock: 6.9 and no shares at December 31, 2008 and 2007, respectively	(137)	—
Retained earnings	329	79
Accumulated other comprehensive income (loss)	11	(5)
Total stockholders' equity	777	631
Total liabilities and stockholders' equity	\$1,430	\$1,294

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

TERADATA CORPORATION
Consolidated Statements of Cash Flows
In millions

	For the Year Ended December 31		
	2008	2007	2006
Operating activities			
Net income	\$ 250	\$ 200	\$ 192
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	60	68	55
Stock-based compensation expense	21	17	9
Excess tax benefit from stock-based compensation	(1)	(1)	—
Deferred income taxes	38	80	(14)
Impairment on equity investment	3	—	—
Changes in assets and liabilities:			
Receivables	73	(128)	(29)
Inventories	7	(12)	(10)
Current payables and accrued expenses	(7)	75	1
Deferred revenue	13	52	15
Other assets and liabilities	(17)	36	—
Net cash provided by operating activities	440	387	219
Investing activities			
Purchases of short-term investments	(90)	—	—
Proceeds from sales and maturities of short-term investments	50	—	—
Expenditures for property and equipment	(19)	(50)	(20)
Additions to capitalized software	(52)	(45)	(46)
Purchased software licenses	(2)	(5)	(2)
Other investing activities and business acquisitions, net	(23)	(4)	(21)
Net cash used in investing activities	(136)	(104)	(89)
Financing activities			
Repurchases of Company common stock	(176)	—	—
Cash contributions from former parent	—	200	—
Transfer to former parent, net	—	(216)	(130)
Excess tax benefit from stock-based compensation	1	1	—
Other financing activities, net	8	1	—
Net cash used in financing activities	(167)	(14)	(130)
Effect of exchange rate changes on cash and cash equivalents	(5)	1	—
Increase in cash and cash equivalents	132	270	—
Cash and cash equivalents at beginning of year	270	—	—
Cash and cash equivalents at end of year	\$ 402	\$ 270	\$ —
Supplemental data			
Cash paid during the year for:			
Income taxes	\$ 33	\$ 1	\$ —
Interest	\$ 1	\$ —	\$ —

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

TERADATA CORPORATION
Consolidated Statements of Changes in Stockholders' Equity
In millions

	<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Paid-in</u>	<u>Retained</u>	<u>Accumulated Other Comprehensive</u>			<u>Comprehensive</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Earnings</u>	<u>Income (Loss)</u>	<u>Parent Company Investment</u>	<u>Total</u>	<u>Income for the Year Ended</u>
December 31, 2005	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>\$ 15</u>	<u>\$ 502</u>	<u>\$ 517</u>	
Employee stock compensation allocated from NCR								9	9	
Net income								192	192	\$ 192
Currency translation adjustments							3		3	3
Net transfers to parent								(130)	(130)	
December 31, 2006	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>\$ 18</u>	<u>\$ 573</u>	<u>\$ 591</u>	<u>\$ 195</u>
Employee stock compensation allocated from NCR								11	11	
Net income						79		121	200	\$ 200
Net transfers to parent								(259)	(259)	
Contribution of net assets to Teradata Corporation and issuance of shares to parent (Note 1)	181	2			548		(30)	(446)	74	
Employee stock compensation plans					6				6	
Income tax benefit from stock compensation plans					1				1	
Currency translation adjustments							7		7	7
December 31, 2007	<u>181</u>	<u>\$ 2</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 555</u>	<u>\$ 79</u>	<u>\$ (5)</u>	<u>\$ —</u>	<u>\$ 631</u>	<u>\$ 207</u>
Net income						250			250	250
Adjustments to net assets contributed from NCR (Note 1)					25		2		27	
Employee stock compensation plans	1				21				21	
Proceeds from employee stock purchase program and option exercises	1				8				8	
Repurchase of Company common stock, retired	(2)				(38)				(38)	
Income tax benefit from stock compensation plans					1				1	
Purchases of treasury stock, not retired			(7)	(137)					(137)	
Pension and postemployment benefit plans, net (Note 7)							10		10	10
Currency translation adjustments							4		4	4
December 31, 2008	<u>181</u>	<u>\$ 2</u>	<u>(7)</u>	<u>\$ (137)</u>	<u>\$ 572</u>	<u>\$ 329</u>	<u>\$ 11</u>	<u>\$ —</u>	<u>\$ 777</u>	<u>\$ 264</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Description of Business, Separation, Basis of Presentation and Significant Accounting Policies

Description of the Business. Teradata Corporation (“Teradata” or “the Company”) provides data warehousing solutions for customers worldwide that combine software (including the Teradata database and tools, data mining and analytical applications), hardware and related consulting and support services.

The Separation. On August 27, 2007, the Board of Directors of NCR Corporation (“NCR”), the Company’s former parent, approved the separation of NCR into two independent, publicly traded companies through the distribution of 100% of its Teradata data warehousing business to shareholders of NCR (the “Separation”).

To effect the Separation, Teradata Corporation, a Delaware corporation, was formed on March 27, 2007, as a wholly-owned subsidiary of NCR. Immediately prior to the Separation, the assets and liabilities of the Teradata data warehousing business of NCR were transferred to Teradata Corporation in return for 180.7 million shares of Teradata Corporation common shares. NCR accomplished the Separation through a distribution of one share of Teradata Corporation common stock for each share of NCR common stock on September 30, 2007, to NCR shareholders of record as of September 14, 2007.

Significant Non-Cash Financing and Investing Activities. In connection with the Separation, the Company executed the following non-cash transactions:

- NCR distributed 180.7 million shares of Teradata common stock to holders of NCR common stock;
- NCR’s historical net investment in Teradata, \$446 million immediately prior to the Separation, was reclassified to additional paid-in capital;
- NCR transferred to the Company certain postemployment liabilities and international pension assets and liabilities totaling \$91 million, of which \$30 million, net of tax, was recorded in accumulated other comprehensive income (loss);
- Reduced deferred tax assets by \$82 million for net operating losses and other tax attributes retained by NCR, and increased net deferred tax assets and liabilities by \$20 million for changes in tax bases of certain assets and liabilities resulting from the Separation, including the assumed pension and postemployment net obligations; and
- Reduced income tax accruals by \$19 million as such liabilities were retained by NCR in accordance with the Tax Sharing Agreement between NCR and the Company.

The assets and liabilities transferred to the Company from NCR at September 30, 2007, also included \$196 million in cash and a \$4 million receivable, which was collected from NCR in October 2007.

In addition to the above transfers, during the year ended December 31, 2008, the Company recorded Separation-related adjustments of \$25 million and \$2 million to additional paid-in capital and other comprehensive income, respectively. These adjustments were primarily made to reflect certain deferred tax assets that were not initially recorded at the Separation. These adjustments had no impact on net income or cash flows and are not material to the Consolidated Financial Statements for any periods presented.

Basis of Presentation. The financial statements for periods ending on or after the Separation are presented on a consolidated basis and include the accounts of the Company and its majority-owned subsidiaries. The financial statements for the periods presented prior to the Separation include the assets, liabilities, operating results and cash flows of the Teradata data warehousing business of NCR. The assets and liabilities presented have been reflected on a historical basis, as prior to the Separation such assets and liabilities were 100% owned by NCR. Changes in parent company equity represents NCR’s net investment in Teradata, prior to the Separation, after giving effect to the net income of Teradata and net cash transfers to and from NCR.

Table of Contents

Prior to the Separation, the historical financial statements include allocations of certain NCR corporate expenses, including treasury, accounting, tax, legal, internal audit, human resources, severance, pension, public and investor relations, general management, real estate, shared information technology systems, procurement and other statutory functions such as board of directors and other centrally managed employee benefit arrangements that benefit the Teradata business. These costs include the cost of salaries, benefits (including stock-based compensation) and other related costs. The Company was allocated \$96 million in 2007 (prior to the Separation) and \$122 million in 2006 of general corporate overhead expenses incurred by NCR.

Management believes that the assumptions and methodologies underlying the allocation of general corporate overhead expenses from NCR were reasonable. However, such expenses may not be indicative of the actual level of expense that would have been incurred by the Company if it had operated as an independent, publicly traded company or of the costs expected to be incurred in the future. As such, the financial information for periods prior to the Separation may not necessarily reflect the results of operations and cash flows of the Company in the future or what it would have been had the Company been an independent, publicly traded company during the periods presented. Refer to Note 4 for further information regarding allocated expenses.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. On an ongoing basis, management evaluates these estimates and judgments, including those related to allowances for doubtful accounts, the valuation of inventory to net realizable value, share-based compensation and income taxes and any changes will be accounted for on a prospective basis. Actual results could differ from those estimates.

Revenue Recognition. Teradata's solution offerings typically include software, software subscriptions, hardware, maintenance support services and other professional consulting, implementation and installation services. Teradata records revenue when it is realized, or realizable, and earned. Teradata considers these requirements met when: (a) persuasive evidence of an arrangement exists; (b) the products or services have been delivered to the customer; (c) the sales price is fixed or determinable and free of contingencies or significant uncertainties; and (d) collectibility is reasonably assured. Teradata reports revenue net of any taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions. Teradata delivers its solutions primarily through direct sales channels, as well as through alliances with system integrators, other independent software vendors and distributors, and value-added resellers (collectively referred to as "resellers"). In assessing whether the sales price to a reseller is fixed or determinable, the Company considers, among other things, past business practices with the reseller, the reseller's operating history, payment terms, return rights and the financial wherewithal of the reseller. When Teradata determines that the contract fee to a reseller is not fixed or determinable, that transaction is accounted for upon sell-through to the end customer.

Substantially all of Teradata's solutions contain software that is more than incidental to the hardware and services. The typical solution requires no significant production, modification or customization of the software or hardware, and the software is not essential to the functionality of the hardware. Therefore, consistent with the guidance in Emerging Issues Task Force Issue No. 03-5, *Applicability of AICPA Statement of Position 97-2 to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software*, hardware and related services are considered non-software deliverables. Revenue related to software and software-related deliverables are recognized under Statement of Position 97-2, *Software Revenue Recognition*. Revenue for hardware and related installation services is recognized under Staff Accounting Bulletin No. 104, *Revenue Recognition*. For software and software-related deliverables, Teradata allocates revenue to each software deliverable based upon its fair value as determined by vendor-specific objective evidence ("VSOE") using the residual method as discussed below. VSOE of fair value is based upon the normal pricing and discounting practices for those products and services when sold separately. For non-software related deliverables, fair value is based upon Verifiable Objective Evidence ("VOE"). VOE is based on the price of when products or services are sold separately or the price other companies charge when selling a similar product separately. These elements often involve delivery or performance at different periods of time. Revenue for software is generally recognized upon delivery with the hardware using the residual method described below. Revenue for software subscriptions, which provide for unspecified upgrades or enhancements on a when-and-if-available basis, is recognized straight-line over the term of the subscription arrangement. Revenue for maintenance

Table of Contents

support services is also recognized on a straight-line basis over the term of the contract. Revenue for other professional consulting, implementation and installation services is recognized as services are provided. In certain instances, customer acceptance is required prior to the passage of title and risk of loss of the delivered products. In such cases, no revenue is recognized until the customer acceptance is obtained. Delivery and acceptance generally occur in the same reporting period.

For arrangements involving multiple deliverables, where the deliverables include software and non-software products and services, Teradata applies the provisions of Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, to separate the deliverables and allocate the total arrangement consideration. Accordingly, Teradata evaluates each deliverable to determine whether it represents a separate unit of accounting based on the following criteria: (a) whether the delivered item has value to the customer on a stand-alone basis; (b) whether there is objective and reliable evidence of the fair value of the undelivered items; and (c) if the contract includes a general right of return relative to the delivered item, delivery or performance of the undelivered items is considered probable and substantially in the control of Teradata. If objective and reliable evidence of fair value exists for all units of accounting in the arrangement, revenue is allocated to each unit of accounting based on relative fair values. Each unit of accounting is then accounted for under the applicable revenue recognition guidance. In situations where there is objective and reliable evidence of fair value for all undelivered elements, but not for delivered elements, the residual method is used to allocate the arrangement's consideration. Teradata does not typically have VSOE of fair value for software products. Therefore, in a substantial majority of Teradata arrangements, the residual method is used to allocate arrangement consideration. Under the residual method, the fair value of the undelivered elements is deferred and accounted for under the applicable revenue recognition guidance, and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue.

Shipping and Handling. Product shipping and handling costs are included in cost of products in the Consolidated Statements of Income.

Cash and Cash Equivalents. All short-term, highly-liquid investments having original maturities of three months or less are considered to be cash equivalents.

Short Term Investments. Teradata's short-term investments consist of bank time deposits with original maturities between three months and one year.

Allowance for Doubtful Accounts. Teradata establishes provisions for doubtful accounts using both percentages of accounts receivable balances to reflect historical average credit losses and specific provisions for known issues.

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

Long-Lived Assets

Property and Equipment. Property and equipment, leasehold improvements and rental equipment are stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the related assets primarily on a straight-line basis. Equipment is depreciated over 3 to 20 years and buildings over 25 to 45 years. Leasehold improvements are depreciated over the life of the lease or the asset, whichever is shorter.

Capitalized Software. Direct development costs associated with internal-use software are capitalized and amortized over the estimated useful lives of the resulting software. The costs are capitalized when both the preliminary project stage is completed and it is probable that computer software being developed will be completed and placed in service. Teradata typically amortizes capitalized internal-use software on a straight-line basis over three years beginning when the asset is substantially ready for use.

Costs incurred for the development of software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established under Financial Accounting Standard No. 86 ("SFAS 86"), *Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed*. Technological feasibility is

Table of Contents

established when planning, designing and initial coding and testing activities that are necessary to establish the product can be produced to meet its design specifications. In the absence of a program design, a working model is used to establish technological feasibility. These costs are included within capitalized software and are amortized over the estimated useful lives of the resulting software. The Company typically amortizes capitalized software on a sum-of-the-years'-digits basis over three years beginning when the product is available for general release, which materially approximates the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product. Costs capitalized include direct labor and related overhead costs. Costs incurred prior to technological feasibility and after general release are expensed as incurred. The following table identifies the activity relating to capitalized software:

In millions	Internal-use Software			External-use Software		
	2008	2007	2006	2008	2007	2006
Beginning balance at January 1	\$12	\$ 8	\$ 6	\$ 49	\$ 51	\$ 45
Capitalized	4	8	5	48	37	40
Amortization	(5)	(4)	(3)	(28)	(39)	(34)
Ending balance at December 31	<u>\$11</u>	<u>\$12</u>	<u>\$ 8</u>	<u>\$ 69</u>	<u>\$ 49</u>	<u>\$ 51</u>

Goodwill and Other Intangible Assets. Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill amounts are not amortized, but rather are tested for impairment annually or if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Intangible assets that are not considered to have an indefinite useful life are amortized over their useful lives, which range from 1 to 10 years. The carrying amount of these assets is reviewed whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of these assets is measured by comparison of the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. The Company did not recognize any goodwill or intangible asset impairment charges in 2008, 2007 or 2006.

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

Warranty. Provisions for product warranties are recorded in the period in which the related revenue is recognized. The Company accrues warranty reserves using percentages of revenue to reflect the Company's historical average warranty claims.

Research and Development Costs. Research and development costs are expensed as incurred, in accordance with Statement of Financial Accounting Standards No. 2 ("SFAS 2"), *Accounting for Research and Development Costs*. Research and development costs primarily include payroll and headcount-related costs, contractor fees, facilities costs, infrastructure costs, and administrative expenses directly related to research and development support.

Pension, Postretirement and Postemployment Benefits. Prior to the Separation, Teradata employees were eligible to participate in pension, postretirement and postemployment benefit plans sponsored by NCR in many of the countries where the Company does business. Prior to the Separation, the Company accounted for its pension and postemployment benefit costs under the multiemployer plan approach, and recognized the pension and postemployment costs allocated to it by NCR. The pension and postemployment benefits costs were allocated to Teradata based on the projected benefit obligation associated with Teradata-specific employees and other NCR employees who provided support services to Teradata. In conjunction with the Separation, certain of NCR's pension and postemployment benefit obligations and plan assets relating to the Teradata business were assumed by/transferred to the Company.

Table of Contents

The Company accounts for its pension and postemployment benefit obligations using actuarial models. The measurement of plan obligations was made as of December 31, 2008. Liabilities are computed using the projected unit credit method. The objective under this method is to expense each participant's benefits under the plan as they accrue, taking into consideration salary increases and the plan's benefit allocation formula. Thus, the total pension or postemployment benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

In accordance with Statement of Financial Accounting Standards No. 158 ("SFAS 158"), *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans*, the Company recognizes the funded status of its pension and postemployment plan obligations in its consolidated balance sheet and records in other comprehensive income (loss) certain gains and losses that arise during the period, but are deferred under pension accounting rules.

Foreign Currency. Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment are translated into U.S. dollars at period-end exchange rates. Income and expense accounts are translated at average exchange rates prevailing during the period. Adjustments arising from the translation are included in accumulated other comprehensive income (loss), a separate component of stockholders' equity. Gains and losses resulting from foreign currency transactions are included in determining net income.

Income Taxes. For the periods prior to the Separation, Teradata's operating results were included in NCR's consolidated U.S. and state income tax returns and in tax returns of certain NCR foreign subsidiaries. The provision for income taxes in these financial statements was determined on a separate-return basis. Deferred tax assets and liabilities were recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts.

For the periods after the Separation, income tax expense is provided based on income before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are determined based on the enacted tax rates expected to apply in the periods in which the deferred assets or liabilities are expected to be settled or realized. We recognize tax benefits from uncertain tax positions only if it is more likely than not the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The Company records valuation allowances related to its deferred income tax assets when it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

Share-based Compensation. For the periods prior to the Separation, share-based compensation represented the costs related to NCR share-based awards granted to employees of Teradata recognized under the provisions of Statements of Financial Accounting Standards No. 123 (revised 2004) ("SFAS 123R"), *Share-Based Payment*. NCR selected the modified prospective transition method of implementing SFAS 123R and began recognizing compensation expense for share-based awards granted on or after January 1, 2006, plus any unvested awards granted prior to January 1, 2006.

SFAS 123R requires that all share-based payments to employees, including grants of stock options, be recognized in the financial statements based on their fair value. The fair value of each stock option award on the grant date is estimated using the Black-Scholes option-pricing model with the following assumptions: expected dividend yield, expected stock price volatility, weighted-average risk-free interest rate and weighted average expected term of the options. In connection with the Separation, NCR share-based awards held by Teradata employees were converted to equivalent share-based awards of Teradata Corporation based on the ratio of the Company's fair market value to NCR and Teradata's combined fair market value at the time of the Separation. The conversion was accounted for as a modification under the provisions of SFAS 123R, and resulted in no increase in the fair value of the awards. For the periods following the Separation, share-based compensation represents the costs related to Teradata share-based awards.

Under SFAS 123R, the Company's expected volatility assumption used in the Black-Scholes option-pricing model is based on peer group volatility. The expected term assumption is based on the simplified method in accordance with the SEC's Staff Accounting Bulletin No. 107 ("SAB 107"). The simplified method is based on the vesting

Table of Contents

period and contractual term for each vesting tranche of awards. The mid-point between the vesting date and the expiration date is used as the expected term under this method. The risk-free interest rate used in the Black-Scholes model is based on the implied yield curve available on U.S. Treasury zero-coupon issues at the date of grant with a remaining term equal to the Company's expected term assumption. The Company has never declared or paid a cash dividend and has no current plans to pay cash dividends.

Treasury Stock. Prior to the second quarter of 2008, stock repurchased through the share repurchase programs was retired. Beginning in the second quarter of 2008, stock repurchased through the share repurchase programs was held as treasury stock. Treasury stock is accounted for using the cost method.

Earnings Per Share. Basic earnings per share is calculated by dividing net income by the weighted-average number of shares outstanding during the reported period. The calculation of diluted earnings per share is similar to basic earnings per share, except that the weighted-average number of shares outstanding includes the dilution from potential shares added from stock options, restricted stock awards and other stock awards. For periods prior to the Separation, basic and diluted earnings per share were the same, as no potentially dilutive securities (stock options, restricted shares, etc.) of the Company were outstanding. Refer to Note 6 for share information on the Company's stock compensation plans.

The components of basic and diluted earnings per share are as follows:

In millions, except earnings per share	For the year ended December 31		
	2008	2007	2006
Net income available for common stockholders	\$ 250	\$ 200	\$ 192
Weighted average outstanding shares of common stock	178.1	180.8	180.7
Dilutive effect of employee stock options and restricted stock	1.7	0.5	—
Common stock and common stock equivalents	179.8	181.3	180.7
Earnings per share:			
Basic	\$ 1.40	\$ 1.11	\$ 1.06
Diluted	\$ 1.39	\$ 1.10	\$ 1.06

Options to purchase 1.7 million shares of common stock for 2008 and 0.2 million shares of common stock for 2007 were not included in the computation of diluted earnings per share because their exercise prices were greater than the average market price of the common shares and, therefore, the effect would have been anti-dilutive. There were no potential common shares in 2006 as for periods prior to the Separation no potentially dilutive securities (stock options, restricted shares, etc.) of the Company were outstanding.

Reclassifications. Certain prior-year amounts have been reclassified to conform to the 2008 presentation.

Recently Issued Accounting Pronouncements

Statement of Financial Accounting Standards No. 157. In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 157 ("SFAS 157"), *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS 157 is effective for financial assets and financial liabilities measured at fair value on a recurring basis for fiscal years beginning after November 15, 2007. FASB Staff Position No. FAS 157-2 ("FSP 157-2"), *Effective Date of FASB Statement No. 157*, deferred the effective date of SFAS 157 for all non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008. FASB Staff Position No. FAS 157-3 ("FSP 157-3"), *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*, which was made effective on issuance on October 10, 2008, clarified the application of SFAS 157 in determining the fair value of financial assets in inactive markets. Refer to Note 10 for additional information related to the adoption of SFAS 157. The adoption of SFAS 157 did not have a material effect on the Consolidated Financial Statements. The Company does not expect the adoption of this Statement for

Table of Contents

non-financial assets and liabilities to have a material impact on its consolidated financial statements in subsequent reporting periods.

Statement of Financial Accounting Standards No. 141 (revised 2007). In December 2007, the FASB issued SFAS No. 141 (revised 2007) (“SFAS 141R”), *Business Combinations*. This Statement changes the accounting for acquisition transaction costs by requiring them to be expensed in the period incurred, and also changes the accounting for contingent consideration, acquired contingencies and restructuring costs related to an acquisition. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008. The Company does not expect that the adoption will have a material impact on its financial condition and results of operations, although its effects on future periods will depend on the nature and significance of business combinations subject to this statement.

Statement of Financial Accounting Standards No. 160. In December 2007, the FASB issued SFAS No. 160 (“SFAS 160”), *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*. This Statement will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. The Company does not expect that this statement will have a material effect on its financial condition and results of operations.

Statement of Financial Accounting Standards No. 161. In March 2008, the FASB issued SFAS No. 161 (“SFAS 161”), *Disclosures About Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133*. This Statement is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The Company does not believe that adopting SFAS 161 will have a material impact on the presentation of its annual and interim period disclosures.

FASB Staff Position No. FSP 132(R)-1. In December 2008, the FASB issued FSP 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (“FSP 132(R)-1”). FSP 132(R)-1 provides guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

Table of Contents

Note 2 Supplemental Financial Information

In millions	At December 31	
	2008	2007
Accounts receivable		
Trade	\$ 449	\$ 485
Other	13	27
Accounts receivable, gross	462	512
Less: allowance for doubtful accounts	(11)	(5)
Total accounts receivable, net	<u>\$ 451</u>	<u>\$ 507</u>
Inventories		
Finished goods	\$ 22	\$ 29
Service parts	22	22
Total inventories	<u>\$ 44</u>	<u>\$ 51</u>
Other current assets		
Current deferred tax assets	\$ 42	\$ 25
Other	36	20
Total other current assets	<u>\$ 78</u>	<u>\$ 45</u>
Property and equipment		
Land and improvements	\$ 8	\$ 8
Buildings and improvements	62	61
Machinery and other equipment	179	181
Property and equipment, gross	249	250
Less: accumulated depreciation	(161)	(156)
Total property and equipment, net	<u>\$ 88</u>	<u>\$ 94</u>
Other current liabilities		
Income tax payable	\$ 23	\$ 15
Sales and value-added taxes	27	36
Other	53	64
Total other current liabilities	<u>\$ 103</u>	<u>\$ 115</u>
Accumulated other comprehensive income (loss), net of tax		
Currency translation adjustments	\$ 29	\$ 25
Actuarial losses and prior service costs on employee benefit plans	(18)	(30)
Total accumulated other comprehensive income (loss)	<u>\$ 11</u>	<u>\$ (5)</u>

Note 3 Goodwill and Other Intangible Assets

The following table identifies the activity relating to goodwill by operating segment:

In millions	Balance December 31,	Additions	Currency Translation Adjustments	Balance December 31,
	2007			2008
Goodwill				
Americas	\$ 56	\$ 15	\$ —	\$ 71
EMEA	10	—	—	10
APJ	24	—	5	29
Total goodwill	<u>\$ 90</u>	<u>\$ 15</u>	<u>\$ 5</u>	<u>\$ 110</u>

The change in goodwill is primarily due to an immaterial acquisition consummated during 2008, as well as changes in foreign currency exchange rates. In the fourth quarter of 2008, in accordance with Statement of Financial

Table of Contents

Accounting Standards No. 142 (“SFAS 142”), *Goodwill and Other Intangible Assets*, the Company performed its annual test of goodwill impairment. No goodwill impairment losses were realized.

The Company’s identifiable intangible assets, reported under Other Assets in the balance sheets, were specifically identified when acquired, and are deemed to have finite lives. The gross carrying amount and accumulated amortization for Teradata’s identifiable intangible assets were as follows:

In millions	Original Amortization Life (in Years)	December 31, 2008		December 31, 2007	
		Gross Carrying	Accumulated	Gross Carrying	Accumulated
		<u>Amount</u>	<u>Amortization</u>	<u>Amount</u>	<u>Amortization</u>
Identifiable intangible assets					
Intellectual property	1 -10	24	(10)	21	(6)

The aggregate amortization expense (actual and estimated) for identifiable intangible assets for the following periods is:

In millions	Actual	For the year ended (estimated)				
		2008	2009	2010	2011	2012
Amortization expense	\$ 5	\$ 4	\$ 4	\$ 3	\$ 2	\$ 1

Note 4 Transactions with NCR

Teradata’s costs and expenses for periods prior to the Separation include allocations from NCR for, among other things, centralized treasury, tax, accounting, legal, internal audit, human resources, severance, pension, public and investor relations, general management, real estate, shared information technology systems, procurement and other statutory functions such as board of directors and centrally managed benefit arrangements. These allocations were determined on a basis that NCR and Teradata considered to be a reasonable reflection of the utilization of services provided to or the benefits received by Teradata. The allocations are based on methods that include such drivers as revenue, headcount, square footage, transaction processing costs and others considered as a reasonable method in relation to the costs being allocated. Allocated costs included in the statements of income were as follows (allocated costs in 2007 include only the nine months ended September 30, 2007):

In millions	2007	2006
Cost of products and services	\$27	\$ 39
Selling, general and administrative expenses	63	69
Research and development expenses	6	14
Total allocated operating expenses	<u>\$96</u>	<u>\$122</u>

NCR and the Company entered into an Interim Services and Systems Replication Agreement, which provides for the provision of certain transitional services by the Company and its subsidiaries to NCR and its subsidiaries, and vice versa. The services include the provision of administrative and other services identified by the parties. The Interim Services and Systems Replication Agreement provided for a term of up to 18 months for such services, which ends in March 2009, and may be extended for an additional six months by mutual agreement of the parties. The pricing is based on actual costs incurred by the party rendering the services plus a fixed percentage.

NCR and the Company also entered into certain other agreements, including the Separation and Distribution Agreement, the Tax Sharing Agreement, the Employee Benefits Agreement and several commercial agreements. The commercial agreements include a network support agreement, service and distributor arrangements, intellectual property agreements, and various real estate arrangements.

Table of Contents

Note 5 Income Taxes

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

In millions	2008	2007	2006
Income before income taxes			
United States	\$190	\$198	\$214
Foreign	148	124	88
Total income before income taxes	<u>\$338</u>	<u>\$322</u>	<u>\$302</u>

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

In millions	2008	2007	2006
Income tax expense			
Current			
Federal	\$ 8	\$ 30	\$ 80
State and local	5	5	14
Foreign	37	7	30
Deferred			
Federal	60	40	(14)
State and local	5	6	(2)
Foreign	(27)	34	2
Total income tax expense	<u>\$ 88</u>	<u>\$122</u>	<u>\$110</u>

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

In millions	2008	2007	2006
Income tax expense at the U.S. federal tax rate of 35%	35.0%	35.0%	35.0%
Foreign income tax differential	(12.5)%	(6.8)%	0.7%
State and local income taxes	2.0%	2.8%	3.6%
U.S. permanent book/tax differences	0.5%	1.6%	(3.0)%
Rate change	0.0%	3.1%	0.0%
Other, net	1.0%	2.2%	0.1%
Total income tax expense	<u>26.0%</u>	<u>37.9%</u>	<u>36.4%</u>

The tax rate for the year ended December 31, 2008 included a \$3 million charge to reflect a change in estimate identified in conjunction with filing the Company's 2007 U.S. federal tax return. The provision for income taxes for the year ended December 31, 2008 is based on the pre-tax earnings mix by jurisdiction of Teradata and its subsidiaries under the Company's current structure. For periods prior to the Separation, while the Company was operated as part of NCR, Teradata's provision for income taxes in certain tax jurisdictions reflected only a portion of the tax benefits related to certain foreign operations' tax net operating losses due to the uncertainty of the ultimate realization of future benefits from those losses under NCR's tax structure.

The tax rate for the year ended December 31, 2007 included a \$10 million charge relating to a tax rate change in Germany. While the Company was still part of NCR, Teradata's provision for income taxes reflected only a portion of the tax benefits related to certain foreign operations' tax net operating losses due to the uncertainty of the ultimate realization of future benefits from those losses under NCR's structure. In addition to the discrete item described above, the effective tax rate for the year ended December 31, 2007 included a \$7 million net adjustment to increase tax expense to correct prior period errors in the calculation of the income tax provision related to intercompany profit elimination. As the impact of this error was not material to any prior periods or to the full-year 2007 financial statements, it was recorded in the second quarter of 2007.

Table of Contents

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

In millions	2008	2007
Deferred income tax assets		
Property and equipment	\$ 3	\$ 8
Employee pensions and other benefits	35	33
Other balance sheet reserves and allowances	14	11
Deferred revenue	20	7
Tax loss and credit carryforwards	6	4
Capitalized research and development	94	120
Goodwill	9	6
Total deferred income tax assets	181	189
Valuation allowance	—	(5)
Net deferred income tax assets	181	184
Deferred income tax liabilities		
Capitalized software	27	18
Other	3	2
Total deferred income tax liabilities	30	20
Total net deferred income tax assets	\$151	\$164

As of December 31, 2008, Teradata had net operating loss carryforwards in the United States and certain foreign jurisdictions of approximately \$3 million (tax effected) and U.S. foreign tax credit carryforwards of \$3 million, which will be available to offset future taxable income and tax liabilities, respectively. The carryforwards will begin expiring beginning in 2013 with some amounts being carried forward indefinitely.

The Company's intention is to permanently reinvest its foreign earnings outside of the United States. As a result, the effective tax rates in the periods presented are largely based upon the forecasted pre-tax earnings mix and allocation of certain expenses in various taxing jurisdictions where the Company conducts its business that apply a broad range of statutory income tax rates. At December 31, 2008 the Company had not provided federal income taxes on earnings of approximately \$266 million from its foreign subsidiaries. Should these earnings be distributed in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes and withholding taxes in various international jurisdictions. These taxes could potentially be partially offset by U.S. foreign tax credits. Determination of the amount of unrecognized deferred U.S. tax liability is not practical because of the complexities associated with this hypothetical calculation.

The Company adopted FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*, on January 1, 2007. Under FIN 48, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company reflects any interest and penalties recorded in connection with its uncertain tax positions as a component of income tax expense. The adoption of FIN 48 did not materially impact our results of operations or net assets. In accordance with the Tax Sharing Agreement between NCR and Teradata, NCR is responsible for all taxes reported on any separate or joint return of NCR which may also include Teradata for periods prior to the Separation. As of December 31, 2008, the Company has recorded \$1 million of unrecognized tax benefits.

Table of Contents

Note 6 Employee Share-based Compensation Plans

The Company recorded stock-based compensation expense for the years ended December 31 as follows:

In millions	2008	2007	2006
Stock options	\$ 8	\$ 6	\$ 5
Restricted stock	13	11	4
Total stock-based compensation (pre-tax)	21	17	9
Tax benefit	(7)	(6)	(3)
Total stock-based compensation, net of tax	<u>\$14</u>	<u>\$11</u>	<u>\$ 6</u>

For the periods prior to the Separation, share-based compensation represents the costs related to NCR share-based awards granted to employees of Teradata recognized under the provisions of SFAS 123R. In connection with the Separation on September 30, 2007, NCR share-based awards held by approximately 400 Teradata employees were converted to equivalent share-based awards of Teradata Corporation based on the ratio of the Company's fair market value to NCR and Teradata's combined fair market value at the time of the Separation. The conversion was accounted for as a modification under the provisions of SFAS 123R, and resulted in no increase in the fair value of the awards. As of December 31, 2008, the Company's primary types of share-based compensation were stock options, restricted stock and restricted stock units.

Stock Options

Prior to the Separation, all stock options granted to NCR employees engaged in Teradata's business were granted under the NCR Stock Incentive Plan ("NCR SIP"). The NCR SIP provided for the grant of several different forms of stock-based compensation, including stock options to purchase shares of NCR common stock. The Compensation and Human Resource Committee of NCR's Board of Directors had discretion to determine the material terms and conditions of option awards under the SIP, provided that (i) the exercise price must be no less than the fair market value of NCR common stock (as defined in the NCR SIP or otherwise determined by the NCR Compensation and Human Resource Committee) on the date of grant, (ii) the term must be no longer than ten years, and (iii) in no event shall the normal vesting schedule provide for vesting in less than one year.

The Teradata Corporation 2007 Stock Incentive Plan (the "Teradata SIP") was adopted by Teradata's Board of Directors on September 6, 2007, after having been approved by NCR International, Inc., as sole stockholder of Teradata, on August 14, 2007. The Teradata SIP, as amended, is being submitted to stockholders for approval at the Company's 2009 Annual Meeting of Stockholders. Stock options granted under the Teradata SIP contain similar terms and conditions as those granted under the NCR SIP, including terms no longer than 10 years, and exercise prices not less than the fair market value of Teradata common stock on the date of grant. Grants generally have a four-year vesting period. A total of 20 million shares are authorized to be issued under the Teradata SIP. New shares of the Company's common stock are issued as a result of the vesting of restricted stock and restricted stock units as well as stock option exercises.

Table of Contents

For the years ended December 31, 2008 and 2007, the weighted-average fair value of options granted for Teradata awards was \$5.08 and \$12.99, respectively. For the years ended December 31, 2007 and 2006, the weighted-average fair value of NCR options granted was \$17.03 and \$15.66, respectively. The fair value of each option award on the grant date was estimated using the Black-Scholes option-pricing model with the following assumptions:

	Teradata		NCR	
	2008	2007	2007	2006
Dividend yield	—	—	—	—
Risk-free interest rate	1.90%	4.30%	4.52%	4.58%
Expected volatility	33.3%	39.7%	32.5%	34.9%
Expected term (years)	6.3	6.3	5.0	5.3

Prior to the Separation, expected volatility incorporated a blend of both historical volatility of NCR's stock over a period equal to the expected term of the options and implied volatility from traded options on NCR's stock, as NCR management believed this was more representative of prospective trends. NCR used historical data to estimate option exercise and employee termination within the valuation model. Subsequent to the Separation, the expected volatility assumption was based on peer group volatility, and the expected term assumption is based on the simplified method in accordance with the SEC's Staff Accounting Bulletin No. 107 ("SAB 107"). The simplified method is based on the vesting period and contractual term for each vesting tranche of awards. The mid-point between the vesting date and the expiration date is used as the expected term under this method. The risk-free interest rate for periods within the contractual life of the option is based on the five-year U.S. Treasury yield curve in effect at the time of grant.

The following table summarizes the Company's stock option activity for the year ended December 31, 2008:

Shares in thousands	Shares Under Option	Weighted- Average Exercise Price per Share	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2008	6,039	\$ 16.22	6.0	\$ 68
Granted	3,965	\$ 13.90		
Exercised	(355)	\$ 10.80		
Canceled	(30)	\$ 11.05		
Forfeited	(28)	\$ 24.71		
Outstanding at December 31, 2008	9,591	\$ 15.46	7.1	\$ 18
Fully vested and expected to vest at December 31, 2008	9,464	\$ 15.43	7.1	\$ 18
Exercisable at December 31, 2008	4,286	\$ 13.74	4.3	\$ 14

The total intrinsic value of options exercised was \$4 million in 2008, \$9 million in 2007 and \$21 million in 2006. Cash received by the Company from option exercises under all share-based payment arrangements was \$4 million in 2008 and \$1 million in 2007 (following the Separation). The tax benefit realized from these exercises was \$1 million in 2008 and \$1 million in 2007. As of December 31, 2008, there was \$31 million of total unrecognized compensation cost related to unvested stock option grants. That cost is expected to be recognized over a weighted-average period of 2.1 years.

Restricted Stock and Restricted Stock Units

Prior to the Separation, all restricted stock and restricted stock unit awards granted to NCR employees engaged in Teradata's business were granted under the NCR SIP. The NCR SIP provided for the issuance of restricted stock, as well as restricted stock units. For performance-based awards, performance goals were established by NCR's

Table of Contents

Compensation and Human Resource Committee for each respective performance period. Any grant of restricted stock or restricted stock units was subject to a vesting period of at least three years, except that a one-year term of service may be required if vesting is conditioned upon achievement of performance goals.

The Teradata SIP provides for the issuance of restricted stock, as well as restricted stock units. Grants under the Teradata SIP consist of both service-based and performance-based awards. Service-based awards typically vest over a three- to four-year period beginning on the effective date of grant. These grants are not subject to future performance measures. The cost of these awards, determined to be the fair market value at the date of grant, is expensed ratably over the vesting period. For substantially all restricted stock grants, at the date of grant, the recipient has all rights of a stockholder, subject to certain restrictions on transferability and a risk of forfeiture. A recipient of restricted stock units does not have the rights of a stockholder and is subject to restrictions on transferability and risk of forfeiture. Performance-based grants are subject to future performance measurements over a one- to three-year period. All performance-based shares will become vested at the end of the performance period provided the employee is continuously employed by the Company and applicable performance measures are met. The fair value of each performance-based award is determined on the grant date, based on the Company's stock price, and assumes that performance targets will be achieved. Over the performance period, the number of shares of stock that will be issued is adjusted upward or downward based upon management's assessment of the probability of achievement of performance targets. The ultimate number of shares issued and the related compensation cost recognized as expense will be based on a comparison of the final achievement of performance metrics to the specified targets.

The following table reports restricted stock and restricted stock unit activity during the year ended December 31, 2008:

	Number of	Weighted-Average Grant Date Fair Value
Shares in thousands	Shares	per Share
Unvested shares at January 1, 2008	1,460	\$ 23.91
Granted	302	\$ 15.58
Vested and distributed	(569)	\$ 20.89
Forfeited/canceled	(40)	\$ 27.17
Unvested shares at December 31, 2008	<u>1,153</u>	<u>\$ 24.11</u>

The total intrinsic value of shares vested and distributed was \$12 million in 2008, \$7 million in 2007 and \$3 million in 2006. As of December 31, 2008, there was \$15 million of unrecognized compensation cost related to unvested restricted stock grants. The unrecognized compensation cost is expected to be recognized over a remaining weighted-average period of 1.6 years.

The following table represents the composition of Teradata restricted stock grants in 2008:

	Number of	Weighted-Average Grant Date Fair Value
Shares in thousands	Shares	Fair Value
Service-based shares	297	\$ 15.49
Performance-based shares	5	\$ 20.97
Total stock grants	<u>302</u>	<u>\$ 15.58</u>

Table of Contents

Other Share-based Plans

The Company's employee stock purchase program ("ESPP") was adopted by Teradata's Board of Directors on September 6, 2007, after having been approved by NCR International, Inc., as sole stockholder of Teradata, on August 14, 2007. The plan became effective on October 1, 2007. The plan provides eligible employees of Teradata and its designated subsidiaries an opportunity to purchase the Company's common stock at a discount to the average of the highest and lowest sale prices on the last trading day of each month. The ESPP discount is 5% of the average market price. As a result, this plan was considered non-compensatory under SFAS 123R. Employees may authorize payroll deductions of up to 10% of eligible compensation for common stock purchases. A total of 4 million shares were authorized to be issued under the ESPP. No purchases were made under the ESPP in 2007, as the first enrollment period began after December 31, 2007. Employees purchased approximately 0.3 million shares in 2008 for approximately \$5 million.

Note 7 Employee Benefit Plans

Pension and Postemployment Plans. Prior to the Separation, NCR employees engaged in Teradata's business were eligible to participate in pension, postretirement and postemployment benefit plans sponsored by NCR in many of the countries where Teradata does business. As Teradata participated in NCR's plans, it accounted for its pension and postemployment benefit costs under the multiemployer plan approach, and has recognized the pension and postemployment costs allocated to it by NCR as expense, with a corresponding contribution in parent company investment. Pension and postemployment benefit costs were allocated to Teradata based on the projected benefit obligation associated with Teradata-specific employees and other NCR employees who provided support services to Teradata.

In conjunction with the Separation, certain of NCR's pension and postemployment benefit obligations and plan assets relating to the Teradata business were assumed by/transferred to the Company. Assets of the Company'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.

Postemployment obligations relate to benefits provided to involuntarily terminated employees and certain inactive employees after employment but before retirement. These benefits are paid in accordance with various foreign statutory laws and regulations, and Teradata's established postemployment benefit practices and policies. Postemployment benefits may include disability benefits, supplemental unemployment benefits, severance, workers' compensation benefits, continuation of health care benefits and life insurance coverage, and are funded on a pay-as-you-go basis. There were no postretirement benefit obligations assumed by the Company.

Pension and postemployment benefit costs for the years ended December 31 were as follows:

In millions	2008		2007		2006	
	Pension	Postemployment	Pension	Postemployment	Pension	Postemployment
Service cost	\$ 7	\$ 5	\$ 2	\$ 1	\$ —	\$ —
Interest cost	4	3	1	1	—	—
Expected return on plan assets	(3)	—	(1)	—	—	—
Settlement charge	1	—	—	—	—	—
Employee contributions	(1)	—	—	—	—	—
Amortization of actuarial loss	—	3	1	1	—	—
Pre-Separation allocation from NCR	—	—	6	12	23	16
Total costs	<u>\$ 8</u>	<u>\$ 11</u>	<u>\$ 9</u>	<u>\$ 15</u>	<u>\$ 23</u>	<u>\$ 16</u>

Table of Contents

In accordance with the provisions of Statement of Financial Accounting Standard No. 158 (“SFAS 158”), *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans*, the underfunded amount of pension and postemployment obligations is recorded as a liability in the Company’s condensed consolidated balance sheet. The following tables present the changes in benefit obligations, plan assets, funded status and the reconciliation of the funded status to amounts recognized in the consolidated balance sheets and in accumulated other comprehensive income at December 31:

In millions	Pension		Postemployment	
	2008	2007	2008	2007
Change in benefit obligation				
Benefit obligation at January 1	\$ 97	\$—	\$ 53	\$ —
Obligation transferred from NCR	—	91	—	50
Service cost	5	2	5	1
Interest cost	4	1	3	1
Plan participant contributions	1	—	—	—
Amendments	(3)	—	1	—
Actuarial gain	(5)	—	(23)	(2)
Other	(8)	—	—	2
Benefits paid	(5)	(1)	(4)	(1)
Currency translation adjustments	3	4	1	2
Benefit obligation at December 31	<u>89</u>	<u>97</u>	<u>36</u>	<u>53</u>
Change in plan assets				
Fair value of plan assets at January 1	56	—	—	—
Fair value of plan assets transferred from NCR	—	50	—	—
Actuarial return on plan assets	(18)	1	—	—
Company contributions	8	3	—	—
Benefits paid	(5)	(1)	—	—
Currency translation adjustments	—	2	—	—
Other	(6)	—	—	—
Plan participant contribution	1	1	—	—
Fair value of plan assets at December 31	<u>36</u>	<u>56</u>	<u>—</u>	<u>—</u>
Funded status	<u>\$ (53)</u>	<u>\$ (41)</u>	<u>\$ (36)</u>	<u>\$ (53)</u>
Amounts Recognized in the Balance Sheet				
Noncurrent assets	\$—	\$ 2	\$ —	\$ —
Current liabilities	—	(1)	(6)	(7)
Noncurrent liabilities	(53)	(42)	(30)	(46)
Net amounts recognized	<u>\$ (53)</u>	<u>\$ (41)</u>	<u>\$ (36)</u>	<u>\$ (53)</u>
Amounts Recognized in Accumulated Other Comprehensive Income				
Net actuarial loss	\$ 25	\$ 14	\$ 3	\$ 28
Prior service (credit)/cost	(3)	1	—	(1)
Total	<u>\$ 22</u>	<u>\$ 15</u>	<u>\$ 3</u>	<u>\$ 27</u>

The accumulated pension benefit obligation as of December 31, 2008, was \$82 million. For pension plans with accumulated benefit obligations in excess of plan assets, the projected benefit obligation, accumulated benefit obligation and fair value of assets were \$85 million, \$79 million and \$32 million, respectively, at December 31, 2008.

Table of Contents

The following table presents the pre-tax net changes in projected benefit obligations recognized in other comprehensive income during 2008:

In millions	Pension	Postemployment
Actuarial loss/(gain) arising during the year	\$ 12	\$ (22)
Amortization of loss included in net periodic benefit cost	—	(3)
Prior service (credit)/cost arising during the year	(4)	1
Recognition of loss due to settlement	(1)	—
Total recognized in other comprehensive loss/(income)	<u>\$ 7</u>	<u>\$ (24)</u>

At December 31, 2008, Teradata reduced the involuntary turnover assumption used in calculating its postemployment benefit obligation from 3% to 2% to reflect the Company's prior experience. This change in assumption reduced the Company's postemployment benefit obligation by \$18 million and is included in the actuarial (gain)/loss shown above.

The weighted-average rates and assumptions used to determine benefit obligations at December 31, 2008 and 2007, and net periodic benefit cost for the year ended December 31, 2008 and 2007, were as follows:

	Pension Benefit Obligations		Pension Benefit Cost	
	2008	2007	2008	2007
Discount rate	4.2%	4.7%	4.7%	4.5%
Rate of compensation increase	3.2%	3.3%	3.3%	3.2%
Expected return on plan assets	—	—	6.2%	5.2%

	Postemployment Benefit Obligations		Postemployment Benefit Cost	
	2008	2007	2008	2007
Discount rate	4.8%	5.0%	5.0%	5.0%
Rate of compensation increase	3.7%	3.8%	3.8%	3.8%
Involuntary turnover rate	2.0%	3.0%	3.0%	3.0%

The Company employs a building block approach as its primary approach in determining the long-term expected rate of return assumption for plan assets. Historical market returns are studied, and long-term relationships between equities and fixed income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a higher return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The expected long-term portfolio return is established for each plan via a building block approach with proper rebalancing consideration. The result is then adjusted to reflect additional expected return from active management net of plan expenses. Historical plan returns, the expectations of other capital market participants and peer data are all used to review and check the results for reasonableness and appropriateness.

The discount rate used to determine year-end 2008 U.S. benefit obligations was derived by matching the plans' expected future cash flows to the corresponding yields from the Citigroup Pension Discount Curve. This yield curve has been constructed to represent the available yields on high-quality fixed-income investments across a broad range of future maturities. International discount rates were determined by examining interest rate levels and trends within each country, particularly yields on high-quality long-term corporate bonds, relative to our future expected cash flows.

Gains and losses have resulted from changes in actuarial assumptions and from differences between assumed and actual experience, including, among other items, changes in discount rates and differences between actual and assumed asset returns. These gains and losses (except those differences being amortized to the market-related value) are only amortized to the extent that they exceed 10% of the higher of the market-related value or the projected benefit obligation of each respective plan. As a result, unrecognized net losses of \$1 million, and an immaterial amount of prior service credits are expected to be amortized during fiscal 2009.

Table of Contents

Plan Assets. The weighted-average asset allocations at December 31, 2008 and 2007, by asset category are as follows:

	Actual Asset Allocation As of December 31		2008 Target Asset
	2008	2007	Allocation
Equity securities	50%	58%	50%
Debt securities	13%	28%	13%
Real estate	2%	10%	3%
Other	35%	4%	34%
Total	100%	100%	100%

Investment Strategy. Teradata employs a total return investment approach whereby a mix of equities, fixed-income and real estate investments are used to maximize the long-term return of plan assets subject to a prudent level of risk. The risk tolerance is established for each plan through a careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolios contain a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across domestic and international stocks, small and large capitalization stocks, and growth and value stocks. Fixed-income assets are also diversified across domestic and international issuers, and type of fixed-income security (i.e., government and corporate bonds). Where applicable, real estate investments are made through real estate securities, partnership interests or direct investment, and are diversified by property type and location. Other assets such as cash are used judiciously to improve portfolio diversification and enhance risk-adjusted portfolio returns. Derivatives may be used to adjust market exposures in an efficient and timely manner. Due to the timing of security purchases and sales, cash held by fund managers is classified in the same asset category as the related investment. Rebalancing algorithms are applied to keep the asset mix of the plans from deviating excessively from their targets. Investment risk is measured and monitored on an ongoing basis through regular performance reporting, investment manager reviews, actuarial liability measurements and periodic investment strategy reviews.

Cash Flows Related to Employee Benefit Plans

Cash Contributions. The Company plans to contribute approximately \$9 million to the international pension plans in 2009 and \$6 million to postemployment benefit obligations.

Estimated Future Benefit Payments. The Company expects to make the following benefit payments reflecting past and future service from its pension and postemployment plans:

	Pension	Postemployment
In millions	Benefits	Benefits
Year		
2009	\$ 8	\$ 6
2010	\$ 7	\$ 6
2011	\$ 7	\$ 5
2012	\$ 8	\$ 5
2013	\$ 7	\$ 5
2014-2018	\$ 36	\$ 23

Savings Plans. U.S. employees and many international employees participate in defined contribution savings plans. These plans generally provide either a specified percent of pay or a matching contribution on participating employees' voluntary elections. The Company'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 for the U.S. savings plan was approximately \$15 million in 2008 and \$11 million in 2007. The expense for international subsidiary savings plans was \$10 million in 2008 and \$6 million in 2007. The combined

Table of Contents

expense under U.S. and international savings plans was \$12 million in 2006. Certain of these amounts represent contributions made by NCR to the defined contribution savings plans in periods prior to the Separation.

Note 8 Derivative Instruments and Hedging Activities

As a portion of the Company's operations and revenue occur outside the United States, and in currencies other than the U.S. dollar, the Company is exposed to potential losses from changes in foreign currency exchange rates. To mitigate the impact of currency fluctuations, the Company uses foreign exchange forward contracts to hedge transactional exposures resulting from foreign currency denominated inter-company inventory purchases. The forward contracts are designated as fair value hedges of specified foreign currency denominated inter-company payables and generally mature in three months or less. The Company does not hold or issue financial instruments for trading purposes nor does it hold or issue leveraged derivative instruments. By using derivative financial instruments to hedge exposures to changes in exchange rates, the Company exposes itself to credit risk. The company manages exposure to counterparty credit risk by entering into derivative financial instruments with highly rated institutions that can be expected to fully perform under the terms of the agreement.

All derivatives are recognized in the Consolidated Balance Sheet at their fair value. The fair values of foreign exchange contracts are based on market spot and forward exchange rates and represent estimates of possible value that may not be realized in the future. Changes in the fair value of derivative financial instruments, along with the loss or gain on the hedged asset or liability, are recorded in current period earnings. 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 Teradata's involvement in such instruments. These notional amounts do not represent amounts exchanged by the parties and, therefore, are not a measure of the instruments. Across its portfolio of contracts, Teradata has both long and short positions relative to the U.S. dollar. As a result, Teradata's net involvement is less than the total contract notional amount of the Company's foreign exchange forward contracts.

At December 31, 2008, the contract notional amount of the Company's foreign exchange forward contracts was \$77 million (\$46 million on a net basis). At December 31, 2008, the Company had a net liability of approximately \$1 million for its active foreign exchange forward contracts, which was recorded in the other current liabilities section of its consolidated balance sheet. The fair value derivative assets and liabilities recorded in other current assets and accrued liabilities at December 31, 2007, were not material.

The aggregate net foreign currency transaction losses (gains) in 2008, 2007 and 2006 were not material to the results of operations. The aggregate foreign currency transaction amounts include the gains/losses on the Company's foreign currency fair value hedges for all periods presented.

Note 9 Commitments and Contingencies

In the normal course of business, the Company is subject to proceedings, lawsuits, claims and other matters, including those that relate to the environment, health and safety, employee benefits, export compliance, intellectual property, tax matters, and other regulatory compliance and general matters, including those described below.

The Company is subject to governmental investigations and requests for information from time to time. As previously reported, the United States Department of Justice is conducting an investigation regarding the propriety of the Company's arrangements or understandings with others in connection with certain federal contracts and the adequacy of certain disclosures related to such contracts. The investigation arises in connection with civil litigation in federal district court filed under the qui tam provisions of the civil False Claims Act against a number of information technology companies, including the Company. The complaints against the Company remain under seal. The Company is conducting its own internal investigation focusing on the propriety of certain transactions under federal programs under which Teradata was a contractor. The Company has shared evidence with the Justice Department of questionable conduct that the Company has uncovered and intends to continue to cooperate with the Justice Department in its investigation. The Company has recorded a reserve of approximately \$2 million related to the current best estimate of potential liability relating to this matter.

Table of Contents

A separate portion of the government's investigation relates to the adequacy of pricing disclosures made to the government in connection with negotiation of NCR's General Services Administration Federal Supply Schedule as it relates to Teradata, and to whether certain subsequent price reductions were properly passed on to the government. Both NCR and the Company are participating in this aspect of the investigation, with respect to certain products and services of each, and each will assume financial responsibility for its own exposures, if any, without indemnification from the other. At this time, the Company is unable to determine whether it has liability with respect to this aspect of the investigation.

The Company believes the amounts provided in its financial statements are adequate in light of the probable and estimable liabilities. However, because such matters are subject to many uncertainties, the outcomes are not predictable and there can be no assurances that the actual amounts required to satisfy alleged liabilities from the matter described above and other matters, and to comply with applicable laws and regulations, will not exceed the amounts reflected in the Company's financial statements or will not have a material adverse effect on its results of operations, financial condition or cash flows. Any costs that may be incurred in excess of those amounts provided as of December 31, 2008, cannot currently be reasonably determined at this time.

Guarantees and Product Warranties. Periodically, the Company's customers enter into various leasing arrangements coordinated with a leasing partner. In some instances, the Company guarantees the leasing partner a minimum value at the end of the lease term on the leased equipment. As of December 31, 2008, the maximum future payment obligation of this guaranteed value and the associated liability balance was \$4 million.

The Company provides its customers a standard manufacturer's warranty and records, at the time of the sale, a corresponding estimated liability for potential warranty costs. Estimated future obligations due to warranty claims are based upon historical factors such as labor rates, average repair time, travel time, number of service calls and cost of replacement parts. For each consummated sale, the Company recognizes the total customer revenue and records the associated warranty liability using pre-established warranty percentages for that product class. From time to time, product design or quality corrections are accomplished through modification programs. When identified, associated costs of labor and parts for such programs are estimated and accrued as part of the warranty reserve.

The following table identifies the activity relating to the warranty reserve for the years ended December 31:

In millions	2008	2007	2006
Warranty reserve liability			
Beginning balance at January 1	\$ 6	\$ 8	\$ 7
Accruals for warranties issued	13	13	12
Settlements (in cash or kind)	(13)	(15)	(11)
Balance at end of period	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ 8</u>

The Company also offers extended and/or enhanced coverage to its customers in the form of maintenance contracts. The Company accounts for these contracts by deferring the related maintenance revenue over the extended and/or enhanced coverage period. Amounts associated with these maintenance contracts are not included in the table above.

In addition, the Company provides its customers with certain indemnification rights. In general, the Company agrees to indemnify the customer if a third party asserts patent or other infringement on the part of the customer for its use of the Company's products. The Company has entered into indemnification agreements with the officers and directors of its subsidiaries. From time to time, the Company also enters into agreements in connection with its acquisition and divestiture activities that include indemnification obligations by the Company. The fair value of these indemnification obligations is not readily determinable due to the conditional nature of the Company's potential obligations and the specific facts and circumstances involved with each particular agreement, and as such the Company has not recorded a liability in connection with these indemnifications. Historically, payments made by the Company under these types of agreements have not had a material effect on the Company's consolidated financial condition, results of operations or cash flows.

Table of Contents

Leases. Teradata conducts certain of its sales and administrative operations using leased facilities, the initial lease terms of which vary in length. Many of the leases contain renewal options and escalation clauses that are not material to the overall lease portfolio. Future minimum operating lease payments and committed subleases, in millions, under non-cancelable leases as of December 31, 2008, for the following fiscal years were:

In millions	Total Amounts	2009	2010	2011	2012	2013
Operating lease obligations	\$ 52	\$16	\$12	\$11	\$ 9	\$ 4
Sublease rentals	(14)	(5)	(4)	(3)	(2)	—
Total committed operating leases less sublease rentals	\$ 38	\$11	\$ 8	\$ 8	\$ 7	\$ 4

The Company's actual rental expense was \$18 million, \$7 million and \$2 million for the years ended December 31, 2008, 2007 and 2006, respectively. The Company had no contingent rentals for these periods, but received sublease rental income of \$5 million, \$4 million and \$4 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Concentrations of Risk. The Company is potentially subject to concentrations of credit risk on accounts receivable and financial instruments such as hedging instruments, and cash and cash equivalents. Credit risk includes the risk of nonperformance by counterparties. The maximum potential loss may exceed the amount recognized on the balance sheet. Exposure to credit risk is managed through credit approvals, credit limits, selecting major international financial institutions (as counterparties to hedging transactions) and monitoring procedures. Teradata's business often involves large transactions with customers, and if one or more of those customers were to default in its obligations under applicable contractual arrangements, the Company could be exposed to potentially significant losses. However, management believes that the reserves for potential losses were adequate at December 31, 2008 and 2007.

The Company is also potentially subject to concentrations of supplier risk. Our hardware components are assembled exclusively by Flextronics Corporation. Flextronics procures a wide variety of components used in the manufacturing process on our behalf. Although many of these components are available from multiple sources, the Company utilizes preferred supplier relationships to better ensure more consistent quality, cost and delivery. Typically, these preferred suppliers maintain alternative processes and/or facilities to ensure continuity of supply. Given the Company's strategy to outsource its manufacturing activities to Flextronics and to source certain components from single suppliers, a disruption in production at Flextronics or at a supplier could impact the timing of customer shipments.

10. Fair Value Measurements

In September 2006, the FASB issued statement No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The Company has adopted the provisions of SFAS 157 as of January 1, 2008, for financial assets and liabilities recorded at fair value on a recurring basis. Although the adoption of SFAS 157 did not materially impact its financial condition, results of operations, or cash flow, the Company is now required to provide additional disclosures as part of its financial statements.

SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable, quoted prices in active markets for similar assets or liabilities, or quoted prices in less-active markets for identical assets; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Table of Contents

The Company's assets and liabilities measured at fair value on a recurring basis include money market funds and foreign currency exchange contracts. A portion of the Company's excess cash reserves are held in money market funds which generate interest income based on the prevailing market rates. Money market funds are included in cash and cash equivalents in the Company's balance sheet. Money market fund holdings are measured at fair value using quoted market prices and are classified within Level 1 of the valuation hierarchy. When deemed appropriate, the Company minimizes its exposure to changes in foreign currency exchange rates through the use of derivative financial instruments, specifically, forward foreign exchange contracts. The fair value of these contracts are measured at the end of each interim reporting period using observable inputs other than quoted prices. As such, these derivative instruments are classified within Level 2 of the valuation hierarchy. Fair value gains for open contracts are recognized as assets and fair value losses are recognized as liabilities. The foreign exchange currency contracts in effect had a net fair value loss of approximately \$1 million, and no net fair value gain. Any gains and losses would be mitigated by corresponding gains on the underlying exposures. The Company's short-term investments consist of bank time deposits with original maturities between three months and one year. These assets are not measured at fair value on a recurring basis and as such are not included in the table below.

The Company's assets measured at fair value on a recurring basis subject to the disclosure requirements of SFAS 157 at December 31, 2008 were as follows:

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
In millions	December 31, 2008			
Assets				
Money market funds	\$ 288	\$ 288	\$ —	\$ —
Total Assets	<u>\$ 288</u>	<u>\$ 288</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities				
Foreign exchange currency contracts	\$ 1	\$ —	\$ 1	\$ —
Total Liabilities	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ —</u>

Note 11 Segment, Other Supplemental Information and Concentrations

Teradata manages its business in three geographic regions, which are also the Company's operating segments: (1) the North America and Latin America ("Americas") region; (2) the Europe, Middle East and Africa ("EMEA") region; and (3) the Asia Pacific and Japan ("APJ") region. Management evaluates the performance of its segments based on revenue and segment margin, and does not include segment assets for management reporting purposes. Historically, segment margin excluded certain corporate-related costs consistent with the manner by which management evaluated segment operating performance. Corporate-related costs are now fully-allocated to the segments. Prior period reconciling items have been reclassified and included in the segment margins as necessary to conform to the 2008 presentation.

Table of Contents

The following table presents regional segment revenue and segment gross margin for the Company for the years ended December 31:

In millions	2008	% of Revenue	2007	% of Revenue	2006	% of Revenue
Revenue						
Americas ⁽¹⁾	\$ 984	56%	\$ 964	57%	\$ 920	60%
EMEA	451	26%	424	25%	360	23%
APJ	327	18%	314	18%	267	17%
Total revenue	1,762	100%	1,702	100%	1,547	100%
Segment gross margin						
Americas	557	57%	554	57%	539	59%
EMEA	234	52%	205	48%	166	46%
APJ	158	48%	157	50%	124	46%
Total gross margin	949	54%	916	54%	829	54%
Selling, general and administrative expenses	508	29%	470	28%	410	27%
Research and development expenses	108	6%	126	7%	117	8%
Total income from operations	\$ 333	19%	\$ 320	19%	\$ 302	20%

⁽¹⁾ The Americas region includes revenue from the United States of \$894 million in 2008, \$884 million in 2007 and \$849 million in 2006.

The following table presents revenue by product and services revenue for the Company for the years ended December 31:

In millions	2008	2007	2006
Products (software and hardware) ⁽¹⁾	\$ 849	\$ 884	\$ 807
Professional and installation-related services	485	451	404
Total solution	1,334	1,335	1,211
Support services	428	367	336
Total revenue	\$1,762	\$1,702	\$1,547

⁽¹⁾ Our data warehousing software and hardware products are often sold and delivered together in the form of a “node” of capacity as an integrated technology solution. Accordingly, it is impracticable to provide the breakdown of revenue from various types of software and hardware products.

The following table presents property and equipment by geographic area at December 31:

In millions	2008	2007
United States	\$75	\$80
Americas (excluding United States)	1	1
EMEA	4	3
APJ	8	10
Property and equipment, net	\$88	\$94

Concentrations. No single customer accounts for more than 10% of the Company’s revenue. As of December 31, 2008, the Company is not aware of any significant concentration of business transacted with a particular customer that could, if suddenly eliminated, have a material adverse effect on the Company’s operations. The Company also has no concentration of available sources of labor, services, licenses or other rights that could, if suddenly eliminated, have a material adverse effect on its operations.

Table of Contents

Note 12 Quarterly Information (unaudited)

In millions, except per share amounts	First	Second	Third	Fourth
2008				
Total revenues	\$ 375	\$ 455	\$ 439	\$ 493
Gross margin	\$ 194	\$ 249	\$ 237	\$ 269
Operating income	\$ 53	\$ 92	\$ 86	\$ 102
Net income	\$ 42	\$ 69	\$ 60	\$ 79
Net income per share:				
Basic	\$0.23	\$0.38	\$0.34	\$0.45
Diluted	\$0.23	\$0.38	\$0.33	\$0.45
2007				
Total revenues	\$ 367	\$ 430	\$ 439	\$ 466
Gross margin	\$ 196	\$ 230	\$ 229	\$ 261
Operating income	\$ 70	\$ 88	\$ 66	\$ 96
Net income	\$ 43	\$ 49	\$ 29	\$ 79
Net income per share:				
Basic	\$0.24	\$0.27	\$0.16	\$0.44
Diluted	\$0.24	\$0.27	\$0.16	\$0.43

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

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Teradata maintains a system of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”)) that are designed to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including, as appropriate, the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to provide reasonable assurance as of December 31, 2008.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Exchange Act. Teradata’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of

Table of Contents

unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Teradata's internal control over financial reporting as of the end of the period covered by this report. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework*. Based on our assessment and those criteria, management concluded that Teradata's internal control over financial reporting was effective as of December 31, 2008.

Teradata's independent registered public accounting firm has issued their report on the effectiveness of Teradata's internal control over financial reporting, which appears in this Annual Report.

Changes in Internal Control over Financial Reporting

As discussed below, there were changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that occurred during the quarter ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As of December 31, 2007, we identified a material weakness in our internal control over financial reporting with respect to the accounting for revenue transactions involving resellers. Specifically, effective controls did not exist to ensure the accuracy of revenue recognized on sales to resellers for which fees were not fixed or determinable. Throughout 2008, we implemented measures designed to remediate this material weakness.

During 2008, including the fourth quarter, we continued to implement procedures intended to remediate this material weakness and to generally improve our control processes and procedures with respect to revenue recognition. These activities included:

- conducting end-to-end reviews of our customer contract process,
- evaluating, designing and implementing, as appropriate, new procedures and controls with respect to revenue recognition,
- conducting additional training on revenue recognition for appropriate personnel, and
- evaluating the proper organizational structure, including hiring a sufficient complement of personnel with the requisite knowledge and expertise of revenue recognition accounting standards under GAAP.

In particular, our remediation plan was designed so that revenue transactions with non-standard terms and conditions are identified and undergo more comprehensive review by our internal personnel.

Management evaluated the operating effectiveness of the remediation procedures through 2008 and concluded that as of December 31, 2008, the Company has remediated the previously reported material weakness in internal control over financial reporting with respect to the accounting for revenue transactions involving resellers.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required to be included in Part III Item 10 is set forth under the captions “Election of Directors” and “Additional Information Concerning the Board of Directors” in Teradata’s definitive Proxy Statement to be filed with the SEC in connection with the Company’s Annual Meeting of Stockholders to be held April 28, 2009 (the “2009 Proxy Statement”) and incorporated herein by reference.

The following table sets forth the information as of January 31, 2009 regarding the individuals who are serving as our executive officers.

Name	Age	Position(s)
Michael Koehler	56	President and Chief Executive Officer
Stephen Scheppmann	53	Executive Vice President and Chief Financial Officer
Saundra Davis	45	Vice President, Human Resources
Robert Fair	46	Executive Vice President, Global Field Operations
Daniel Harrington	45	Executive Vice President, Technology and Support Services
Bruce Langos	55	Chief Operations Officer
Darryl McDonald	50	Chief Marketing Officer
Laura Nyquist	55	General Counsel and Secretary

Michael Koehler . Mr. Koehler is President and Chief Executive Officer of Teradata. Previously, Mr. Koehler served as Senior Vice President, Teradata Division of NCR from 2003 to 2007. From September 2002 until March 2003, he was the Interim Teradata Division Leader, Teradata Division. From 1999 to 2002, Mr. Koehler was Vice President, Global Field Operations, Teradata Division, and held management positions of increasingly greater responsibility at NCR prior to that time. He joined our board in August 2007.

Stephen Scheppmann. Stephen Scheppmann has served as Executive Vice President and Chief Financial Officer of Teradata since September 4, 2007. He served as Executive Vice President and Chief Financial Officer of Per-Se Technologies, Inc., a leading provider of administrative healthcare industry services, from May 2006 until May 2007, following the completion of that company’s acquisition. From 2000 to May 2006, Mr. Scheppmann served as Executive Vice President and Chief Financial Officer for NOVA Information Systems, Inc., and, from 1988 to 2000, he was Senior Vice President and Chief Financial Officer of Larson-Juhl, Inc. Since January 2006, Mr. Scheppmann has served as a member of the Board of Directors of eResearch Technology, Inc., a publicly-traded biotechnical services and technology company, and has been chairman of its Audit Committee since April 2006.

Saundra Davis . Saundra Davis is Vice President, Human Resources of Teradata. Ms. Davis served as Vice President, Human Resources, Teradata Division of NCR from January 2004 to September 2007. Prior to this position, Ms. Davis served as Vice President, Human Resources, Corporate Infrastructure, at NCR from January 2003 to December 2003, and as Vice President, Human Resources, Systemedia Division of NCR from June 2000 to December 2002. Ms. Davis joined NCR in 1985 and has since held a number of positions of increasing responsibility in human resources.

Robert Fair . Robert Fair is Executive Vice President, Global Field Operations of Teradata. Mr. Fair served as Vice President, Global Marketing, Teradata Division of NCR from April 2003 to September 2007. From March 2000 to April 2003, he was Vice President, Americas Communications Industry, Teradata Division. Mr. Fair began his career at NCR in 1984 and held a number of positions of increasing responsibility in the areas of sales, professional services and marketing.

Daniel Harrington . Daniel Harrington has been Executive Vice President, Technology and Support Services of Teradata since October 2007. Mr. Harrington served as Vice President, Customer Services, Teradata Division of NCR, from January 2005 until that time. Prior to this position, from April 1999 to December 2004, he was Vice

Table of Contents

President, Northern Europe, Teradata Division with responsibility for Europe sales in 2004. Mr. Harrington joined NCR in 1985 and held a number of positions of increasing responsibility in the areas of sales, marketing and product management.

Bruce Langos . Bruce Langos is Chief Operations Officer of Teradata. Mr. Langos was Senior Vice President, Global Operations of NCR, from May 2006 to September 2007. From 1996 until that time, Mr. Langos was Vice President, Business Operations, Teradata Division. Mr. Langos joined NCR in 1976 and held positions of increasing responsibility in sales, marketing, product management and strategic planning.

Darryl McDonald . Darryl McDonald serves as Chief Marketing Officer of Teradata. Mr. McDonald was Vice President, Global Consulting Services, Teradata Division of NCR from April 2003 to September 2007. From 1997 until April 2003, Mr. McDonald was Vice President, Americas Retail Industry, Teradata Division. Mr. McDonald joined NCR in 1982 and has since held a number of positions of increasing responsibility in the areas of sales and consulting.

Laura Nyquist . Laura Nyquist is the General Counsel and Secretary of Teradata. Ms. Nyquist served as Deputy General Counsel and Chief Counsel, Business Counsel Group, NCR, from October 2006 to September 2007. Prior to this position, Ms. Nyquist was Chief Counsel, Financial Solutions Division from 2004 to September 2006, and was Vice President, Corporate Affairs, and Secretary to the Board of Directors of NCR from 1999 to 2004. Ms. Nyquist joined NCR in 1986 and held a number of positions of increasing responsibility at NCR until she joined Teradata.

There are no family relationships between any of the executive officers or directors of Teradata.

There are no contractual obligations regarding the election of our executive officers or directors.

Item 11. EXECUTIVE COMPENSATION

Information required to be included in Part III Item 11 is set forth under the captions “Executive Compensation,” “Compensation and Human Resource Committee” and “Board Compensation and Human Resource Committee Report on Executive Compensation” in Teradata’s 2009 Proxy Statement and incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required to be included in Part III Item 12 is set forth under the captions “Stock Ownership” and “Equity Compensation Plan Information” in Teradata’s 2009 Proxy Statement and incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required to be included in Part III Item 13 is set forth under the captions “Related Person Transactions” and “Corporate Governance” in Teradata’s 2009 Proxy Statement and incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required to be included in Part III Item 14 is set forth under the caption “Fees Paid to Independent Registered Public Accounting Firm” in Teradata’s 2009 Proxy Statement and incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Index

1. Financial Statements: The consolidated financial statements of the Company and the Report of Independent Registered Public Accounting Firm as set forth in Part II, Item 8 of this Annual Report:

Report of Independent Registered Public Accounting Firm	37
Consolidated Statements of Operations for the years ended December 31, 2008, 2007 and 2006	38
Consolidated Balance Sheets at December 31, 2008 and 2007	39
Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006	40
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2008, 2007 and 2006	41
Notes to Consolidated Financial Statements	42

2. Financial Statement Schedule: Financial Statement Schedule II – Valuation and Qualifying Accounts is included in this Annual Report on page 73. All other schedules are not required under the related instructions or are not applicable.

3. Exhibits: See Index of Exhibits below for a listing of all exhibits to this Annual Report.

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

Reference Number per Item 601 of Regulation S-K	Description
2.1	Form of Separation and Distribution Agreement between Teradata Corporation and NCR Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K dated September 11, 2007).
3.1	Amended and Restated Certificate of Incorporation of Teradata Corporation as amended and restated on September 24, 2007 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated September 25, 2007).
3.2	Second Amended and Restated Bylaws of Teradata Corporation, as amended and restated on December 2, 2008 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K dated December 8, 2008).
4.1	Common Stock Certificate of Teradata Corporation (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q dated November 13, 2007).
10.1	Form of Tax Sharing Agreement between Teradata Corporation and NCR Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by NCR Corporation on September 25, 2007).
10.2	Form of Interim Services and Systems Replication Agreement between Teradata Corporation and NCR Corporation (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form 10 dated August 21, 2007 (the “Registration Statement on Form 10”)).
10.3	Form of Employee Benefits Agreement between Teradata Corporation and NCR Corporation (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by NCR Corporation on September 25, 2007).

Table of Contents

10.4	Form of Exclusive Patent Agreement (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form 10).
10.5	Form of Patent License Agreement (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form 10).
10.6	Form of Technology Agreement (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form 10).
10.7*	Teradata Corporation Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 dated September 28, 2007).
10.7.1*	First Amendment to Teradata Corporation Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-Q dated August 14, 2008).
10.8*	Teradata Corporation Management Incentive Plan (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form 10).
10.9*	Amended and Restated Teradata Change in Control Severance Plan, dated October 7, 2008 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K dated October 13, 2008).
10.10*	Amended and Restated Teradata Corporation 2007 Stock Incentive Plan, dated February 3, 2009 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K dated February 9, 2009).
10.11*	Form of Stock Option Agreement under the Teradata Corporation 2007 Stock Incentive Plan for awards granted in 2007 (incorporated by reference to Exhibit 10.11 to the Registration Statement on Form 10).
10.11.1*	Form of 2008 Stock Option Agreement under the Teradata Corporation 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K dated November 30, 2007).
10.11.2*	Form of 2007 Restricted Stock Unit Agreement under the Teradata Corporation 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.11.2 to the to the Annual Report on Form 10-K dated March 3, 2008).
10.11.3*	Form of 2008 Restricted Stock Unit Agreement under the Teradata Corporation 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K dated November 30, 2007).
10.11.4*	Form of 2007 Performance Based Restricted Stock Unit Agreement under the Teradata 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.11.4 to the Annual Report on Form 10-K dated March 3, 2008).
10.11.5*	Form of Performance-Based Restricted Stock Agreement under the Teradata 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.15 to the Teradata Corporation Registration Statement filed on Amendment No. 2 to Form 10 dated August 21, 2007).
10.11.6*	Form of 2008 Performance-Based Restricted Stock Unit Agreement under the Teradata Corporation 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K dated November 30, 2007).

Table of Contents

10.11.7*	Amendment to form of Restricted Stock Unit and Performance-Based Restricted Stock Unit Agreements under the Amended and Restated Teradata Corporation 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K dated October 13, 2008).
10.11.8*	Form of Stock Option Agreement Under the Teradata Corporation 2007 Stock Incentive Plan (Non-Statutory Stock Option), approved on December 2, 2008.
10.11.9*	Form of Restricted Stock Unit Agreement Under the Teradata Corporation 2007 Stock Incentive Plan, approved on December 2, 2008.
10.11.10	Form of 2007 Director Option Grant Statement (Non-Statutory Stock Option) (incorporated by reference to Exhibit 10.11.6 to the Annual Report on Form 10-K dated March 3, 2008).
10.11.11	Form of 2007 Director Restricted Stock Unit Grant Statement (incorporated by reference to Exhibit 10.11.7 to the Annual Report on Form 10-K dated March 3, 2008).
10.11.12	Teradata Corporation Director Compensation Program, effective as of October 1, 2007, as amended and restated as of April 28, 2008 (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q dated May 15, 2008).
10.11.13	Form of 2008 Director Option Grant Statement (Non-Statutory Stock Option) under the Teradata Corporation 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q dated May 15, 2008).
10.11.14	Form of 2008 Director Restricted Stock Unit Grant Statement under the Teradata Corporation 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q dated May 15, 2008).
10.12	Form of Master Agreement between Teradata Corporation and NCR Corporation for enterprise data warehousing sales and support (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form 10, as amended, dated August 21, 2008, (the “Registration Statement on Form 10”)).
10.13	Form of Network Support Agreement between Teradata Corporation and NCR Corporation (incorporated by reference to Exhibit 10.17 to the Registration Statement on Form 10).
10.14	Form of Service Provider Agreement between Teradata Corporation and NCR Corporation (incorporated by reference to Exhibit 10.18 to the Registration Statement on Form 10).
10.15	Form of Master Reseller Agreement between Teradata Corporation and NCR Corporation for Middle East and Africa (incorporated by reference to Exhibit 10.19 to the Registration Statement on Form 10).
10.16*	Offer Letter to Michael Koehler (incorporated by reference to Exhibit 10.20 to the Registration Statement on Form 10).
10.16.1*	Amendment to the Offer Letter from Teradata Corporation to Michael Koehler, dated October 7, 2008 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K dated October 13, 2008).
10.17	Purchase and Manufacturing Services Agreement, effective April 27, 1998, by and between NCR Corporation and Soletron Corporation (filed as Exhibit 10.1 to NCR Corporation’s Form 10-Q (SEC File No. 001-00395) for the fiscal quarter ended June 30, 1998 and incorporated herein by reference).

Table of Contents

10.17.1	Amendment No. 1 to Purchase and Manufacturing Services Agreement, dated January 29, 2000, between NCR Corporation and Solectron Corporation (incorporated by reference to Exhibit 10.19 to the Registration Statement on Form 10).
10.18*	Offer Letter to Stephen Scheppmann (incorporated by reference to Exhibit 10.23 to the Registration Statement on Form 10).
10.18.1*	Amendment to the Offer Letter from Teradata Corporation to Stephen Scheppmann, dated October 7, 2008 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K dated October 13, 2008).
10.19	Credit Agreement, dated as of October 1, 2007 between Teradata Corporation, Bank of America, N.A., as Administrative Agent, and the lenders party thereto from time to time (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K dated October 3, 2007).
10.20*	Offer Letter from Teradata Corporation to Robert Fair dated September 20, 2007 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K dated February 9, 2009).
10.20.1*	Amendment to the Offer Letter from Teradata Corporation to Robert Fair effective December 31, 2008 (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K dated February 9, 2009).
10.21*	Offer Letter from Teradata Corporation to Daniel Harrington dated September 20, 2007 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K dated February 9, 2009).
10.21.1*	Amendment to the Offer Letter from Teradata Corporation to Daniel Harrington effective December 31, 2008 (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K dated February 9, 2009).
10.22*	Offer Letter from Teradata Corporation to Bruce Langos dated September 20, 2007 (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K dated February 9, 2009).
10.22.1*	Amendment to the Offer Letter from Teradata Corporation to Bruce Langos effective December 31, 2008 (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K dated February 9, 2009).
14	Teradata Corporation's Values and Code of Conduct.
21	Subsidiaries of Teradata Corporation.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification pursuant to Rule 13a-14(a) dated March 2, 2009.
31.2	Certification pursuant to Rule 13a-14(a) dated March 2, 2009.
32	Certification pursuant to Rule 13a-14(a) dated March 2, 2009.

* Management compensatory plan or arrangement.

TERADATA CORPORATION
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(In millions)

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>		<u>Column D</u>	<u>Column E</u>
<u>Description</u>	Balance at Beginning of Period	Additions Charged to Costs & Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for doubtful accounts					
Year ended December 31, 2008	\$ 5	\$ 6	\$ —	\$ —	\$ 11
Year ended December 31, 2007	\$ 5	\$ 1	\$ —	\$ 1	\$ 5
Year ended December 31, 2006	\$ 7	\$ —	\$ —	\$ 2	\$ 5

Table of Contents

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.

TERADATA CORPORATION

Date: March 2, 2009

By: /s/ Stephen M. Scheppmann

Stephen M. Scheppmann

Executive Vice President and Chief Financial Officer

Pursuant to the requirements of Section 13 or 15 (d) 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.

<u>Signature</u>	<u>Title</u>
<u>/s/ Michael F. Koehler</u> Michael F. Koehler	Director, President and Chief Executive Officer
<u>/s/ Stephen M. Scheppmann</u> Stephen M. Scheppmann	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
<u>/s/ James M. Ringler</u> James M. Ringler	Chairman of the Board of Directors
<u>/s/ Edward P. Boykin</u> Edward P. Boykin	Director
<u>/s/ Peter L. Fiore</u> Peter L. Fiore	Director
<u>/s/ Cary T. Fu</u> Cary T. Fu	Director
<u>/s/ David E. Kepler</u> David E. Kepler	Director
<u>/s/ Victor L. Lund</u> Victor L. Lund	Director
<u>/s/ William S. Stavropoulos</u> William S. Stavropoulos	Director

Date: March 2, 2009

**Form of Stock Option Agreement
Under the Teradata Corporation 2007 Stock Incentive Plan
(Non-Statutory Stock Option)**

You have been granted an option (the “Option”) under the Teradata Corporation 2007 Stock Incentive Plan (the “Plan”) to purchase from Teradata a number of shares of common stock of Teradata (“Shares”) at the price per Share as described on the stock option information page on the website of Teradata’s third party Plan administrator, subject to the terms and conditions of this Stock Option Agreement (this “Agreement”) and the Plan.

1. Your right to exercise this Option will expire on the tenth (10th) anniversary (the “Expiration Date”) of the date of grant of this Option (the “Grant Date”), unless sooner terminated due to the termination of your employment as described below. If the Expiration Date falls on a Saturday, Sunday or holiday, it will be deemed to occur on the next following business day.

2. This Option will vest, and the vested shares (“Option Shares”) may be exercised, in equal annual installments (subject to mathematical rounding performed by Teradata’s third party Plan administrator) over the four year period commencing on the Grant Date, such that all of the shares represented by this Option shall be vested on the fourth anniversary of the Grant Date. This vesting schedule is contingent upon your continuous employment with Teradata or any of its affiliate companies (collectively referred to in this Agreement as “Teradata”) as of and until each of the vesting dates. In the event your employment with Teradata terminates prior to the fourth (4th) anniversary of the Grant Date, except as otherwise provided below, this Option will terminate with respect to the then unvested portions.

3. This Option will vest in full if you (a) die while actively employed by Teradata, or (b) cease to be actively employed by Teradata as a result of a disability for which you qualify for benefits from the Teradata Long-Term Disability Plan or another long-term disability plan sponsored by Teradata (“Disability”). In such cases, this Option may be exercised until the later of the third (3rd) anniversary of the date of death or Disability or the Expiration Date.

4. If you voluntarily terminate employment with Teradata due to Retirement (as defined in this Section 4), the unvested portion of this Option will terminate and be forfeited, and the vested portion may be exercised until the earlier of (a) the third (3rd) anniversary of your Retirement, or (b) the Expiration Date. For purposes of this Agreement, “Retirement” means termination by you of employment at or after age 55 other than, if applicable to you, for Good Reason (as described below) following a Change in Control (as defined in the Plan).

5. Notwithstanding any provision in this Agreement to the contrary, in the event a Change in Control occurs and this Option award is not assumed, converted or replaced by the continuing entity, the Option shall vest immediately prior to the Change in Control. In the event of a Change in Control wherein this Option award is assumed, if a Termination of Employment (as defined in the Plan) by the Company other than for Cause or Disability (as such terms are defined in the Plan) occurs during the twenty-four (24) months following the Change in Control, this Option shall vest in full immediately upon your Termination of Employment, and the Option shall remain exercisable until the later of (a) the earlier of the one (1) year anniversary of your Termination of Employment or the Expiration Date; or (b) the applicable date determined under Sections 3 and 4 above. If you are a participant in the Teradata Change in Control Severance Plan, a Teradata Severance Policy or a similar arrangement that defines “Good Reason” in the context of a resignation following a Change in Control and you terminate your employment for Good Reason as so defined within twenty-four (24) months following a Change in Control, this Option shall vest immediately upon your Termination of Employment, and the Option Shares shall remain exercisable until the earlier of (a) the Expiration Date or (b) the first anniversary of your Termination of Employment.

6. If your Teradata employment is involuntarily terminated for Cause (as defined in the Plan) at any time, this Option will automatically terminate and all unexercised vested and unvested Option Shares will be forfeited and will not be exercisable as of the date of such termination.

7. If you terminate your employment with Teradata for any other reason, including but not limited to reduction-in-force, this Option will automatically terminate, any unvested Option Shares will be forfeited and the vested portion of this Option may be exercised no later than the earlier of (a) the 59th day after the date of termination of your employment, or (b) the Expiration Date.

8. In the event that you die after your termination of employment by Teradata, but while this Option remains exercisable, this Option may be exercised, by your beneficiary or heir, until the one (1) year anniversary of the date of your death, regardless of the Expiration Date.

9. By accepting this award, except to the extent that disclosure is required by applicable law or regulation, you agree to keep this Agreement confidential and not to disclose its contents to anyone except your attorney, your immediate family, or your financial consultant provided such persons agree in advance to keep such information confidential and not to disclose it to others. The Option will be forfeited if you violate the terms of this Section 9.

10. This Option will be cancelled if the Committee determines that you engaged in misconduct in connection with your employment with Teradata.

11. This Option shall be exercised in accordance with procedures established by the administrator of Teradata's stock option program, including broker-assisted cashless exercises. In countries where deemed mandatory, upon exercise, the purchase price will be paid by simultaneous sale of the Option Shares exercised, in such a manner that Teradata is not subject to taxation upon grant of the option award. Any taxes required by law to be withheld or paid with respect to exercise of this Option shall be deducted from the proceeds of the Option exercise. If Teradata or the administrator of the stock option program is unable to withhold required taxes from the proceeds of the Option exercise, you or your legal representative or beneficiary will be required to pay such amounts, and Teradata may take any action necessary to satisfy such obligation, including but not limited to withholding cash from compensation otherwise due to you or your beneficiary, or withholding from the Option Shares exercised such numbers of Option Shares as it, in its sole discretion, shall determine to be required to satisfy such withholding requirements.

12. Within a reasonable period after any vested portion of this Option is exercised, Teradata will instruct its Transfer Agent and/or third party Plan administrator to credit you or your successor with the number of Option Shares you exercised. Neither you nor your legal representative shall be, or have any of the rights and privileges of, a stockholder of Teradata in respect of any Shares purchasable upon the exercise of this Option, in whole or in part, unless and until Teradata credits you with, or causes a credit to you of, such Option Shares.

13. This Option is not transferable by you other than by beneficiary designation, will or the laws of descent and distribution, and during your lifetime this Option may be exercised only by you or your guardian or legal representative.

14. You may designate one or more beneficiaries to receive all or part of this Option in case of your death, and you may change or revoke such designation at any time. In the event of your death, any portion of this Option that is subject to such a designation will be distributed to such beneficiary or beneficiaries in accordance with this Agreement. Any other portion of this Option not designated by you shall be distributable to your estate. If there is any question as to the legal right of any beneficiary to receive a distribution hereunder, the Option Shares in question may be purchased by and distributed to your estate, in which event Teradata shall have no further liability to anyone with respect to such Option Shares.

15. In exchange for this Option, you agree that during your employment with Teradata and for a period of twelve (12) months after termination of your Teradata employment (or if applicable law mandates a maximum time that is shorter than twelve months, then for a period of time equal to that shorter maximum period), regardless of the reason for termination, you will not, without the prior written consent of the Chief Executive Officer of Teradata, (1) render services directly or indirectly to, or become employed by, any Competing Organization (as defined in this Section 15) to the extent such services or employment involves the development, manufacture, marketing, advertising, sale or servicing of any product, process, system or service which is the same or similar to, or competes with, a product, process, system or service manufactured, sold, serviced or otherwise provided by Teradata to its customers and upon which you worked or in which you participated during the last two (2) years of your Teradata employment; (2) directly or indirectly recruit, hire, solicit or induce, or attempt to induce, any exempt employee of Teradata to terminate his or her employment with Teradata or otherwise cease his or her relationship with Teradata; or (3) solicit the business of any firm or company with which you worked during the preceding two (2) years while employed by Teradata, including customers of Teradata. If you breach the terms of this Section 15, you agree that in addition to any liability you may have for damages arising from such breach, this Option will be immediately cancelled, all vested and unexercised Option Shares shall be forfeited, and you will pay to Teradata the difference between the exercise price and the Fair Market Value on the date of exercise of any Option Shares received in connection with the exercise of this Option on or after the date which is twelve (12) months prior to the date of the breach.

As used in this Section 15, "Competing Organization" means an organization identified as a Competing Organization by the Chief Executive Officer of Teradata at the beginning of the year in which your employment with Teradata terminates, and any other person or organization which is engaged in or about to become engaged in research on or development, production, marketing, leasing, selling or servicing of a product, process, system or service which is the same or similar to or competes with a product, process, system or service manufactured, sold, serviced or otherwise provided by Teradata to its customers. The list of Competing Organizations identified by the Chief Executive Officer is maintained by the Teradata Law Department.

16. By accepting this Option, you agree that, where permitted by local law, any controversy or claim arising out of or related to your employment relationship with Teradata shall be resolved by arbitration. If you are employed in the United States, the arbitration shall be pursuant to the Teradata dispute resolution policy and the then current rules of the American Arbitration Association and shall be held in the city of the location of the headquarters of Teradata. If you are employed outside the United States, where permitted by local law, the arbitration shall be conducted in the regional headquarters city of the business unit in which you work. The arbitration shall be held before a single arbitrator who is an attorney knowledgeable in employment law. The arbitrator's decision and award shall be final and binding and may be entered in any court having jurisdiction. For arbitrations held in the United States, 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 in which the headquarters of Teradata is located. 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 for an arbitration held in the United States, or similar applicable rules for an arbitration held outside the United States.

Notwithstanding the preceding subparagraph, you acknowledge that if you breach Section 15, Teradata will sustain irreparable injury and will not have an adequate remedy at law. As a result, you agree that in the event of your breach of Section 15 Teradata may, in addition to any other remedies available to it, bring an action in a court of competent jurisdiction for equitable relief to preserve the status quo pending appointment of an arbitrator and completion of an arbitration. You stipulate to the exclusive jurisdiction and venue of the state and federal courts located in the location from which Teradata's Option program is administered for any such proceedings.

17. The provisions of this Agreement are severable. If any provision of this Agreement is held to be unenforceable or invalid by a court or other tribunal of competent jurisdiction (including an arbitration tribunal), it shall be severed and shall not affect any other part of this Agreement, which will be enforced as permitted by law.

18. The terms of this Option as evidenced by this Agreement may be amended by the Teradata Board of Directors or the Committee at any time.

19. In the event of a conflict between the terms and conditions of this Agreement and the terms and conditions of the Plan, the terms and conditions of the Plan shall prevail, except that with respect to matters involving choice of law the terms and conditions of Section 16 of this Agreement shall prevail.

20. Teradata may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by Teradata or a third party designated by Teradata.

**Form of Restricted Stock Unit Agreement
Under the Teradata Corporation 2007 Stock Incentive Plan**

You have been awarded a number of restricted stock units (the “Stock Units”) under the Teradata Corporation 2007 Stock Incentive Plan (the “Plan”), as described on the restricted stock unit information page on the website of Teradata’s third party Plan administrator, subject to the terms and conditions of this Restricted Stock Unit Agreement (this “Agreement”) and the Plan.

1. The Stock Units will become non-forfeitable (“Vested”) on the vesting date described on the Information Page (“Vesting Date”), provided that you are continuously employed by Teradata or any of its affiliate companies (referred to collectively herein as “Teradata”) until the Vesting Date.

2. If your employment with Teradata terminates prior to your Vesting Date due to (i) your death; or (ii) cessation of active employment by Teradata as a result of a disability for which you qualify for benefits under the Teradata Long-Term Disability Plan or another long-term disability plan sponsored by Teradata (“Disability”); then, upon such termination of employment, your Stock Units will become fully Vested. If your employment with Teradata terminates prior to your Vesting Date due to your (a) Retirement (defined as termination by you of your employment with Teradata at or after age 55 with the consent of the Compensation & Human Resource Committee of the Teradata Board of Directors (the “Committee”) other than, if applicable to you, for Good Reason (as described below) following a Change in Control (as defined in the Plan); or (b) reduction-in-force; then, upon such termination of employment, a pro rata portion of the Stock Units will become fully Vested. The pro rata portion of the Stock Units that will become fully Vested will be determined by multiplying the total number of the Stock Units awarded pursuant to this Agreement by a fraction, the numerator of which is the number of full and partial months of employment that you completed after the date of grant of this award (the “Grant Date”), and the denominator of which is the total number of months during the period beginning on the Grant Date and ending on your Vesting Date.

Notwithstanding any provision in this Agreement to the contrary, in the event a Change in Control occurs and this restricted stock unit award is not assumed, converted or replaced by the continuing entity, the Stock Units shall become fully Vested immediately prior to the Change in Control. In the event of a Change in Control wherein this restricted stock unit award is assumed, if a Termination of Employment (as defined in the Plan) by the Company other than for Cause or Disability (as such terms are defined in the Plan) occurs during the twenty-four (24) months following the Change in Control, the Stock Units shall become fully Vested immediately upon your Termination of Employment. If you are a participant in the Teradata Change in Control Severance Plan, a Teradata Severance Policy or a similar arrangement that defines “Good Reason” in the context of a resignation following a Change in Control and you terminate your employment for Good Reason as so defined within twenty-four (24) months following a Change in Control, the Stock Units shall become fully Vested immediately upon your Termination of Employment.

3. Except as may be otherwise provided in this Section 3, when Vested, the Stock Units will be paid to you within 30 days after the Vesting Date in shares of Teradata common stock (such that one Stock Unit equals one share of Teradata common stock) or, in Teradata’s sole discretion, in an amount of cash equal to the Fair Market Value of such number of shares of Teradata common stock as of the Vesting Date (or such earlier date upon which the Stock Units have become Vested pursuant to Section 2 of this Agreement), or a combination thereof.

To the extent that the Stock Units become Vested pursuant to Section 2 of this Agreement and your right to receive payment of Vested Stock Units constitutes a “deferral of compensation” within the

meaning of Section 409A of the Code, then payment of such Stock Units shall be subject to the following rules: (i) the Stock Units will be paid to you within 30 days after the earlier of (a) your “separation from service” within the meaning of Section 409A of the Code, or (b) the Vesting Date; (ii) notwithstanding the foregoing, if the Stock Units become payable as a result of your “separation from service” within the meaning of Section 409A of the Code (other than as a result of death), and you are a “specified employee” as determined under Teradata’s policy for determining specified employees on the date of separation from service, the Stock Units shall be paid on the first business day after the date that is six months following your “separation from service” within the meaning of Section 409A of the Code; and (iii) Teradata may, in its sole discretion and to the extent permitted by Treasury Regulation § 1.409A-3(j)(4)(ix)(B), terminate this Agreement and pay all outstanding Stock Units to you within 30 days before or 12 months after a “change in the ownership,” a “change in the effective control” or a “change in the ownership of a substantial portion of the assets” of Teradata within the meaning of Section 409A of the Code.

4. By accepting this award, unless disclosure is required by applicable law or regulation, you agree to keep this Agreement confidential and not to disclose its contents to anyone except your attorney, your immediate family, or your financial consultant, provided such persons agree in advance to keep such information confidential and not disclose it to others. The Stock Units will be forfeited if you violate the terms and conditions of this Section 4.

5. At all times before your Vesting Date, the Stock Units may not be sold, transferred, pledged, assigned or otherwise alienated, except by beneficiary designation, will or by the laws of descent and distribution upon your death. As soon as practicable after your Vesting Date, if Stock Units are to be paid in the form of shares of Teradata common stock, Teradata will instruct its Transfer Agent and/or its third party Plan administrator to record on your account the number of shares of Teradata common stock underlying the number of Stock Units that you opted to be paid to you in shares of Teradata common stock and such shares will be freely transferable.

6. Any cash dividends declared before your Vesting Date on the shares underlying the Stock Units shall not be paid currently, but shall be converted into additional Stock Units. Any Stock Units resulting from such conversion (the “Dividend Units”) will be considered Stock Units for purposes of this Agreement and will be subject to all of the terms, conditions and restrictions set forth herein. As of each date that Teradata would otherwise pay the declared dividend on the shares underlying the Stock Units (the “Dividend Payment Date”) in the absence of the reinvestment requirements of this Section 6, the number of Dividend Units will be determined by dividing the amount of dividends otherwise attributable to the Stock Units but not paid on the Dividend Payment Date by the Fair Market Value of Teradata’s common stock on the Dividend Payment Date.

7. Teradata has the right to deduct or cause to be deducted from, or collect or cause to be collected, with respect to the taxation of any Stock Units, any federal, state, local, foreign or other taxes required by the laws of the United States or any other country to be withheld or paid with respect to the Stock Units, and you or your legal representative or beneficiary will be required to pay any such amounts. By accepting this award, you consent and direct that, if you are paid through Teradata’s United States payroll system at the time the Stock Units vest, Teradata’s stock plan administrator may withhold or sell the number of Stock Units from your award as Teradata, in its sole discretion, deems necessary to satisfy such withholding requirements. If you are paid through a non-United States Teradata payroll system, you agree that Teradata may satisfy any withholding obligations by withholding cash from your compensation otherwise due to you or by any other action as it may deem necessary to satisfy any withholding obligation.

8. The Stock Units will be forfeited if the Committee determines that you engaged in misconduct in connection with your employment with Teradata.

9. In exchange for the Stock Units, you agree that during your employment with Teradata and for a period of twelve (12) months after the termination of employment (or if applicable law mandates a maximum time that is shorter than twelve months, then for a period of time equal to that shorter maximum period), regardless of the reason for termination, you will not, without the prior written consent of the Chief Executive Officer of Teradata, (1) render services directly or indirectly to, or become employed by, any Competing Organization (as defined in this Section 9 below) to the extent such services or employment involves the development, manufacture, marketing, sale, advertising or servicing of any product, process, system or service which is the same or similar to, or competes with, a product, process, system or service manufactured, sold, serviced or otherwise provided by Teradata to its customers and upon which you worked or in which you participated during the last two (2) years of your Teradata employment; (2) directly or indirectly recruit, hire, solicit or induce, or attempt to induce, any exempt employee of Teradata to terminate his or her employment with or otherwise cease his or her relationship with Teradata; or (3) solicit the business of any firm or company with which you worked during the preceding two (2) years while employed by Teradata, including customers of Teradata. If you breach the terms of this Section 9, you agree that in addition to any liability you may have for damages arising from such breach, any unvested Stock Units will be immediately forfeited, and you agree to pay to Teradata the Fair Market Value of any Stock Units that Vested or cash paid to you in lieu of such Stock Units during the twelve (12) months prior to the date of your termination of employment. Such Fair Market Value shall be determined as of your Vesting Date.

As used in this Section 9, "Competing Organization" means an organization identified as a Competing Organization by the Chief Executive Officer of Teradata for the year in which your employment with Teradata terminates, and any other person or organization which is engaged in or about to become engaged in research on or development, production, marketing, leasing, selling or servicing of a product, process, system or service which is the same or similar to or competes with a product, process, system or service manufactured, sold, serviced or otherwise provided by Teradata to its customers. The list of Competing Organizations identified by the Chief Executive Officer is maintained by the Teradata Law Department.

10. By accepting this award, you agree that, where permitted by local law, any controversy or claim arising out of or related to your employment relationship with Teradata shall be resolved by first exhausting any Teradata internal dispute resolution process and policy, and then by arbitration pursuant to such policy. If you are employed in the United States, the arbitration shall be pursuant to the Teradata dispute resolution policy and the then current rules of the American Arbitration Association and shall be held in the city of the location of the headquarters of Teradata. If you are employed outside the United States, where permitted by local law, the arbitration shall be conducted in the regional headquarters city of the business unit in which you work. The arbitration shall be held before a single arbitrator who is an attorney knowledgeable in employment law. The arbitrator's decision and award shall be final and binding and may be entered in any court having jurisdiction. For arbitrations held in the United States, 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 in which the headquarters of Teradata is located. 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 for an arbitration held in the United States, or similar applicable rules for an arbitration held outside the United States.

Notwithstanding the preceding subparagraph, you acknowledge that if you breach Section 9, Teradata will sustain irreparable injury and will not have an adequate remedy at law. As a result, you agree that in the event of your breach of Section 9 Teradata may, in addition to any other remedies available to it, bring an action in a court of competent jurisdiction for equitable relief to preserve the status quo pending appointment of an arbitrator and completion of an arbitration. You stipulate to the

exclusive jurisdiction and venue of the state and federal courts located in the location from which Teradata's Option program is administered, for any such proceedings.

11. You may designate one or more beneficiaries to receive all or part of any Stock Units to be distributed in case of your death, and you may change or revoke such designation at any time. In the event of your death, any Stock Units distributable hereunder that are subject to such a designation will be distributed to such beneficiary or beneficiaries in accordance with this Agreement. Any other Stock Units not designated by you will be distributable to your estate. If there is any question as to the legal right of any beneficiary to receive a distribution hereunder, the Stock Units in question may be transferred to your estate, in which event Teradata will have no further liability to anyone with respect to such Stock Units.

12. The provisions of this Agreement are severable. If any provision of this Agreement is held to be unenforceable or invalid by a court or other tribunal of competent jurisdiction (including an arbitration tribunal), it shall be severed and shall not affect any other part of this Agreement, which will be enforced as permitted by law.

13. The terms of this award of Stock Units as evidenced by this Agreement may be amended by the Teradata Board of Directors or the Committee.

14. In the event of a conflict between the terms and conditions of this Agreement and the terms and conditions of the Plan, the terms and conditions of the Plan shall prevail, except that with respect to matters involving choice of law the terms and conditions of Section 10 of this Agreement shall prevail.

15. Teradata may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by Teradata or a third party designated by Teradata.

Teradata Corporation's
Values and Code of Conduct



Introduction

What is this document?

This document sets forth Teradata Corporation's Values statement, Code of Conduct, and related information. It is published by the Teradata Ethics & Compliance Office and is a part of Teradata's overall ethics, compliance, and corporate integrity initiatives. It should be read by, and applies to, all Teradata people throughout the world.

This document has five parts:

1. Introduction – describes what this document is and who should read it.
2. Tone at the Top – messages from the Teradata Chief Executive Officer and Chairman about ethics, compliance, and integrity at Teradata.
3. Values – a statement of Teradata guiding principles.
4. Code of Conduct – a summary about how Teradata people are required to behave.
5. Ethics & Compliance Contacts and Resources – reporting and contact information, useful web sites, and other related resources.

What is a Values statement?

Teradata's Values are broad core principles and aspirations that are to guide all Teradata people in all Teradata-related acts, decisions, and words. These high-level Values support behavior and a company culture that not only complies with legal and ethical standards and the Teradata Code of Conduct, but that also will help Teradata achieve its other business objectives and aspirations. Where the Code of Conduct or a Teradata Policy does not address a particular issue, Teradata people should use Teradata's Values for guidance in determining the right thing to do.

What is a Code of Conduct?

The Teradata Code of Conduct is a summary of the minimum standards of conduct that are required of all Teradata organizations and people. Many of these standards of conduct are required in order for Teradata and Teradata people to comply with legal and ethical duties, while others are required to establish clear and consistent rules for how Teradata people are to deal with and apply Teradata Values to particular issues or subject areas.

The Code of Conduct references various Teradata Policies – these Policies establish, at an even more specific level than the Code of Conduct, how Teradata people are required to deal with particular issues. Thus, the Code of Conduct serves as a condensed, easy-to-understand, high-level summary of rules that result from the application of some key Teradata Policies. The Code of Conduct also includes information about how suspected Code of Conduct and Policy violations are to be reported and handled, and about safeguards (for example, there shall not be any retaliation against those who make good faith reports of suspected violations) Teradata implements to protect those who report violations and to foster a corporate culture where Teradata people ask questions and get clear answers before they act if there is any doubt about whether doing something might be a violation of the law, the Code of Conduct, or Policies.

Introduction

How do the Teradata Values statement, the Code of Conduct, and Policies impact one another?

Teradata's Values statement, Code of Conduct, and Policies are intended to support and be consistent with one another. They do, however, reflect differing levels of breadth and details. Teradata people should be able to apply and comply with all three. If a Teradata person feels that there is an inconsistency among them when applied to a particular situation, then he/she should ask for guidance from one of the resources identified in this document, and obtain direction before acting.

Who needs to follow the Teradata Values, Code of Conduct, and Policies?

Teradata's Values statement, Code of Conduct, and Policies apply to, and must be followed by, all Teradata associates throughout the world. Teradata business partners also are expected to comply with the standards of conduct set forth in the Teradata Code of Conduct with respect to all of their Teradata-related activities. Compliance with those standards by business partners not only will be expected by Teradata, but also will be required to the extent that the Teradata business partner has (a) pledged to comply with the standards of conduct set forth in the Teradata Code of Conduct, (b) represented that it has adopted no less stringent and comprehensive standards of conduct than those established by the Teradata Code of Conduct, or (c) made contractual commitments to Teradata regarding the standards of conduct it will apply in its dealings with or on behalf of Teradata. Teradata subsidiaries, affiliates, business organizations, operations, and teams also may adopt and apply their own supplemental values statements, standards of conduct, policies, procedures, practices, and other requirements (for example, to meet additional local in-country legal requirements or to be aligned with and address issues relevant to their particular functional responsibilities); however, in all events, those supplemental standards and requirements must be at least as stringent as the Teradata-wide ones and must not reduce the Teradata-wide encouragement of, and policy of non-retaliation in response to, good faith reporting of suspected Code and Policy violations.

Who is included in the terms "Teradata," "associates," "business partners," and "Teradata people"?

For purposes of this document: "Teradata" includes Teradata Corporation and all of its subsidiaries, affiliates, business organizations, and operations throughout the world; Teradata "associates" includes every Teradata employee, independent contractor, temporary employee, agent, representative, officer and board member; Teradata "business partners" includes every Teradata supplier, vendor, reseller, distributor, alliance partner, service provider, and other third party with which Teradata conducts or is proposed to conduct business; Teradata "people" includes collectively all Teradata "associates" and all Teradata "business partners" throughout the world.

Who can receive a copy of this document?

This document is not confidential. Distribution of it to and by Teradata people is encouraged. Teradata does, however, retain all copyrights to this document and its contents.

Introduction

Who can I contact about this document?



For information about this document or Teradata's ethics and compliance initiatives, contact: Todd Carver, Chief Ethics & Compliance Officer for Teradata Corporation; at 2835 Miami Village Drive, Miamisburg, Ohio (USA) 45342; telephone – 937-242-4718; email – todd.carver@teradata.com. Also please note that near the end of this document, there is a list of contact information for reporting ethics, compliance, Code of Conduct or policy violations, and other contact information and resources to get questions answered regarding the various subject areas addressed in this document. There, and in the Code of Conduct portion of this document, you will find more information regarding the Teradata Ethics Helpline, which is an always-available multiple-language ethics and compliance reporting and question-raising resource that can be reached by telephone toll-free at 1-866-455-0993 (outside of the U.S., call toll-free through AT&T Direct) or by the Internet at www.integrity-helpline.com/tdhelp.jsp.

**Call the Teradata
Ethics Helpline
(1-866-455-0993)
to raise ethical issues.**



Tone at the Top

From our President and CEO



“Integrity is Teradata’s top priority. We cannot be successful without it no matter how well we achieve our other business objectives. Integrity is my own top individual priority, and I want it be every Teradata person’s top priority.

True integrity includes running a clean shop and following the rules, but it also goes far beyond that. It also means that every Teradata person reads, understands, and agrees to comply with our Code of Conduct. If we are uncertain whether an action will comply with our Code of Conduct, then we ask someone who knows or can get the answer, and we get a clear answer indicating that it does comply before we act. If a Teradata associate violates our Code of Conduct, then we report it, and we hold them accountable, particularly if he/she knew it was a violation or if he/she should have asked if it was a violation but didn’t. It means that trust, respect, and accountability are core values and principles that we apply in all of our words, acts, and decisions. And, it means that we are true to these compliance-oriented values and principles while also being committed to the core performance values and principles of excellence, achievement, dedication to our customers and to meeting our business commitments, effective teamwork, and exhibiting a winning attitude in everything we do.

In other words, true integrity is more than mere legal compliance. It also includes being a company and individuals with declared values and principles and all of us being true to them in everything we do in connection with our business. Guided by these values, Teradata people can, and are expected to, do the right thing in the right way while at the same time achieving outstanding business success. This is the Teradata way.

I ask that, as you read the Teradata Values Statement and Code of Conduct, you reflect on how you can better apply our Values individually and on your teams, and that you join me in making a personal pledge and commitment to them and to complying with our Code of Conduct. Having a Values Statement and a Code of Conduct and making personal commitments to them, however, is merely a starting point for us to be a company of true integrity. In addition, we must have an effective overall Ethics and Compliance (E&C) program. We have established just such an E&C program at Teradata, I give it my personal support and endorsement, and we have challenged it to be among the best and most effective in our industry. But, having an effective E&C program also is just part of the starting point. To be a company of true integrity, every associate – from entry-level to senior management and everyone in between, including me – and our business partners must in fact live up to and apply our Values and abide by our Code of Conduct. This kind of principled thinking and principled behavior needs to be embraced, encouraged, and routinely reinforced by management employees and team leaders throughout our company and with our business partners so that application of them is automatic, universal, and embedded into the fabric of our company’s culture. In other words, we all need not only to talk the talk about integrity and E&C, but we also need to walk the talk as well. All Teradata managers and team leaders have a special responsibility to see that this happens and to set the right tone at the top when it comes to integrity and E&C.

continued

Tone at the Top

Thank you for reading and understanding our Values and our Code of Conduct, for supporting our overall E&C and corporate integrity initiatives, for setting the right tone, and for walking the talk when it comes to our Values, our Code of Conduct, and our E&C initiatives. Doing this is as important as anything we do at Teradata. Together, let's make sure that true integrity continues to be the foundation for doing things the Teradata way."

Mike Koehler
President and Chief Executive Officer
Teradata Corporation

From our Chairman



"In addition to endorsing and echoing Mike Koehler's comments on integrity, I want you to know that the Teradata Board of Directors also deems integrity to be a top priority. We, too, are committed to Teradata's Values, to abiding by the Teradata Code of Conduct, and to holding Teradata board members, officers, and senior managers accountable for applying the Teradata Values and complying with the Teradata Code of Conduct, as well as for setting the right tone at the top for the entire Teradata enterprise regarding ethics, compliance, and integrity. But, no matter how committed the board, the President and CEO, the officers, and the other senior managers of Teradata are to integrity, to the Teradata Values and to the Code of Conduct, we understand that it can't be achieved without the personal commitment of each and every Teradata associate and business partner. We need, and are counting on, you to help Teradata achieve this top priority. Together, let's make Teradata a wildly successful business, but let's do it the right way – with true integrity, with ethics, and with compliance – the Teradata way."

Jim Ringle
Chairman of the Board
Teradata Corporation

Teradata Values

What does Teradata stand for?

Trust
Excellence
Respect
Achievement
Dedication
Accountability
Teamwork
Attitude

We pledge to apply these Values in our decisions, words, and conduct.

What do the Teradata Values mean?

Trust

Honesty, integrity, credibility, reliability, and reputation are the foundations of who and what we are; they are essential to our success; we must earn the trust and confidence of customers, prospects, investors, analysts, employees, other associates, board members, suppliers, business partners, governments, the communities in which we operate, and our other business colleagues, and we must re-earn that trust every day; we do the right thing, the right way, for the right reasons, at the right time; we trust, but we verify, and we embrace others verifying their trust in us as well; we keep confidences that have been entrusted to us; we keep entrusted private information private; we avoid conflicts of interest; we protect assets entrusted to us; we seek trusted long-term relationships with our stakeholders; we comply with laws, regulations, rules, and policies; we deal with potential issues and problems by communicating about them, asking questions, getting answers, and escalating them, not by hiding them; we walk the talk; we do what we say we will do; trust is critical to the Teradata name, brand, and reputation.

Excellence

We are the best and smartest people and company in our fields; we provide the best and smartest technologies to the best and smartest customers in the world; we set the standard in our industries; we exceed expectations; we are the innovation leaders in our fields; we develop and deliver the highest quality and most reliable products and services in our fields; we partner with the best and smartest companies in our fields; we are passionate visionaries; we are the go-to experts in our fields; we are unsurpassed and beyond comparison in our fields.

Respect

We embrace diversity of people, cultures, races, religions, genders, orientations, and points of view; we are amiable; we are approachable; we communicate openly and candidly; we are fair, decent, thoughtful, deliberate, responsive, and courteous; we treat others with respect and dignity; we respect and help conserve the environment and natural resources; we aspire to make our

Teradata Values

stakeholders happy, healthy, and prosperous; we are good citizens, as individuals and as a company, in the communities in which we operate; we strive to be recognized as a great and respected company, a great and respected place to work, and a great and respected competitor; we don't tolerate workplace harassment, discrimination, racism, sexism, pornography, retaliation for raising legitimately questioned issues, violence, criminal conduct, or threats of retaliation, threats of violence, or threats of criminal conduct.

Achievement

We win; we meet or beat our commitments and exceed expectations; we execute our plans; we set high goals and objectives, and we stretch and strive to achieve them; we recognize, reward and celebrate accomplishments; we encourage continuous personal and organizational development; we are leaders; we help our colleagues, customers, and business partners achieve great results; we are driven to be the best in our fields and are driven to remain the best.

Dedication

We are passionate about making our customers successful; we are ready, willing, and able to get the job done, done right, and done on time; we work hard; we work smart; we are focused and seasoned experts; we are determined, dependable, and tenacious problem-solvers; we act with energy and urgency; we are proactive; we are disciplined and efficient; we compete zealously, but fairly, to win every time; we are nimble and responsive; we are recognized as the people and the company to be relied upon to get things done; we take responsibility for addressing issues; we take pride in our company, our colleagues, our business partners, and our customers.

Accountability

We run a clean shop; we follow laws, rules, our Code of Conduct, and policies; we do things by the book; we verify, audit, measure, and certify; we implement controls, procedures, safeguards, and contingency plans; we are transparent and candid; we reward and create incentives for achievement of business results, as well as for doing things in ways that are consistent with our Values and in compliance with our Code of Conduct and policies; we take disciplinary actions against those who knowingly break the rules; we learn from honest mistakes, take measures to fix them, and take actions to avoid recurrences; we not only deliver the right results, we deliver them in the right way; we know and understand the rules and policies that apply to us; if we don't understand a rule or policy, we ask someone who does before we act; we proactively and effectively get and give training and communicate about what the rules, policies, and expectations are and how they should be applied; we are thrifty and efficient; we set realistic budgets and we meet or beat them; we are objective; we make decisions based on facts and merit.

Teamwork

It is not enough for each of us individually to be the best and smartest at what we do – to truly succeed and achieve results beyond the sum of our individual contributions, we must collaborate, communicate, and work effectively as a team; we all are in business together; teamwork goes beyond associates collaborating and communicating, but also involves teamwork with our customers and our business partners; we are team players; we understand that without teamwork,

Teradata Values

our other Values will not be accomplished; we are easy to do business with; we are hard on problems, but easy on people; we are cooperative; we are focused and aligned; we listen to the input of others; we team to beat the competition; we team to deliver the best results for our customers; we recognize that every stakeholder is a member of the team and contributes to the accomplishment of our results.

Attitude

We achieve our other Values with a flare and in a way that conveys an impression of us being smart, confident, can-do winners; we do things in the Teradata way; we are inspirational, amiable, accessible, approachable, respectful, proactive, determined, energetic, dynamic, passionate, experienced, balanced, and fair team players, and are committed to making Teradata successful, our customers successful, and the world a better place; we have an attitude of embracing challenges and diversity, and seeing them as opportunities; we are known for always doing the right thing in the right way; we are admired people and an admired company; we embrace the view that the best need to keep getting better; we smile and have some fun, and we work hard and play hard, but we do so in ways that are consistent with our other Values and our Code of Conduct; we are serious, disciplined, and poised when dealing with challenges and problems.

We encourage you and your teams to think about and discuss what our Values mean to you and your teams, how you and your teams already apply them, and what you and your teams can do to implement them more effectively in the future. We also ask that you reflect on these Values as you read our Code of Conduct. Also, performance assessments of Teradata associates and teams should include evaluation of whether the Teradata Values, Code of Conduct, and Policies have been applied and followed.

Our Code of Conduct is intended to provide more specific guidance about how our Values are to be applied with respect to various subject areas. Our Policies, in turn, are intended to provide even more specific guidance about how our Values and our Code of Conduct are to be applied with respect to particular issues.



Teradata Code of Conduct

What are our Code of Conduct Commitments?

Our Code of Conduct Commitments are:

1. **We conduct business ethically and in compliance with our code of conduct and policies.**
2. **We seek guidance and report concerns and violations.**
3. **We respect others.**
4. **We comply with laws.**
5. **We compete fairly.**
6. **We avoid conflicts of interest.**
7. **We protect assets.**
8. **We protect data.**
9. **We keep accurate records.**
10. **We apply our code of conduct and policies consistently.**
11. **We earn trust by doing things the Teradata way.**

What do these commitments mean?

1. We are committed to conducting business ethically and in compliance with our Code of Conduct and policies.

Teradata is passionate about our business and our customers. We are committed to conducting business with the highest standards of trust, respect, accountability, and dedication. The commitment to unquestionable excellence and integrity is expressed in our Values statement and guides how we conduct our business with our customers, business partners, and one another, and how we interact with the communities in which we operate.

Teradata delivers on making smart companies smarter. That is our mission and is a big part of what our Raising Intelligence tag line is intended to communicate. Personal and corporate integrity are the foundations for our mission, and for everything we do. Integrity demands that each of us, regardless of position, shows our commitment to ethics not just in words, but through our decisions and actions.

Our Code of Conduct sets the standards for how we conduct Teradata business. The principles laid out here apply to all of us: employees at all levels, other associates, contractors, officers, and directors, as well as agents, consultants, suppliers, distributors, and other business partners. When conducting Teradata business, we all must follow the principles of our Code and apply our Values. Violations of our Code are taken seriously and may result in disciplinary action, including termination of employment for Teradata employees and termination of Teradata's relationships with non-employees. In addition, we will recognize and reward exemplary implementations of our Values and our Code.

Teradata Code of Conduct

Our Code, our Values, and our policies can serve only as guides to ethical conduct. They cannot cover every situation or every question you may face with specificity. If, after looking at our Values, Code, and applicable policies, you are unsure of the right thing to do, you should ask and get an answer before you act.

Employees who supervise others have heightened duties to show, through words, decisions, and actions, their personal commitment to the highest standards of integrity. In particular, Teradata managers are responsible for:

- Ensuring that associates on their teams and the business partners with whom they interact understand our Values and Code of Conduct;
- Considering whether associates on their teams follow our Code and exemplify the Teradata Values before promoting them to positions of responsibility, as well as recognizing and rewarding those associates who set the best examples of how we want our Values and our Code to be applied;
- Considering whether business partners embrace and act consistently with our Code of Conduct before conducting, and in continuing to conduct, Teradata business with them;
- Creating an environment that promotes compliance, encourages associates and business partners to raise policy questions and concerns in good faith, and prohibits retribution against those who raise compliance questions or concerns in good faith; and
- Informing the Teradata Ethics & Compliance Office of all suspected violations of our Code that are observed by or reported to the manager.

Managers who either knew or should have known about violations of our Code within their areas of responsibility and failed to address and report them may be subject to discipline, up to and including termination of their employment. In other words, Teradata managers not only have a duty to follow our Values and our Code of Conduct, but they also have a responsibility to help see that our Values and our Code are understood and applied effectively throughout Teradata by associates and business partners and to help set a tone at the top which reflects that integrity, ethics, and compliance are real and important priorities at Teradata.

2. We seek guidance and report concerns and violations.

All of us, regardless of our positions and irrespective of our other business objectives, must at all times comply with ethical and legal standards. Violations of our Code are serious and can cause great harm to our reputation. We may face an ethical dilemma where the best course of action is unclear. When you encounter situations that are unclear, you should seek guidance. If you become aware of conduct that you, in good faith, think may be a violation of our Code or of the law, then you have a duty to bring it to the attention of one of the following:

- Your manager
- Your manager's manager
- Your human resources representative

Teradata Code of Conduct

- A member of the Teradata subject-matter-expert team for the area at issue (for example, Corporate Security for suspected theft issues, or Internal Audit for suspected financial irregularities)
- The Teradata Law Department
- The Teradata Ethics & Compliance Office (by email at et230068@teradata.com or by calling Teradata's Chief Ethics & Compliance Officer, Todd Carver, at 937-242-4718) or
- The Teradata Ethics Helpline, which can be reached by telephone at 1-866-455-0993 or by the worldwide web at www.integrity-helpline.com/tdhelp.jsp. Note that the Teradata Ethics Helpline telephone number is on the reverse side of Teradata associate identification badges – so that it is readily available to Teradata associates at all times.

If you feel pressure to compromise our Values or our Code, you need not stand alone. You should bring the situation to the Company's attention so that we can handle it appropriately. Even if you do not have proof, but have a question or a good faith concern, you still have a duty to report actual or suspected violations of the law, our Code, or Teradata policies.

You are encouraged to identify yourself when contacting these compliance resources so that Teradata can thoroughly investigate the issue you are raising. However, if you are reporting an issue related to Teradata accounting, internal accounting controls, auditing matters, bribery, banking, or other financial issues, you may, in all events, report them anonymously through the Teradata Ethics Helpline, you may report them confidentially to the Teradata Ethics & Compliance Office, or if you believe that those have been ineffective, you may report them directly to the Audit Committee of the Teradata Board of Directors (by sending written communications to the Corporate Secretary at the Teradata world headquarters: Audit Committee of the Board of Directors, Teradata Corporation, Attention: Corporate Secretary, 2835 Miami Village Drive, Miamisburg, Ohio (USA) 45342).

Teradata will make no effort to discover the identity of an associate or other party who has decided to make a good faith report anonymously. Teradata also will take steps to preserve the anonymity of an associate or other party who has identified himself/herself in making a good faith report to the Teradata Ethics & Compliance Office, but has asked that his/her name not be disclosed to people other than those who need to know it in order to conduct the investigation and analysis of the reported issue or in order to take action on it.

Handling Reports

Reports of misconduct will be analyzed and investigated. Appropriate actions will be taken when violations are found. In the event that an investigation is initiated, you have an obligation to answer all questions truthfully and cooperate completely with the investigation. Telling lies in a report or during an investigation, or concealing or covering up an ethical or legal violation, is itself a serious violation of our Code and can subject the involved associate to disciplinary action. When making a report of suspected violations, please provide as many objective facts as possible. Facts, data, and details are far more useful, important, and actionable than unsupported opinions, suspicions, and rumors. In conducting investigations and deciding on what actions are appropriate when Code

Teradata Code of Conduct

violations are found, Teradata will take care to comply with applicable laws, apply our Values and our Code during the process, and base decisions on relevant validated facts and the objective merits of the analysis – not on unsupported opinions, rumors, or innuendo, and not based on the reporting or reported associates' positions, friendships, or other personal relationships. We are not out to get anyone for the sake of getting someone or making someone a scapegoat; rather, we simply need to, and we will, run a clean shop and conduct business in ways that are consistent with our Values, Code, and policies. We have designed our Code and the processes associated with it to comply with various legal, compliance, and board of directors' requirements, including that such a program be in place, that the program be real rather than mere words on paper, and that the program be objectively measured. In addition, we have included protections in the program for associates so that they are not retaliated against for making good faith reports of suspected violations and so that actions against associates or business partners who are suspected of reported violations are based on full, fair, deliberate, and objective investigations and analyses.

Non-Retaliation

You should feel free to report in good faith any suspected violation of the law, of our Code, or of Teradata policies without fear of your employment or other business relationship with Teradata being adversely affected by you having done so. Teradata strictly prohibits any form of retaliation against you for asking questions or voicing concerns, as long as you do so in good faith. Good faith does not mean you have to be right, but it does mean you are providing all of the information you have and that you believe it to be truthful. Bad faith is when one provides information which he/she knows to be false, or false information which he/she intends to have used to seek retaliation or revenge against someone else or to be used for an illegal or improper purpose. We will not tolerate any retaliation against you for bringing information forward in good faith or for cooperating in good faith with an investigation. At the same time, we will not tolerate our Code and its reporting, investigation, and enforcement processes being compromised or being used against you through false information submitted in bad faith.

3. We respect others.

Two key Teradata Values are respect and teamwork. They must be applied in everything we do. We strive to provide a work environment that fosters respect for all associates, customers, and business partners, and that reflects the diversity of the communities in which we operate. We strive to work together daily to continue the outstanding customer focus for which Teradata is well known.

Non-Discrimination

We value the diversity of our associates and do not permit discrimination in any employment- related decisions or business partner selection decisions. Employment and business partnering decisions, such as hiring/selection, performance appraisals, and promotions, are based on merit and without regard for race, color, religion, national origin, gender, age, disability, sexual orientation, gender identity or expression, marital status, or any other unlawful factor.

Teradata Code of Conduct

Harassment

Respect for each other also demands a work environment free from all illegal forms of harassment. Harassment is any form of inappropriate or illegal conduct toward another person that creates an intimidating, hostile, or offensive work environment. Sexual harassment involves unwelcome sexual advances, requests for sexual favors, or other physical or verbal conduct of a sexual nature. All forms of harassment can interfere with an individual's work performance or adversely affect an individual's employment opportunities.

Teradata does not tolerate harassment regardless of whether you are on company premises or engaged in off-hours functions with Teradata associates or Teradata business partners, such as holiday parties or business travel. Harassment may be grounds for immediate dismissal, and it can subject both you and Teradata to severe legal penalties.

If you experience harassment or if you become aware of a harassment situation, you must notify your manager, your human resources representative, or the Law Department immediately. We strictly prohibit retaliation against associates for making good faith reports of discrimination or harassment.

Workplace Behavior

Teradata values achievement. In order to further that value, Teradata is committed to a drug-free workplace. Associates and business partners must be free from the influence of alcohol and drugs, both legal and illegal, while on Teradata or a customer's premises and when conducting Teradata-related business. The use, possession, distribution, or sale of illegal drugs while conducting Teradata business is strictly prohibited.

Teradata will not tolerate acts or threats of violence on Teradata or a customer's premises or among associates or business partners during off-hours. We all must treat one another with respect and courtesy. In order to further this policy, we must report instances of actual or threatened workplace or business-related violence.

Health and Safety

Teradata strives to provide each associate and business partner on our premises with a safe and healthful work environment. Safety comes first. We conduct no activity without taking proper safety precautions.

Teradata follows all applicable health, safety, and environmental rules and regulations in the communities where we do business. If you have questions about a particular regulation, please ask. If you become aware of an unsafe condition or a possible violation of health, safety, or environmental regulations, immediately report the situation to your manager or to the Environmental, Health and Safety group of the Law Department.

4. We comply with laws.

Teradata has earned its reputation as a smart, customer-focused company through hard work and dedication from all of our associates. In order to safeguard that reputation, we all must endeavor to deal fairly with our customers, business partners, competitors, and one another. We obey the laws of the communities in which we operate. We also respect the customs and traditions of those communities. At the same time, we should not engage in any conduct that, even if legal, customary, and accepted in those communities, violates our Code of Conduct or our policies. We will not take advantage of anyone through misrepresenting facts, manipulation, fraud, abuse of others' confidential information, or any other practice that is intended to give us an illegal or improper advantage that we did not earn.

Foreign Corrupt Practices Act and Government-Related Dealings

As a public company traded on the New York Stock Exchange in the U.S., Teradata Corporation and all of its subsidiaries, affiliates, and organizations anywhere in the world are subject to the U.S. Foreign Corrupt Practices Act (FCPA). We may not offer, give, solicit, or receive any form of bribe or kickback. This principle applies to all Teradata associates worldwide and to all Teradata representatives and business partners worldwide, regardless of location, and regardless of whether they do so in their own names or others' names.

A bribe is any money or favor used to influence the judgment or conduct of a government official or to ensure a particular outcome or action by or from a government official. A bribe does not have to be cash; a bribe could also be inappropriate entertainment or paying an inflated price to purchase an official's (or an official's family's or friend's) property or services. A kickback is the return of a sum already paid or due to be paid as part of a legal contract as a reward for an official (or his/her family or friends) making or fostering business arrangements.

Both direct and indirect, such payments of any kind are prohibited. We cannot hire or otherwise arrange for a third party to do on our behalf something we cannot do ourselves. Teradata could be liable for such payments even if we did not know, but we should have known, that the payment would be going to a government official (or his family or friends). Teradata also can be held liable for the mere offer of a bribe. Consequences for violations of the FCPA and other anti-bribery laws are severe, including fines to both the individual making the payment and the Company, and jail time for individuals.

It is important to note that in certain countries, some businesses are owned in whole or in part by the government, and as a result, the managers and employees of those businesses may be considered foreign government officials under the FCPA or other laws. In these situations, ordinary and reasonable business entertainment or gifts typically are allowed when they are customary and legal in the community, provided that they comply with Teradata policies and the thresholds set forth in them. Reasonable and bona fide expenses, such as those related to travel and lodging for the promotion of Teradata products or services, also are acceptable as long as they comply with Teradata policies and the thresholds set forth in them, and as long as they comply with local laws and regulations. However, we must at all times avoid even the appearance of impropriety, so please

Teradata Code of Conduct

seek additional guidance from the Law Department whenever you would like to entertain a manager or employee of a government-owned company or governmental agency or any government official.

Minor payments to government officials in some countries other than in the United States to expedite the performance of routine governmental actions, such as the processing of paperwork or granting of a permit, are not necessarily prohibited under the FCPA where such is the recognized legitimate local practice and custom. However, such facilitating payments are not permitted in the United States, and therefore never should be made in the U.S. It can be hard to tell when a facilitating payment crosses the line and becomes a bribe. For your protection and the protection of Teradata, you must always obtain approval in writing, such as in the form of an email, from the Teradata Law Department before offering or paying any facilitating payment.

In addition to the FCPA, often there are many other special rules, regulations, requirements, duties, prohibitions, and standards that apply to dealing with government-related transactions, governmental representatives, government-owned/controlled entities, and government contractors and subcontractors. These can arise at the national, state/provincial, and local levels. Sometimes, practices that may seem perfectly legal and otherwise compliant with Teradata policies for non-government-related commercial transactions are inappropriate in government-related transactions. For example, the payment of, or an agreement to pay, a referral fee between Teradata and a Teradata business partner or a government contractor, which is not known by and properly approved in advance in writing by the involved government, might be construed to be a violation of these requirements; accordingly, such referral fee arrangements for government-related transactions can only be made with the advance written approval of the Teradata Law Department. Teradata is committed to complying with all governmental requirements and offers training programs for associates who deal with government-related transactions and governmental personnel. To the extent that you are not 100% certain that you will be complying with the FCPA and all other governmental requirements by engaging in an act, you need to ask and obtain approval from the Law Department before you act.

Recordkeeping

The FCPA, U.S. securities laws, and our Code require every associate to make certain that Teradata's financial books and records are accurate. All financial entries must reflect the true nature, amount, relevant dates, and purpose of the money involved. If you make a facilitating payment, it must be recorded accurately and properly reported. All requests and offers that Teradata pay a bribe, kickback, or improper not-Law-Department-approved facilitating payment must be reported to the Teradata Ethics & Compliance Office immediately upon them becoming known. No associate or representative of Teradata may establish slush funds or unrecorded pools of money or assets for bribes, kickbacks, or any other improper purpose, and no false or artificial entries shall be made on expense reports or other books and records of Teradata to hide such. Accuracy, visibility, and transparency for financial entries are critical elements of accountability and the verifiability of financial entries is essential for achievement of another of our fundamental values – trust. If you have doubt about how a financial entry should be booked, then you should

Teradata Code of Conduct

check Teradata policies first and/or verify the proper accounting treatment in advance with the Teradata Finance organization or manager.

Import, Export, and Immigration Controls

For Teradata to participate in the world market as a high-tech company, we must be particularly aware of international trade and immigration laws and restrictions. The export of goods and technology from most countries, including the United States, is strictly regulated. Communicating technical information to a person in another country or to a citizen or representative of another country, even if he/she is temporarily located within the same country, can be considered an export under the law. Whether a product or technology may be exported depends on a number of factors, including the nature of the item, the country of destination, and the intended end use or end user.

Teradata expects each of us to comply with all applicable export control laws and regulations, including those of the United States. We are all charged with ensuring that we understand who our customers are, how our products will be used, and where the end destination for our products is. We must not trade with countries, individuals, or entities that are prohibited by U.S. law.

Exporting goods or technology without the appropriate governmental approvals can result in the loss of export privileges and civil and criminal penalties. For guidance about the often-complex requirements for exporting, please consult your organization's designated export compliance liaison or the Import/Export Compliance group of the Teradata Law Department.

Teradata also must comply with all applicable laws regarding imports. These laws typically govern what can be imported into a country, how the goods must be marked and valued, and what duties must be paid on them. Like export laws, the penalties for violations of import regulations can be serious. For guidance about the regulations for importing, please consult your organization's designated import compliance liaison or the Import/Export Compliance group of the Law Department.

Teradata's participation in the global economy also means that many of us will need to travel on business and/or perform activities in places outside of our home countries. When doing so, we must comply with all applicable immigration and customs laws, regulations, procedures, time limitations, and requirements, including those pertaining to passports and visas. To the extent that an applicable visa, such as a temporary business visitor visa, limits the types of activities that you may participate in while traveling outside of your home country, Teradata expects that you and your manager will ensure that you comply with those limitations. Violations can lead not only to travel restrictions on and/or penalties against the involved individuals, but also against Teradata and other associates in such a way as to potentially disrupt our ability to effectively conduct business on a global basis. If you have questions about international travel or visa requirements, please consult with your manager or your organization's Human Resources representative or designated travel liaison; if you are still uncertain, then please contact the Teradata Law Department.

Teradata Code of Conduct

Anti-boycott

A boycott occurs when one person, group, or country refuses to do business with certain other people, groups, or countries. U.S. anti-boycott laws prohibit U.S. companies and their subsidiaries from participating in or cooperating with any international boycott not approved by the U.S. government, such as the Arab League boycott of Israel. As a U.S.-based company, Teradata also must, and will, comply with the legal economic sanctions and trade embargoes imposed or approved by the United States.

Any associate receiving a request to participate in an illegal boycott should immediately contact the Law Department. We are required by law to report requests to participate in an unsanctioned boycott or for information supportive of an unsanctioned boycott, even if such requests are declined. Please note that merely ignoring a request is not sufficient and can be treated in much the same way as if you had agreed to it. You must immediately report all such requests to the Law Department.

5. We compete fairly.

Teradata values excellence, achievement, dedication, accountability, and teamwork. That means that we succeed based on merit and the quality of our products, services, people, and business partners, regardless of where we operate. We comply with laws that protect competition and free enterprise globally.

Violations of competition laws can result in significant criminal and civil penalties for Teradata and the associates and business partners engaged in the illegal behavior. It is important that you understand what is and is not allowed. Because competition law can be a complicated area, Teradata has an antitrust compliance policy to guide you. Antitrust concerns often arise in the following areas:

- Dealing with competitors
- Participating in industry associations and trade shows
- Dealing with customers
- Abusing market power
- Gathering business intelligence

Dealing with Competitors

You may not make any agreement with a competitor that restricts competition in violation of law. Illegal agreements don't have to be signed contracts; they might be as simple as an understanding between two parties. Any coordination with competitors is serious and places both you and Teradata at risk.

Teradata Code of Conduct

When conversing or communicating with competitors, you must not address any of these matters:

- Dividing territory
- Dividing customers
- Charging customers a certain price
- Paying suppliers a certain price
- Offering similar discounts, terms, and conditions of sale
- Charging a certain resale price
- Boycotting a particular customer or supplier

If any of these topics of discussion arise when talking with a competitor, such as at an industry association meeting, you should stop the conversation immediately, and report it to the Law Department.

Participating in Industry Associations and Trade Shows

Industry associations and trade shows can be wonderful networking and business development opportunities, but they pose challenges as well. When attending these events, you should be careful to avoid even the appearance of collusion. If at any of these events you become aware of any formal or informal discussion between competitors regarding prices, profit margins, costs, bids, discounts, boycotts, terms and conditions of sale, or standardization of terms, warranties, or product specifications, you should excuse yourself, and contact the Law Department. With guidance from the Law Department, limited legally-permissible exceptions may be granted for competitors who also are Teradata customers, suppliers, or other business partners.

Dealing with Customers

Teradata is known for its extraordinary customer dedication and service, and we intend to deal fairly with our customers.

Competition laws generally allow Teradata to choose the companies with which it is going to do business, but those decisions must be made independently and never in agreement with competitors.

To deal fairly with customers and avoid violating competition laws, generally you must not:

- Make untrue, unfounded, or misleading statements about our competitors' products or services or make untrue comparisons of their products and services with our own products and services;
- Make commitments or promises that you or Teradata cannot or do not intend to keep; or
- Sell comparable goods on comparable terms at significantly different prices, during the same time periods, in the same volumes, and in the same geographies to customers that compete with one another.

Teradata Code of Conduct

If you are contemplating a pricing arrangement that greatly favors one buyer over one or more of its competitors who purchases similar volumes, during similar time frames, and in similar places, you first should contact the Law Department to ensure the pricing arrangement does not violate any applicable competition laws.

Abusing Market Power

Competition laws also restrict companies from taking actions that discourage innovation and competition. To avoid abusing market power, you should not:

- Sell our goods and services at below-cost pricing with the intent of driving competitors out of the market.
- Tie the purchase of certain goods and services to the required purchase of additional items (in most circumstances, it is permissible, and often is favorable to the customer, to offer bundled pricing; but, generally, when requested by the customer, we should unbundle the pricing and permit the customer to have the option to buy only the unbundled items that it wants, rather than require that the customer can only purchase all bundled items together).
- Make reciprocal deals with customers to buy their products if they buy ours, unless pre-approved by the Law Department.
- Make exclusive dealing arrangements, without prior approval from the Law Department.

Because competition laws can be complex, you should contact the Law Department for approval before taking any action in these areas or discussing any such issues with competitors.

Gathering Business Intelligence

Getting accurate information about the activities of our competitors is necessary and even may be part of your job. Although we are not allowed to exchange certain information with competitors, it is legal to obtain information from other sources, such as publicly-available documents, analysts, publications, the Internet, customers, business partners, others in the marketplace, and the government, if done properly.

Teradata policies provide guidelines regarding gathering information about our competition. The laws of many countries expressly forbid the theft of confidential business information and trade secrets by any means, whether illegal (such as bribery) or unethical (such as removing documents from the offices of a third party).

You may feel free to ask colleagues, customers, and business partners for any information about competitors that they are able to share. However, you should not ask for or encourage them to share any information that would violate a non-disclosure agreement or put them at risk of being charged with having violated their confidentiality duties.

If you have questions about whether use of information you've gathered or have been offered is permissible, then you should seek guidance from the Law Department before you use it or accept receipt of it.

Teradata Code of Conduct

6. We avoid conflicts of interest.

We are all dedicated to making Teradata successful. Achievement is one of our Values. But, conflicts of interest can interfere with both our success and achievements, and must be avoided. Conflicts of interest develop when our personal or family interests interfere, or even appear to interfere, with our ability to make objective business decisions in the best interests of Teradata. We all must avoid any situation where we feel torn between our loyalty to Teradata and our own interests.

Conflicts of interest typically arise in the following situations:

- Exchanging gifts and entertainment
- Doing business with family and friends
- Employment outside the company
- Making private use of corporate opportunities

Gifts and Entertainment

Gift-giving practices vary around the world. Business gifts and entertainment are courtesies designed to build good working relationships and goodwill with customers and business partners. Gifts are inappropriate, however, if they create an obligation or are given with the intent to influence a business decision.

Gifts are permitted if they are:

- nominal in value
- infrequent
- in good taste
- unsolicited
- not cash or cash equivalents

Gifts include items of value, travel, lodging, goods, services, meals and entertainment, or anything offered or given because of a business relationship.

These rules do not change during the holidays. They apply year-round, as well as to associates and business partners and to their spouses, partners, and family members.

If you are offered a gift or entertainment that is not allowed or is over the value threshold set forth in Teradata policies, then you should politely explain that Teradata policy does not permit you to accept it. If you find yourself in a situation where refusing a gift would embarrass or offend the person offering it, you may accept the gift on behalf of Teradata, and then report it immediately to your manager; in which case, the manager should discuss it with the Teradata Ethics & Compliance Office, and which often will result in the item being used by Teradata, rather than by the individual or the manager, for some Teradata-related purpose, such as a reward, prize, or gift to charity. The important thing to remember is that you cannot offer, give, or receive anything that would

Teradata Code of Conduct

compromise – or even appear to compromise – the recipient's ability to make fair, impartial, and balanced business decisions.

When dealing with government customers, however, you must be particularly cautious. Laws prohibit some government employees from receiving anything of value, even a modest lunch or a token item (such as a promotional shirt bearing the Teradata logo). Employees who work with government employees, governmental accounts, or government contractors are responsible for knowing the applicable rules and regulations. When in doubt, please consult with the Law Department before you offer anything of value to any governmental entity, employee, or contractor.

Doing Business with Family and Friends

A conflict of interest can arise if you (or your spouse, relative, or close friend) have a personal stake in a company that supplies or seeks to supply goods or services to Teradata, is a Teradata customer, or active customer prospect, or competes with Teradata.

If you find yourself in that situation, you must not use your position to influence the bidding process or negotiation in any way. If you are directly involved in supplier selection, notify your manager immediately, and remove yourself from the decision-making process. If you have a relative or close friend who works for a competitor, you need to notify your manager. You also will be asked in your certification of your reading of our Code and of your compliance with it whether or not you have any exceptions to report or disclose; you should disclose any such relationships in your certification, and if such a relationship develops later on, you should promptly report it in a written certification update, such as by email, to your manager and the Teradata Ethics & Compliance Office. Disclosure and transparency are critical to recognizing, minimizing, and avoiding conflicts of interest.

In addition, in accordance with the Teradata policy on employment of family members, you may not supervise or otherwise oversee a family member or a person with whom you have a romantic relationship, absent approval in advance and in writing by Teradata's Vice President of Human Resources.

Outside Employment and Investments

Taking outside employment or a major stake in a Teradata competitor may create a potential conflict of interest for Teradata associates.

We may not conduct any non-Teradata business that interferes with the proper performance of our jobs at Teradata, such as by conducting an outside business during working hours or using Teradata property, equipment, or information for non-Teradata uses. In addition, employees must not take outside employment, as an employee or contractor, with, or make a major investment in, or a loan to, a competitor, customer, or business partner of Teradata. If you have existing such relationships, you should disclose them to your manager and the Teradata Ethics & Compliance Office and during your Code of Conduct certification.

Teradata Code of Conduct

Corporate Opportunities

In some cases, through your position at Teradata you may become aware of an opportunity to make a purchase or investment in which Teradata might be interested. You must promptly notify your manager of the opportunity in order to allow Teradata to evaluate the opportunity and, if Teradata opts not to pursue that opportunity, then you must seek and obtain written approval from your manager and the Teradata Ethics & Compliance Office before you act on it privately.

Handling Conflicts of Interest

Teradata recognizes that a conflict of interest may develop without bad intentions and that changes to circumstances may arise that create a conflict or an appearance of a conflict of interest where none previously existed.

The important thing to remember is that as soon as you become aware of a possible conflict of interest, you must disclose it immediately to your manager. The manager will determine, in consultation with Human Resources, the Law Department, or the Teradata Ethics & Compliance Office, what must be done to resolve it or will give you approval to proceed. Disclosure is mandatory, and failure to disclose a conflict of interest is a violation of the Code.

Because it is impossible for the Code to list every situation you could face that might create a conflict of interest, you are expected to comply with both the spirit and the letter of this policy. When in doubt, ask first and make the disclosure – visibility and transparency are the best ways for you and Teradata to avoid potential conflicts of interest.

7. We protect assets.

Teradata assets – its information, facilities, equipment, materials, property, technology, and reputation – have been acquired through the hard work and dedication of our entire team. We all have an interest in the continued success of Teradata, and we all are accountable for that success. We all have an obligation to protect all of our assets from theft, damage, loss, and misuse and to ensure that they are used only for business or other management-approved purposes.

While associates are occasionally permitted to make limited personal use of certain Teradata equipment, networks, and other resources while at work consistent with instructions from their managers (such as to perform routine personal tasks, make a few personal phone calls, send an occasional personal e-mail message, or make an occasional copy), non-routine or extensive use of Teradata time, assets, or resources is not permitted. Anything more than minimal use of Teradata resources for personal, community, or charitable purposes must receive prior approval from your manager.

Our Code of Conduct and our Values apply to both business use and personal use of Teradata assets. This means that you should not use Teradata assets at any time for any use that violates our Code, such as pornography, discrimination, harassment, retaliation, threats of violence, gambling, prostitution, or any illegal activities. If you are in doubt about whether the amount, type, or content of use of Teradata assets is proper or permissible, then please discuss it with your manager, obtain approval in advance, and refrain from using Teradata assets for such questionable purposes.

Teradata Code of Conduct

Computer and Communications Systems

The Internet is obviously a key business tool in our industry. However, its use at work, at a customer site, at a business partner site, on a Teradata or customer's computer, or on a Teradata or customer network must still follow the Teradata values of respect, trust, and accountability. As set forth in Teradata policies, you may not use either Teradata's information technologies (equipment, software, or networking resources) or the information technologies of a customer or business partner to gather or distribute offensive, sexually suggestive, discriminatory, harassing, pornographic, or other inappropriate data or information, whether during or after work. This applies whether you deem it to be minimal personal use or not. We don't use Teradata's, our customers', or our business partners' resources for such purposes.

E-mail messages, text messages, instant messages, and voicemail messages produce an easily-forwarded and recoverable record of your communications. As a result, all messages, regardless of format, to or from Teradata, associates, customers, or business partners, should be composed with the same care you take in composing a letter on company letterhead. We should not use such e-mail systems, text messages, or instant messaging to advance personal or political views, communicate inappropriate jokes or inappropriate sexually explicit or offensive statements, or conduct business for another organization. The use of profanity, derogatory remarks, discriminating or harassing comments, or abusive language in such communications is prohibited. Keep in mind that what you say in emails, instant messages, text messages, and voicemails using Teradata, customer, or business partners' resources and what is stored on Teradata, customer, or business partners' computers, whether for Teradata business use or for otherwise permissible minimal personal use, might be seen by others, be the subject of external and internal investigations, or be subject to legal disclosures. A good rule of thumb to keep in mind and apply to the content of communications and documents using such resources is the "Billboard Rule" – that is: 'If it appeared on a public billboard for others to read without any other context, would it be perceived as consistent with our Values and our Code of Conduct?' – if not, then don't use it, and don't send it.

To maintain the security, integrity, and business purpose of our information technologies, we all need to take necessary actions to safeguard passwords and identification codes to prevent unauthorized access to Teradata's, its customers', and its business partners' information systems.

Teradata reserves the right to block offensive, illegal, and non-business related sites and to monitor and intercept the entire content of any messages transmitted or stored in its systems, including information that has been deleted by users or sent over Teradata networks. You should not expect privacy when using email or the Internet on Teradata, its customers', or its business partners' computers or networks. The company may monitor the use of the Teradata assets to ensure they are used responsibly and professionally. Monitoring activities, when undertaken, will, however, comply with any statutory requirements, privacy laws, our Values, and our Code. This means that Teradata will be respectful of your privacy, but in turn, Teradata expects that you will be respectful of the conditions and limitations that apply to the use of the resources of Teradata, its customers, and its business partners.

Teradata Code of Conduct

If you receive any communications that violate our Code of Conduct, you should instruct the sender not to send such communications to you, and you should not forward it to others (other than your manager or the Teradata Ethics and Compliance office to report a violation). If the communication is particularly offensive or recurring then you should notify your manager immediately.

Insider Trading

We have access to information about Teradata and the companies with which we do business that others may not have. This knowledge may include non-public information that might influence an investor to buy or sell a company's stock or securities, such as non-public information about acquisitions, divestitures, management changes, or financial results and projections.

Insider trading is the illegal act of buying or selling shares or other securities while in the possession of material, non-public information about Teradata, its customers, or its business partners. It is a serious violation of our Code, Teradata insider trading policy, and U.S. securities laws, and could subject the individuals involved to immediate termination and potential criminal prosecution.

'Tipping' is also a violation of both our Code of Conduct and the securities laws, with the same consequences. Tipping occurs when you provide material, non-public information to someone else, even inadvertently, and that person acts on the information to buy or sell company stock or options. Each of us must be careful not to disclose any non-public information about Teradata, our customers, or our business partners to family members, friends, or other third parties.

Under the Teradata insider trading policy, certain associates will be treated as restricted insiders and automatically blacked-out from trading during certain periods. If you have questions or concerns about trading in securities while in possession of inside information or while serving in a restricted insider role, consult the Teradata insider trading policy, or contact the Law Department.

Company Reputation

We believe in teamwork, in both our professional and personal lives. Teradata encourages all associates and business partners to participate in community and political activities. However, any involvement in political activities must be done on your own behalf and not on Teradata's behalf (except for particular Teradata politically-related activities that are managed and approved in advance by Teradata's Government Affairs Office).

The laws and regulations governing political contributions by corporations in many of the places Teradata does business can be complex. However, we may not do anything that would make it appear that Teradata is supporting a candidate or initiative without the advance written approval of the Teradata Government Affairs Office. For example, you should not make political contributions in Teradata's name, place a large political sign or banner on Teradata property, or hang political posters in Teradata workspaces.

Teradata Code of Conduct

Political contributions include both cash contributions and the use of resources. Therefore, you must use your own time and resources and not Teradata time and resources for political activities. For example, you should not use the photocopier at a Teradata office to make copies of fliers for a campaign or election unless you get written permission from the Teradata Government Affairs Office ahead of time.

Similarly, except where approved in advance and in writing by Teradata management or Teradata's Community Affairs Office, all community and charitable activities must be done on your own behalf and in accordance with the Teradata policy regarding the use of Teradata resources.

Confidential/Proprietary Information

Information is a key Teradata asset. It includes our intellectual property and other protected information, such as:

- Trade secrets, patents, trademarks, and copyrights.
- Research and development, including inventions, patent applications, and engineering notebooks.
- Network management information.
- Business, marketing, and service plans.
- Customer and prospective customer identities.
- Pricing and other quote, proposal, and contractual terms.
- Merger and acquisition candidates.
- Any unpublished financial data and reports.
- Information subject to written non-disclosure/confidentiality agreements.

While sharing information is often necessary, we all need to protect information belonging to Teradata, keep it from being exposed to unauthorized people, and ensure it is used only for legitimate Teradata business purposes. We must also protect the proprietary information belonging to companies with which we do business, such as our customers and business partners, against unauthorized disclosure and use.

We must also protect the privacy of personal information entrusted to Teradata by our associates, customers, and business partners. Take all reasonable precautions to ensure that private information provided to Teradata is treated with care and respect. It should be used only for legitimate business purposes, and only accessed by those who need to know it in order to do their job. Observe all applicable laws regarding associate information, including those which limit the movement of personal data across national borders. Because confidential information is not always marked as such, ask your manager or the Law Department if you are not sure.

Third-Party Intellectual Property

An important part of protecting Teradata's intellectual property rights involves understanding and respecting others' intellectual property rights, and Teradata not intentionally or inadvertently

Teradata Code of Conduct

violating those rights or waiving Teradata's rights. For example, some of the same open source license terms, which make certain intellectual property freely available to us, can also mean that related, or perhaps unrelated, Teradata intellectual property might be placed in the public domain if that open source code is embedded in our products or is not used in accordance with requirements necessary to avoid that consequence. Because of the complexities of this area and the potentially significant impact of it on Teradata, Teradata has developed and follows a disciplined process for the approval of use of open source code; failure to follow that process can result in Teradata intellectual property being made available to others, including our competitors. Teradata employees and contractors must follow this process and obtain approval in advance to incorporate open source code into Teradata software offerings. If in doubt, please consult with the Intellectual Property group of the Law Department in advance.

In addition, intellectual property infringement, particularly if knowing, willful, or intentional, can result in significant financial liabilities to Teradata, significant legal fees, restrictions on imports/exports of Teradata products, other governmental penalties and sanctions, and court orders prohibiting infringing products from being made, used, sold, or distributed. In the global high-tech industry in which we operate, it is common for companies to license their intellectual property to others through written agreements. When we use third-party intellectual property, it should be done only in compliance with laws and within the scope of written license agreements. If you are in doubt about whether something is third-party intellectual property, whether Teradata has a legal right to use it, or whether Teradata is licensed to use third-party intellectual property, you should contact the Intellectual Property group of the Law Department to get an answer before acting. Similarly, please contact the Intellectual Property group of the Law Department if you suspect that someone else might be infringing Teradata's intellectual property rights.

8. We protect data.

Teradata has built a well-deserved reputation as a customer-focused organization that has earned the trust of our customers. We must uphold that trust by protecting the confidentiality, integrity, and availability of data. We each must follow all relevant procedures for processing and handling confidential data, such as:

- Allowing access only to those persons authorized by Teradata and our customers.
- Closely guarding IDs, passwords, and technology that allow access to it.
- Resisting the instinct to be immediately helpful when unverified or unauthorized people seek access, such as through pretexting or phishing attempts.
- Maintaining careful backups in accordance with our data management policy.

If you become aware of a security breach, no matter how minor, you have an obligation to Teradata and our customers to report it immediately so that we can mitigate any damage as quickly as possible.

Teradata Code of Conduct

9. We keep accurate records.

Teradata's business relies on accurate information. To fulfill our obligations and to be accountable to customers, associates, business partners, shareholders, and governmental agencies, we must keep full, fair, accurate, and timely books and records of all business transactions. Accurate records are critical to fulfilling Teradata's financial, legal, and reporting obligations. We all must do our part to ensure that our reports to government agencies are accurate and complete.

As Teradata associates, regardless of our positions or job responsibilities, it is our obligation to make certain that Teradata's books and records are accurate. Each of us affects the accuracy of Teradata's financial statements directly or indirectly. We need to ensure that all of the reports we make – including recording of time worked, business expenses incurred, and all other business-related activities – are not falsified in any way. If you use an expense account or a company-provided or company-sponsored credit card, you must make certain that you use it only in accordance with Teradata policies and that reports are filed on time and are accurate. If you are unsure whether a certain expense is a legitimate reimbursable business expense, ask your manager first; if the manager is uncertain, then he/she should consult with the appropriate Finance organization representative to get a clear answer in advance. We must never process a transaction or payment without full and appropriate underlying documentation and approvals.

While we may not all see an immediate direct connection between our job duties and Teradata's overall financial reports, we each have a role to play, and we all must be sure to cooperate fully with both the internal and external audit teams in order to ensure a full, timely, and accurate audit process.

Properly maintaining corporate records is also very important. To address this issue, Teradata has adopted a record retention policy that describes how to maintain records for required periods and destroy them when they are no longer needed. Please review the record retention policy and make certain you are following the record retention schedule for your area. Keep in mind that, in the event of actual or threatened litigation or governmental investigations, a "legal hold" might be placed on certain documents, in which case you must retain all relevant records which are subject to the "legal hold" irrespective of the otherwise-applicable retention schedule set forth in the records retention policy, and you must follow the advice of the Law Department regarding how such records should be handled.

10. We apply our code of conduct and policies consistently.

Our Code of Conduct applies to us all, and we all must follow it. In rare, special circumstances, it may be appropriate for Teradata to waive or alter a provision of our Code or of a policy. For example, such might be appropriate where a conflict has arisen between the law and the application of a provision of the Code or of a policy under certain circumstances, or where there is a conflict between application of one provision of the Code or of a policy and another provision of the Code or of a policy – e.g., where doing something would violate one Code or policy provision, but not doing it would violate another – an ethical dilemma. This might also occur where a policy has become out of date with respect to new accounting standards or legal requirements, guidance, or interpretations. In any event, if you encounter circumstances where you think that such a dilemma or conflict has arisen, then you should immediately raise the issue with your manager, and the

Teradata Code of Conduct

manager should raise it with other appropriate responsible Teradata resources (if uncertain who that might be, raise it to the Teradata Ethics & Compliance Office), and you should receive direction before you act in violation of the Code or a policy. This may lead to a written policy change or clarification or a written ruling about how the policy should be applied or interpreted under the circumstances presented, or a determination that a Code or policy waiver is appropriate to address the specific circumstances at issue. Except for policy deviation approvals, which are expressly provided for in Teradata policies, all Code of Conduct and policy waivers require the advance written approval of the Teradata Law Department. In addition, only the Committee on Directors and Governance of the Teradata Board of Directors may waive compliance with the Code of Conduct as applied to Teradata executive officers and Board of Directors members, in which case Teradata will promptly disclose to shareholders any such waivers to the extent required by law or the rules of the New York Stock Exchange.

11. We earn trust by doing things “the Teradata way.”

Our Code of Conduct, related policies, and Teradata Values express Teradata’s expectations for all of us. Trust has been placed in us. Trust to do the right thing. Trust that is continuous, pervasive, and not debatable. We either earn that trust, or we don’t. We earn it by asking questions and getting answers before we act if we don’t know what is the right thing to do, and we earn it by standing together with courage against wrongdoing. We earn it by living Teradata’s value of excellence. We earn it by upholding Teradata’s reputation as a customer-focused, passionate company doing business the smart way and the right way. We earn it by doing things the Teradata way. And, as we earn it, we continue to build a bright future for ourselves, our company, our shareholders, our business partners, our communities, and our customers.

What Ethics & Compliance Contacts and Resources are available to you?

The Teradata Ethics Helpline

By telephone toll-free 24-hours-per-day at 1-866-455-0993 (outside of the U.S., call toll-free through AT&T Direct) or by the Internet at www.integrity-helpline.com/tdhelp.jsp. Here, you can make good faith reports of suspected violations or raise ethics and compliance concerns and questions, do so in multiple languages, do so anonymously and confidentially if you choose, and do so without fear of retaliation.

The Teradata Ethics Email Inbox

By email at et230068@teradata.com. Here, you can make good faith reports of suspected violations, raise ethics and compliance concerns and questions, do so confidentially if you choose, and do so without fear of retaliation.

The Teradata Ethics & Compliance Office and Chief Ethics & Compliance Officer

Todd Carver, by telephone at 937-242-4718, by email at todd.carver@teradata.com, or by mail at 2835 Miami Village Drive, Miamisburg, Ohio (USA) 45342.

Teradata Code of Conduct

The Teradata Law Department, General Counsel and Corporate Secretary

Laura Nyquist, by telephone at 937-242-4845, by email at laura.nyquist@teradata.com, or by mail at 2835 Miami Village Drive, Miamisburg, Ohio (USA) 45342. For issues related to dealing with government agencies, officials, or contractors in the United States, you may contact the Teradata Law Department's chief counsel for Teradata Government Systems, Brian Fisher, by telephone at 301-820-4510 or by email at brian.fisher@teradata.com.

Teradata Internal Audit and Director of Internal Audit

Sander Wechsler by telephone at 937-242-4665, by email at sander.wechsler@teradata.com, or by mail at 2835 Miami Village Drive, Miamisburg, Ohio (USA) 45342. Issues regarding financial irregularities can be dealt with directly through this resource.

Teradata Corporate Security

Richard Gremling by telephone at 937-242-4568, or by email at richard.gremling@teradata.com, or by mail at 2835 Miami Village Drive, Miamisburg, Ohio (USA) 45342. Issues regarding security, theft, and the like can be dealt with directly through this resource.

Teradata.com

Our global external web site at www.teradata.com/t; from within that site anyone can see information about Teradata's corporate governance policies and practices or do so by linking to www.teradata.com/corporate-governance and about Teradata's environmental policies and practices or by linking to www.teradata.com/environmental-policies. Corresponding non-English language and country-specific external web sites also are available.

Teradata.net

Our global internal/associate web site is at iis.teradatanet.teradata.com/teradatanet From within that site, Teradata associates can access:

- Teradata policies, or do so by linking to:
iis.teradatanet.teradata.com/cfo//corppolicies.html
- The Teradata Law Department internal web site, or do so by linking to:
iis.teradatanet.teradata.com/Law/Law_TD_Law_Site/Law_Homepage.asp
- The Teradata Ethics & Compliance internal web site, or do so by linking to:
iis.teradatanet.teradata.com/Law/Law_TD_E&C/Law_ECHomepage.asp

Corresponding non-English language and country-specific internal web sites also are available.

Teradata is a registered trademark of Teradata Corporation and/or its affiliates in the U.S. and worldwide. Consult your Teradata representative or Teradata.com for more information.

Copyright © 2008 by Teradata Corporation All Rights Reserved. Produced in U.S.A.



Subsidiaries of Teradata Corporation

<u>Entity</u>	<u>Organized under the laws of</u>
Teradata International, Inc.	Delaware
Teradata US, Inc.	Delaware
Teradata Operations, Inc.	Delaware
DecisionPoint Applications, Inc.	Oregon
Claraview, Inc.	Virginia
SageTree, Inc.	Delaware
Teradata Government Systems LLC	Delaware
Teradata Taiwan LLC	Delaware
Teradata Argentina Holdings LLC	Delaware
Teradata Belgium Holdings LLC	Delaware
Teradata Bermuda Holdings LLC	Delaware
Teradata Brazil Holdings LLC	Delaware
Teradata Chile Holdings LLC	Delaware
Teradata Colombia Holdings LLC	Delaware
Teradata Egypt Holdings LLC	Delaware
Teradata India Holdings LLC	Delaware
Teradata Indonesia Holdings LLC	Delaware
Teradata Mexico Holdings LLC	Delaware
Teradata Netherlands Holdings LLC	Delaware
Teradata New Zealand Holdings LLC	Delaware
Teradata Philippines LLC	Delaware
Teradata Ukraine Holdings LLC	Delaware
TD Nameholder Corporation	Delaware
Teradata Argentina S.R.L.	Argentina
Teradata Australia Holdings Pty Ltd	Australia
Teradata Australia Pty Ltd	Australia
Teradata GmbH	Austria
Teradata Bermuda IP Holdings L.P.	Bermuda
Teradata Financing Holdings L.P.	Bermuda
Teradata Bermuda Holdings ULC	Bermuda
Teradata Bermuda Operations Holdings ULC	Bermuda
Teradata Belgium SNC	Belgium
TRDT Brasil Tecnologia Ltda.	Brazil
TRDT Brasil Holdings Ltda.	Brazil
Teradata Information Systems (Beijing) Limited	China
Teradata Canada ULC	Canada
Teradata Chile Tecnologías de Información Limitada	Chile
TDC Colombia Limitada	Colombia
Teradata Czeska republika spol. s r.o.	Czech Republic
Teradata Danmark ApS	Denmark
Teradata Egypt WLL	Egypt
Teradata Finland Oy	Finland
Teradata France S.A.S.	France
Teradata GmbH	Germany
Teradata (Hong Kong) Limited	Hong Kong
Teradata Magyarország Kft.	Hungary
Teradata India Private Limited	India
Teradata Ireland Limited	Ireland

<u>Entity</u>	<u>Organized under the laws of</u>
Teradata Ireland Holdings L.P.	Ireland
Teradata Ireland Operations L.P.	Ireland
Teradata Italia S.r.l.	Italy
Teradata Japan Ltd.	Japan
TeraWarehouse Korea Co., Ltd.	Korea
TData Corporation (Malaysia) Sdn. Bhd.	Malaysia
Teradata Holdings México, S. de R. L. de C.V.	Mexico
Teradata Solutions México, S. de R.L. de C.V.	Mexico
Teradata de México, S. de R.L. de C.V.	Mexico
Teradata Holdings B.V.	Netherlands
Teradata Holdings GCC B.V.	Netherlands
Teradata Netherlands B.V.	Netherlands
Teradata (NZ) Corporation	New Zealand
Teradata Norge AS	Norway
Teradata Pakistan (Private) Limited	Pakistan
Teradata Global Consulting Pakistan (Private) Limited	Pakistan
Teradata Philippines, LLC, Manila Branch	Philippines
Teradata Polska Sp. z o.o.	Poland
“Teradata” LLC	Russia
Teradata (Singapore) Pte. Ltd.	Singapore
Teradata Iberia SL	Spain
Teradata Sweden AB	Sweden
Teradate (Schweiz) GmbH	Switzerland
Teradata Taiwan LLC, Taiwan branch	Taiwan
Teradata (Thailand) Co., Ltd.	Thailand
Teradata Bilisim Sistemleri Limited Sirketi	Turkey
Teradata (UK) Limited	United Kingdom
Teradata Ukraine LLC	Ukraine

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-146409, No. 333-146410, and No. 333-146475) of Teradata Corporation of our report dated March 2, 2009 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
Cincinnati, Ohio
March 2, 2009

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECURITIES
EXCHANGE ACT RULE 13a-14**

I, Michael F. Koehler, certify that:

1. I have reviewed this annual report on Form 10-K of Teradata Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2009

/s/ Michael F. Koehler

Michael F. Koehler
President and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECURITIES
EXCHANGE ACT RULE 13a-14**

I, Stephen M. Scheppmann, certify that:

1. I have reviewed this annual report on Form 10-K of Teradata Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2009

/s/ Stephen M. Scheppmann

Stephen M. Scheppmann
Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Teradata Corporation, a Delaware corporation (the "Company"), on Form 10-K for the year ended December 31, 2008 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company does hereby certify, pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002), that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification (i) is given to such officers' knowledge, based upon such officers' investigation as such officers reasonably deem appropriate; and (ii) is being furnished solely pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002) and is not being filed as part of the Report or as a separate disclosure document.

Dated: March 2, 2009

/s/ Michael F. Koehler

Michael F. Koehler

President and Chief Executive Officer

Dated: March 2, 2009

/s/ Stephen M. Scheppmann

Stephen M. Scheppmann

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to Teradata Corporation and will be retained by Teradata Corporation and furnished to the United States Securities and Exchange Commission or its staff upon request.