2017 ANNUAL REPORT

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TERADATA

LETTER TO SHAREHOLDERS

Dear Shareholders,

I am very pleased to report that Teradata made tremendous progress in 2017, generating better than expected financial results while transforming our business for future revenue, earnings and cash flow growth. As a result, our stock price increased more than 41 percent in 2017.

Our new strategy is centered around being business outcome-led and technology-enabled. We have shifted our focus to address the business needs of our customers by helping them achieve meaningful outcomes from analytics, rather than focusing on selling technology. We have realigned our go-to-market organization to target the 500 customers with the largest analytical opportunities worldwide, and have restructured our consulting teams to improve efficiencies and better support our customers. To support our strategy, we have also made it easier for customers to buy Teradata, through new and more flexible purchasing options.

We are continuing our heritage of ongoing technology innovation. In 2017, we introduced Teradata Everywhere™, our approach to ensure customers receive attractive returns on their analytic investments. Teradata Everywhere enables customers to:

- Analyze Anything – analytic users throughout the organization can use their preferred analytic tools and engines across multiple data sources, at scale.
- Deploy Anywhere – offering agility to change as business needs evolve and making analytics available where and when customers prefer – in the cloud, on-premises or both. In 2017, we migrated our first major production systems for some of our very large customers to run on the public cloud.
- Buy Any Way – empowering companies to purchase software in ways that are convenient for the customer through simplified pricing bundles at a range of price points, subscription-based licenses, and as-a service options, making it easier to buy Teradata software.
- Move Anytime – allowing customers the flexibility to move their Teradata software license when needed across deployment options. Customers can buy with confidence of knowing that their investment in Teradata is protected, regardless of their future deployment plans.

We also added significant new talent to compliment the outstanding team who built Teradata into the best analytical platform in the business, and we will continue to add talent as needed. A few of our key management hires include:

- Chief Financial Officer, Mark Culhane brings deep experience as CFO of companies that shifted to subscription licensing and cloud models. Mark's experience in building sustained revenue growth coupled with his deep financial and analytical skills, will help us successfully execute our strategy.
- Chief Revenue Officer, Eric Tom has built a track record of driving results on a global basis and successfully navigating through complex business transformations, and his experience will help us win in the market.
- Oliver Ratzesberger was named as our Chief Operating Officer in early 2018. With this appointment, we are bringing together our go-to-market, product, customer support, marketing, and operational planning under one leader to accelerate execution of our strategy. I am confident that our execution will improve when we operate as one seamless team focused on our future. With Oliver as COO, I will be spending more time with our customers to make sure that our strategy is resonating and that we are providing what they need to successfully exploit analytics to optimize their success.
- Chief Marketing Officer, Martyn Etherington recently joined Teradata to strengthen and refine our end-to-end customer experience. Martyn is a seasoned marketing executive and brings proven ability to bridge across all customer-facing functions to drive insights, improve customer experience and fuel innovation that will help drive our growth.

We have invested the time, money and effort to build a winning strategy, and see that:

- Our strategy is working,
- Customers are embracing our business outcome-led consultative approach,
- Teradata Everywhere and our Teradata Analytics Platform are leading the market with our innovative technology, and
- Our new flexible purchasing options are being increasingly adopted.

I am very proud of what the Teradata team accomplished in 2017, and am very enthusiastic about our future. I truly believe that we have an unrivaled combination – a winning strategy, best-of-breed technology, world class analytical consulting, and a terrific team to drive our success. We have a great opportunity ahead of us, especially given the market leading analytical capability only Teradata can provide. We expect 2018 to be an even better year for Teradata.

Vic Lund
President and CEO
Teradata Corporation

2017 FINANCIAL REPORT

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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 several factors, including those discussed in other sections of this Annual Report. See "Risk Factors" and "Forward-looking Statements."

OVERVIEW

Teradata Corporation is a global leader in analytic data solutions and services. Our analytic data solutions comprise software, hardware, and related business consulting and support services. We help customers access and manage data and extract business value and insight from data analytics across their entire enterprise.

Teradata's strategy is based around our core belief that analytics and data unleash the potential of great companies allowing them to make better and faster decisions and attain competitive advantage. We empower companies to achieve high-impact business outcomes through analytics at scale on an agile data foundation. Through our focus on leading with business outcomes and a consultative approach, our goal is to serve as a trusted advisor to both the business and technical leaders in our customers' organizations. Our business analytics solutions and technologies are ideally suited for the world's largest companies as they have the largest and most complex analytics challenges, where scale and performance of such solutions matter. These large and complex analytics challenges also provide the largest revenue opportunities for Teradata.

Analytical environments are increasing in complexity. There is more choice around analytic tools and technology than ever before, including commercial and open source solutions, as well as on-premises and cloud subscription-based options. As a result, we introduced new purchasing and deployment options with our Teradata Everywhere strategy in early 2017, providing purchasing options for our customers, which includes the ability for customers to purchase Teradata software as a subscription-based license across a range of simpler software bundles at different price points for different use cases. Customer buying behavior continues to move from predominantly capital purchases to these subscription-based purchasing options.

Cloud momentum is also driving new buying and consumption expectations, shifts in data importance or significance, and a move toward hybrid architectures. This trend puts pressure on our on-premises business, however, it opens opportunities for growth within our IntelliCloud offering family, which can be deployed on the Teradata cloud and on public clouds (AWS and Azure). IntelliCloud is a comprehensive as-a-service offering that is purchased with subscription-based pricing. All subscription-based Teradata software licenses enable portability of the software license between cloud and on-premises deployment options, which de-risks customer decisions, particularly for customers with future plans to move to the cloud.

Near term, the movement to subscription-based transactions will negatively impact our revenue as revenue will be recognized over time versus upfront as was the case with the capital purchase model. Over time, the business transition to a subscription-based model is expected to increase our recurring revenue. Near term impacts can fluctuate based on the speed of customer adoption, which can be difficult to predict. Longer term, we expect the year-over-year mix of revenues to normalize as more customers transition to these new purchasing models.

Teradata continues to execute the Company's business transformation plan. We have realigned and continue to optimize our business outcome-led go-to-market approach to improve sales effectiveness relating to our top 500 targeted customer opportunities. We will continue to invest in and prioritize initiatives that strengthen our ability to be our customers' trusted advisor for data and analytics.

In 2017, we reinvested to support our transformation strategy after significantly reducing our cost structure in 2016. We are continuing to invest for Teradata's future, including investments to support our cloud-based initiatives, analytical consulting and solutions, realignment of our go-to-market approach, and modernizing our infrastructure.

Teradata has introduced additional financial and performance metrics to allow for greater transparency regarding the progress we are making toward achieving our strategic objectives. These metrics will continue to evolve as our business transformation progresses and include the following:

- **TCore -** is a metric that tracks a consistent unit of consumption across all of Teradata's products over the wide variety of configuration and deployment options, both on-premises and in the cloud. It is determined from the number of physical central processing unit ("CPU") cores in a system and adjusted/reduced by the underlying hardware platform's input/output ("I/O") throughput performance capabilities.
- **Annual Recurring Revenue ("ARR") -** is the annual value at a point in time of all recurring contracts, including subscription licenses, rental, cloud, software upgrade rights, and maintenance and excluding managed services.
- **Recurring Revenue as a Percentage of Total Revenue -** revenue recognized in the period from all recurring contracts, including subscription licenses, rental, cloud, software upgrade rights, and maintenance (excluding managed services) divided by total Company revenue.
- **Bookings Mix -** subscription bookings divided by the sum of subscription bookings plus perpetual bookings.

Recurring revenue is intended to depict the over-time revenue recognition model for these revenue streams. The recurrence of these revenue streams in future periods depends on a number of factors including contractual term periods and customers' renewal decisions.

2017 FINANCIAL OVERVIEW

As more fully discussed in later sections of this MD&A, the following are the financial highlights for 2017:

- Revenue decreased 7% in 2017 from 2016 to $2,156 million. The year-over-year revenue comparison was negatively impacted by the sale of the marketing applications business in 2016 as well as revenue from subscription-based transactions being recognized over time versus upfront as was largely the case for Teradata's transactions in 2016.
- Gross margin was 47.4% in 2017, down from 51.2% in 2016, which was largely due to investments in our consulting business related to Teradata's transformation and the higher mix of services revenue.
- Operating income was $64 million in 2017, down from $232 million in 2016. The year-over-year decrease was primarily due to less revenue in 2017 as a result of revenue recognized over time from subscription-based transactions and investments related to Teradata's transformation.
- Net loss of $67 million in 2017 versus net income of $125 million in 2016. Net loss per share was $0.53 in 2017 compared to net income per diluted share of $0.95 in 2016. Net loss for 2017 included a $126 million tax charge due to the enactment of The Tax Cuts and Jobs Act of 2017. Net income for 2016 included a $70 million after-tax impairment loss for goodwill and acquired intangibles, and approximately $47 million in after-tax impacts of acquisition-related transaction, integration and reorganization expenses, and amortization of acquired intangible assets.

RESULTS FROM OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

Revenue	**2017**	**% of Revenue**	2016	% of Revenue	2015	% of Revenue
in millions						
Product and Cloud revenue	**$ 747**	**34.6%**	$ 923	39.8%	$ 1,115	44.1%
Service revenue	**1,409**	**65.4%**	1,399	60.2%	1,415	55.9%
Total revenue	**$2,156**	**100%**	$2,322	100%	$2,530	100%

Total revenue decreased 7% in 2017 as compared to 2016. The revenue decline was primarily due to the sale of the marketing applications business in 2016, which generated $69 million in revenue in 2016, and due to customers increasingly opting for subscription-based licenses, rental of hardware, and cloud adoption. This shift is being propelled by our business transformation strategy and continues to impact our prior period revenue comparisons as some revenue that we would normally recognize in a given period is now spread over a number of years. Product and Cloud revenue decreased 19% in 2017

from 2016 due to the sale of the marketing applications business and customers increasingly opting for our subscription-based purchase options. Service revenue increased 1% in 2017 from 2016. The increase was primarily driven by a 4% increase in maintenance revenue. Consulting revenue was up 1%.

Total revenue decreased 8% in 2016 as compared to 2015. The revenue decrease included a 1% adverse impact from foreign currency fluctuations as well as the sale of the marketing applications business in 2016. The revenue decline was also due to customers increasingly opting for subscription-based licenses, rental of hardware, and cloud offerings. The sale of the marketing applications business, which generated $69 million in revenue in 2016 (before the sale on July 1, 2016) compared to $153 million in 2015, had a negative impact on total revenue of 3%. Product and cloud revenue decreased 17% in 2016 from 2015 primarily due to the sale of the marketing applications business and customers increasingly opting for our subscription-based purchase options. Service revenue decreased 1% in 2016 from 2015, with an underlying 1% decrease in consulting services revenue and 3% increase in maintenance services revenue compared to 2015. Services revenue declined primarily due to the sale of the marketing applications business.

Included below are financial and performance metrics for 2017 that Teradata tracked as part of its business transformation strategy:

- We had $1,047 million (49% of total revenue) of recurring revenue in 2017, which is 7% growth from $978 million (42% of total revenue) in 2016.
- Total ARR at December 31, 2017 was $1.1 billion, an increase of $126 million, or 13% over December 31, 2016.
- TCore increased 17% in 2017 in line with our expectations. About one-third of our increase in TCore was booked via subscription-based contracts.

Gross Profit

The Company often uses specific terms/definitions to describe variances in gross profit. The terms and definitions most often used are as follows:

- **Revenue Mix** - The proportion of products and services that generates the total revenue of the Company. Changes in revenue mix can have an impact on gross profit even if total revenue remains unchanged.
- **Services Mix** - The proportion of higher-profit maintenance revenue versus lower-profit consulting revenue that comprises the total services revenue of the Company.
- **Product Mix** - The proportion of various products that generate the total revenue of the Company. For example, a higher mix of data warehouse products versus Hadoop products would have a positive impact on gross profits. This also includes the mix of Company sourced and third-party products.
- **Deal Mix** - Refers to the type of transactions closed within the period and includes such transactions as capacity on demand ("COD"), floor sweeps versus capacity additions, enterprise license agreements ("ELA"), hardware versus software, and discounting (new customers versus existing customers, large customers versus smaller customers).
    - **COD** is a common offering used by Teradata and other information technology vendors that allows the customer to purchase extra capacity in the future, which is already delivered and integrated into their existing systems, and typically sold within 12-18 months. COD enables customers to "activate" or add capacity quickly. Product cost is recognized upon delivery with no corresponding revenue. When customers activate the COD, we record and recognize the revenue associated with the added capacity and the gross profit is recovered.
    - **Floor sweeps** take place when an existing customer replaces their older Teradata platform with a new Teradata platform, which can result in a large revenue transaction, but typically also results in a higher mix of lower-profit hardware revenue versus higher-profit software revenue.
    - **ELA** transactions allow customers to add software capacity as needed for current production use for a period of time in exchange for a fixed fee. Additions to capacity during the term of the ELA result in lower-profit hardware-only revenue, as the software is being recognized separately through the ELA.

Gross profit for the following years ended December 31 was as follows:

Gross profit	2017	% of Revenue	2016	% of Revenue	2015	% of Revenue
in millions						
Product and Cloud gross profit	$ 422	56.5%	$ 540	58.5%	$ 626	56.1%
Service gross profit	600	42.6%	648	46.3%	650	45.9%
Total gross profit	$1,022	47.4%	$1,188	51.2%	$1,276	50.4%

In 2017, Product and Cloud gross profit as a percentage of revenue decreased primarily due to the impact of higher capitalized software amortization. Service gross profit as a percentage of revenue decreased largely due to investments we made in our consulting organization to facilitate our new strategy.

In 2016, Product and Cloud profit increased as a percentage of revenue due to favorable deal and product mix. Service gross profit improved as a percentage of revenue driven by the exiting of the marketing applications business, which had a lower service profit rate than the Data and Analytics service rate.

Operating expenses	2017	% of Revenue	2016	% of Revenue	2015	% of Revenue
in millions						
Selling, general and administrative	$652	30.2%	$664	28.6%	$ 765	30.2%
Research and development	306	14.2%	212	9.1%	228	9.0%
Impairment of goodwill, acquired intangibles and other assets	–	–	80	18.9%	478	76.4%
Total operating expenses	$958	44.4%	$956	41.2%	$1,471	58.1%

In 2017, selling, general and administrative ("SG&A") expense decreased by $12 million or 2% compared to 2016. The decrease was driven by the exiting of the marketing applications business. This was partially offset by an increase in marketing spend and regional selling expense due to investments in demand creation, primarily in the Americas region.

Research and development ("R&D") expenses increased $94 million or 44% in 2017 compared to 2016 due the Company no longer capitalizing certain software development costs as a result of a movement to agile development methodologies. The Company did not capitalize any R&D costs in 2017 compared to $59 million in 2016. These development costs are now expensed as incurred as R&D expense. The increase in R&D expense was also due to new strategic initiatives relating to our managed and public cloud offerings.

In 2016, SG&A expense decreased by $101 million or 13% compared to 2015. The decrease is driven by the exiting of the marketing applications business and cost reduction initiatives, partially offset by higher annual incentive payment accruals.

R&D expenses decreased $16 million or 7% in 2016 compared to 2015 due to the exit of the marketing applications business and cost reduction initiatives partially offset by additional spending for strategic initiatives including further investment in our managed and public cloud offerings, Teradata software-only and our IntelliFlex™ platform.

The Company recognized an impairment of goodwill of $57 million and acquired intangibles of $19 million in 2016 to adjust the marketing applications business, which was sold on July 1, 2016, to its fair value less cost to sell. In addition, the Company recorded a $4 million impairment charge related to the sale of its corporate airplane. The Company recorded a goodwill impairment of $437 million and an impairment of acquired intangibles of $41 million in 2015, also related to the marketing applications business.

Other (Expense) Income, net

in millions	**2017**	2016	2015
Gain on securities	**$ –**	$ 2	$57
Interest income	**11**	7	5
Interest expense	**(15)**	(12)	(9)
Other	**(2)**	(8)	(2)
Total Other (Expense) Income, net	**$ (6)**	$(11)	$51

In 2017, the increase in interest expense and interest income compared to 2016 was due to an increase in interest rates. Interest expense also increased due to the use of our credit facility.

In 2016, other expense included a foreign exchange loss of $9 million related to the devaluation of the Egyptian pound. The increase in interest expense and interest income compared to 2015 was due to an increase in interest rates. In 2015, other income primarily included a gain of $57 million from sale of equity investments.

Income Taxes

The effective income tax rate for the following years ended December 31 was as follows:

	2017	2016	2015
Effective Tax Rate	**215.5%**	43.4%	(48.6%)

The 2017 effective tax rate was impacted by the passage of the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), which was signed into law on December 22, 2017, making significant changes to the U.S. Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017; the transition of U.S international taxation from a worldwide tax system to a modified territorial tax system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. generally accepted accounting principles ("GAAP") in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act.

In accordance with SAB 118, the Company has made its best estimate of the impact of the Tax Act in its year end income tax provision in accordance with its understanding of the Tax Act and guidance available as of the date of this filing and has recorded a net $126 million of additional income tax expense in the fourth quarter of 2017. The provisional amount related to the one-time transition tax expense of $145 million on the mandatory deemed repatriation of foreign earnings was based on cumulative foreign earnings of $1.3 billion, which the Company expects to pay over an 8-year period. The Company also recorded a provisional benefit of $19 million, a majority of which related to the re-measurement of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. The ultimate impact may differ materially from these provisional amounts due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the Tax Act.

The 2016 effective tax rate was impacted by the $57 million of goodwill impairment charge recorded in the first quarter of 2016, all of which was treated as a permanent non-deductible tax item. In addition, a discrete tax charge of $22 million was recorded in the third quarter of 2016 for the tax impact of the sale of the marketing applications business, which occurred on July 1, 2016. In the fourth quarter of 2016, the Company recorded $8 million of tax expense associated with the issuance of new U.S. Treasury Regulations under Internal Revenue Code Section 987 on December 7, 2016, which clarified how companies calculate foreign currency translation gains and losses for income tax purposes for branches whose accounting records are kept in a currency other than the currency of the company. Also in the fourth quarter of 2016, the Company elected to early adopt Accounting Standards Update 2016-09, Improvements to Employee Share-Based Payment Accounting. As a result, the Company incurred a $5 million discrete tax expense associated with the net shortfall arising from 2016 equity compensation vesting and exercises.

The 2015 effective tax rate was impacted by the $437 million of goodwill impairment charges recorded for 2015, of which $414 million was treated as a permanent non-deductible tax item. This resulted in full-year income tax expense in 2015 of $70 million, on a pre-tax net loss of $(144) million, causing a negative tax rate of 48.6%.

REVENUE AND GROSS PROFIT BY OPERATING SEGMENT

Effective July 1, 2016, following the sale of the marketing applications business, Teradata is managing its business in two operating segments: (1) Americas region (North America and Latin America); and (2) International region (Europe, Middle East, Africa, Asia Pacific and Japan). For purposes of discussing results by segment, management excludes the impact of certain items, consistent with how management evaluates the performance of each segment. This format is useful to investors because it allows analysis and comparability of operating trends. It also includes the same information that is used by Teradata management to make decisions regarding the segments and to assess financial performance. The chief operating decision maker, who is our President and Chief Executive Officer, evaluates the performance of the segments based on revenue and multiple profit measures, including segment gross profit. For management reporting purposes, assets are not allocated to the segments. Our segment results are reconciled to total Company results reported under GAAP in Note 11 of Notes to Consolidated Financial Statements. Prior period segment information has been reclassified to conform to the current period presentation.

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

in millions	**2017**	**% of Revenue**	2016	% of Revenue	2015	% of Revenue
Segment revenue						
Americas Data and Analytics	**$1,195**	**55.4%**	$1,334	57.4%	$1,470	58.2%
International Data and Analytics	**961**	**44.6%**	919	39.6%	907	35.8%
Total Data and Analytics	**2,156**	**100%**	2,253	97.0%	2,377	94.0%
Marketing Applications	**–**	**–**	69	3.0%	153	6.0%
Total segment revenue	**$2,156**	**100%**	$2,322	100%	$2,530	100%
Segment gross profit						
Americas Data and Analytics	**$ 676**	**56.6%**	$ 796	59.7%	$ 871	59.3%
International Data and Analytics	**434**	**45.2%**	445	48.4%	452	49.8%
Total Data and Analytics	**1,110**	**51.5%**	1,241	55.1%	1,323	55.7%
Marketing Applications	**–**	**–**	34	49.3%	63	41.2%
Total segment gross profit	**$1,110**	**51.5%**	$1,275	54.9%	$1,386	54.8%

Americas Data and Analytics: In 2017, revenue decreased 10% as compared to 2016. The revenue decline was driven by our customers' focus on subscription-based contract options like cloud, subscription licenses, rental and usage-based models, which results in revenue being recognized over time instead of upfront. The majority of subscription-based transactions signed in 2017 were in the Americas region. Segment gross profit as a percentage of revenues was lower, driven by a higher mix of services versus product revenue and a lower services margin rate. Service margins were impacted by investments that we are making in our consulting business to drive increased consumption of Teradata's products. In addition, service gross profit was also impacted by a decrease in maintenance margin due to higher support and parts costs.

In 2016, revenue decreased 9%, driven by customers' focus on less subscription-based contract options like cloud, subscription licenses, rental and usage-based models. Segment gross profits as a percentage of revenue were higher driven by an increase in product rates. The increase in the product rate was driven by favorable deal and product mix.

International Data and Analytics: In 2017, revenue increased 5% as compared to 2016. The revenue increase was driven by improved revenues in Europe, Middle East and Africa as well as the Asia Pacific regions. Segment gross profit as a percentage of revenues was down in 2017 driven by investments that we are making in our consulting business to drive increased consumption of Teradata's products.

In 2016, revenue increased by 1%, which included a 2% adverse impact from foreign currency fluctuations. The revenue increase was led by growth in Western Europe and China. Gross profits were down due to a higher mix of service revenue, which has a lower margin profile versus product revenue.

Marketing Applications: The marketing applications business was sold on July 1, 2016. In 2016, marketing applications revenue decreased by $84 million or 55% from 2015. The decline in revenue was driven by the divestiture of the marketing applications business on July 1, 2016. Prior to its divestiture, the overall increase in segment gross profit as a percentage of revenue was primarily driven by higher rates on product and professional services. In 2015, the Company made investments to help better position the Company to go broader in the market, which resulted in lower service rates in 2015.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Teradata ended 2017 with $1,089 million in cash and cash equivalents, a $115 million increase from the December 31, 2016 balance, after using approximately $351 million for repurchases of Company common stock, and approximately $21 million for acquisitions and investment activities which were completed during the year. Cash provided by operating activities decreased by $122 million to $324 million in 2017. The decrease in cash provided by operating activities was primarily due to the company's transition to subscription-based purchasing options as well as investments to support the company's transformation.

Teradata's management uses a non-GAAP measure called "free cash flow," which is not a measure defined under GAAP. We define free cash flow as net cash provided by operating activities less capital expenditures for property and equipment, and additions to capitalized software. Free cash flow is one measure of assessing the financial performance of the Company, and this 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	**2017**	2016	2015
Net cash provided by operating activities	**$324**	$446	$401
Less:			
Expenditures for property and equipment	**(78)**	(53)	(52)
Additions to capitalized software	**(9)**	(65)	(68)
Free cash flow	**$237**	$328	$281

Financing activities and certain other investing activities are not included in our calculation of free cash flow. In 2017 and 2016, these other investing activities primarily consisted of immaterial complementary business acquisitions and equity investment activities that were closed during these years along with the sale of the marketing applications business on July 1, 2016.

Teradata's financing activities for the years ended December 31, 2017 primarily consisted of cash outflows of $351 million for share repurchases, net proceeds of credit facility borrowings of $240 million, repayment of existing term loan of $30 million and $32 million from other financing activities.

Teradata's financing activities for the year ended December 31, 2016 primarily consisted of cash outflows of $82 million for share repurchases, repayments of credit facility borrowings of $180 million, repayment of existing term loan of $30 million and $30 million from other financing activities. The Company purchased 11.5 million shares of its common stock at an average price per share of $30.59 in 2017, 3.4 million shares at an average price per share of $24.25 in 2016, and 19.0 million shares at an average price per share of $34.15 in 2015.

Share repurchases were made under two share repurchase programs initially authorized by our Board of Directors in 2008. The first program (the "dilution offset program") authorizes the Company to repurchase Teradata common stock to the extent of cash received from the exercise of stock options and the Teradata Employee Stock Purchase Plan ("ESPP") to offset dilution from shares issued pursuant to these plans. As of December 31, 2017, the Company had $190 million of authorization remaining to repurchase outstanding shares of Teradata common stock under the Company's second share repurchase program ("general share repurchase program"). On February 5, 2018, Teradata's Board of Directors approved an additional $310 million of authorization, for a total of $500 million for share repurchases, which authority expires on February 5, 2021. Share repurchases made by the Company are reported on a trade date basis. 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, as well as merger and acquisition opportunities. Proceeds from the ESPP and the exercise of stock options, net of tax paid for shares withheld upon equity award settlement, were $32 million in 2017, $31 million in 2016 and $24 million in 2015. These proceeds are included in other financing activities, net in the Consolidated Statements of Cash Flows.

Our total cash and cash equivalents held outside the U.S. in various foreign subsidiaries was $1,044 million as of December 31, 2017 and $957 million as of December 31, 2016. The remaining balance held in the U.S. was $45 million as of December 31, 2017 and $17 million as of December 31, 2016. Prior to the enactment of the Tax Act, the Company either reinvested or intended to reinvest its earnings outside of the U.S. As a result of the 2017 Tax Act, the Company has changed its indefinite reinvestment assertion related to foreign earnings that have been taxed in the U.S. and now considers a majority of these earnings no longer indefinitely reinvested. The Company plans to repatriate a majority of its offshore cash, and intends to use repatriated funds to pay down its revolving credit facility, repurchase shares and retain the remainder for general corporate purposes. Effective in 2018, the U.S. has moved to a territorial system of international taxation, and as such will not subject future foreign earnings to U.S. taxation upon repatriation in future years.

On March 25, 2015, Teradata replaced its existing five-year, $300 million revolving credit facility with a new $400 million revolving credit facility (the "Credit Facility"). The Credit Facility ends on March 25, 2020 at which point any remaining outstanding borrowings would be due for repayment unless extended by agreement of the parties for up to two additional one-year periods. The interest rate charged on borrowings pursuant to the Credit Facility can vary depending on the interest rate option the Company chooses to utilize and the Company's leverage ratio at the time of the borrowing. In 2017, Teradata chose a floating rate based on the London Interbank Offered Rate ("LIBOR"). The Credit Facility is unsecured and contains certain representations and warranties, conditions, affirmative, negative and financial covenants, and events of default customary for such facilities. As of December 31, 2017, the Company had $240 million in borrowings outstanding under the Credit Facility, which carried an interest rate of 5.0%, leaving $160 million in additional borrowing capacity available. Borrowings under the Credit Facility are reported under current liabilities and are expected to be paid in the short term. The Company was in compliance with all covenants as of December 31, 2017.

Also on March 25, 2015, Teradata closed on a new senior unsecured $600 million five-year term loan, the proceeds of which were used to pay off the remaining $247 million of principal on its existing term loan, pay off the $220 million outstanding balance on the prior credit facility, and fund share repurchases. The $600 million term loan is payable in quarterly installments, which commenced on March 31, 2016, with all remaining principal due in March 2020. The outstanding principal amount under the term loan agreement bears interest at a floating rate based upon a negotiated base rate or a Eurodollar rate plus in each case a margin based on the leverage ratio of the Company. As of December 31, 2017, the term loan principal outstanding was $540 million and carried an interest rate of 3.375%. The Company was in compliance with all covenants as of December 31, 2017.

Management believes current cash, cash flows from operations and the $160 million available under the Credit Facility will be sufficient to satisfy future working capital, research and development activities, capital expenditures, pension contributions, severance benefits and other financing requirements for at least the next twelve months. The Company principally holds its cash and cash equivalents in bank deposits and highly-rated money market funds.

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 the credit facility and term loan agreement, 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, 2017, with projected cash payments in the periods shown:

in millions	Total Amounts	2018	2019-2020	2021-2022	2023 and Thereafter
Principal payments on long-term debt	$ 540	$ 60	$480	$ –	$ –
Interest payments on long-term debt	36	18	18	–	–
Principal payments on short-term debt	240	240	–	–	–
Transition tax	145	18	36	36	55
Lease obligations	80	27	35	15	3
Purchase obligations	30	14	16	–	–
Total debt, lease and purchase obligations	$1,071	$359	$585	$51	$58

Our principal payments on long-term debt represent the expected cash payments on our $600 million term loan and do not include any fair value adjustments or discounts and premiums. Our interest payments on long-term debt represent the estimated cash interest payments based on the prevailing interest rate as of December 31, 2017. Our principal payments on short-term debt represent the expected cash payment on our $400 million Credit Facility, of which $240 million is currently outstanding and $160 million is available. Transition tax includes one-time tax on accumulated foreign earnings of $145 million. The payments associated with this deemed repatriation will be paid over eight years. Our lease obligations in the above table include Company facilities in various domestic and international locations. Purchase obligations are committed purchase orders and other contractual commitments for goods and services, and include non-cancelable contractual payments for fixed or minimum amounts to be purchased in relation to service agreements with various vendors for ongoing telecommunications, information technology, hosting and other services.

Additionally, the Company has $28 million in total uncertain tax positions recorded as non-current liabilities on its balance sheet as of December 31, 2017. These items are not included in the table of obligations shown above. The settlement period for the non-current income tax liabilities cannot be reasonably estimated as the timing and the amount of the payments, if any, will depend on possible future tax examinations with the various tax authorities. However, it is not expected that any payments will be due within the next 12 months.

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. The Company is also potentially subject to concentrations of supplier risk. Our hardware components are assembled exclusively by Flex Ltd. ("Flex"). Flex procures a wide variety of components used in the manufacturing process on our behalf. Although many of these components are available from multiple sources, Teradata 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 Flex and to source certain components from single suppliers, a disruption in production at Flex or at a supplier could impact the timing of customer shipments and/or Teradata's operating results. In addition, a significant change in the forecasts to any of these preferred suppliers could result in purchase obligations or components that may be in excess of demand. Product warranties and third-party guarantees are described in detail in "Note 8—Commitments and Contingencies" in the Notes to Consolidated Financial Statements. Postemployment and pension obligations are described in detail in "Note 6—Employee Benefit Plans" in the Notes to Consolidated Financial Statements.

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, 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, Basis of Presentation and Significant Accounting Policies" in the Notes to Consolidated Financial Statements.

Revenue Recognition

The following discussion of our revenue recognition accounting policies is based on the accounting principles that were used to prepare the fiscal year 2017 consolidated financial statements included in this Annual Report on Form 10-K. On January 1, 2018, we adopted ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"). This standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. Refer to Note 1, of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for discussion of recently issued accounting standards.

Revenue recognition for complex contractual arrangements requires judgment, including a review of specific contracts, past experience, creditworthiness of customers, international laws and other factors. Specifically, complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting. We must also apply judgment in determining all deliverables of the arrangement, and in determining the relative selling price of each deliverable, considering the price charged for each product when sold on a standalone basis, and applicable renewal rates for services. Changes in judgments about these factors could impact the timing and amount of revenue recognized between periods.

The Company reviews the relative selling price on a periodic basis and updates it, when appropriate, to ensure that the practices employed reflect the Company's recent pricing experience. The Company maintains internal controls over the establishment and updates of these estimates, which includes review and approval by the Company's management. For the year ended December 31, 2017 there was no material impact to revenue resulting from changes in the relative selling price, nor does the Company expect a material impact from such changes in the near term.

Capitalized Software

Costs incurred in researching and developing a computer software product that will be sold, leased or otherwise marketed are charged to expense until technological feasibility has been established. Technological feasibility is established when planning, designing and initial coding activities that are necessary to establish that the product can be produced to meet its design specifications are complete. In the absence of a detailed program design or for agile development activities, 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 feasibility of a product is established. The timing of when various research and development projects become technologically feasible or ready for release can cause fluctuations 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.

In the fourth quarter of 2016, the Company began moving towards more frequent releases of its products, which significantly shortens the opportunity to capitalize software development costs. Our research and development efforts have become more driven by market requirements and rapidly changing customers' needs. In addition, the Company started applying agile development methodologies to help respond to new technologies and trends. Agile development methodologies are characterized by a more dynamic development process with more frequent and iterative revisions to a product releases' features and functions as the software is being developed. Due to the shorter development cycle and focus on rapid production associated with agile development, the Company did not capitalize any external use software development costs in 2017 periods due to the relatively short duration between the completion of the working model and the point at which a product was ready for general release. Prior capitalized costs will continue to be amortized under the greater of revenue-based or straight-line method over the estimated useful life.

Income Taxes

In accounting for income taxes, we recognize 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.

Prior to the enactment of the Tax Act in December 2017, the Company had not provided for taxes on the undistributed earnings of its foreign subsidiaries as the Company either reinvested or intended to reinvest those earnings outside of the U.S. As a result of the Tax Act, the Company has changed its indefinite reinvestment assertion related to foreign earnings that have been taxed in the U.S. and now considers a majority of these earnings no longer indefinitely reinvested. Additional information and analysis are needed to determine the final amount, if any, of the deferred tax liability considering factors such as whether non-U.S. entities are subject to withholding taxes, have reserve requirements, or have projected working capital and other capital needs in the country where the earnings were generated that would result in a decision to indefinitely reinvest a portion or all their earnings. The Company will disclose the future impact, if any, in the reporting period in which the accounting is completed, which will not exceed one year from the date of enactment of the Tax Act.

We account 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. 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 uncertain tax positions in the income tax expense line on our Consolidated Statements of Income. As of December 31, 2017, the Company has a total of $28 million of unrecognized tax benefits, of which $2 million is included in current taxes payable and $14 million is included in the other liabilities section of the Company's consolidated balance sheet as a non-current liability. The remaining balance of $12 million of uncertain tax positions relates to certain tax attributes generated by the Company which are netted against the underlying deferred tax assets recorded on the balance sheet.

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 recorded $32 million in 2017 and $26 million in 2016 for valuation allowances. Due to a change in tax law enacted in the state of California in the fourth quarter of 2012, the Company established a valuation allowance to partially offset its California R&D tax credit carryforward deferred tax asset, as the Company expects to continue to generate excess California R&D tax credits into the foreseeable future.

Stock-based Compensation

We measure compensation cost for stock awards at fair value and recognize compensation expense over the service period. We utilize pricing models, including the Black-Scholes option pricing model and Monte Carlo simulation model, to estimate the fair value of stock-based compensation at the date of grant. These valuation models require the input of subjective assumptions, including expected volatility and expected term. In addition, we issue performance-based awards that vest only if specific performance conditions are satisfied. 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 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. As a result of the adoption of the FASB Accounting Standards Update - Improvements to Employee Share-Based Payment Accounting, effective January 1, 2016, we account for forfeitures as they occur instead of estimating forfeitures at the time of grant and revising those estimates in subsequent periods if actual forfeitures differ from our estimates.

Goodwill and Acquired Intangible Assets

The Company reviews goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. The Company tests goodwill by first performing a qualitative analysis to determine if it is more likely than not that the fair value of the reporting unit is below its carrying value. Qualitative factors may include, but are not limited to, economic, market and industry conditions, and overall financial performance of the reporting unit. If the Company determines that it is more likely than not that the fair value of the reporting unit is below its carrying value after assessing these qualitative factors, then the guidance on goodwill impairment requires the company to perform a quantitative impairment test. In this test, the Company compares the fair value of each reporting unit to its carrying value. The Company typically determines the fair value of its reporting units using a weighting of fair values derived from the income and market approaches. Under the income approach, the Company calculates the fair value of a reporting unit based on the present value of estimated future cash flows. The market approach estimates fair value based on market multiples of revenue and earnings derived from comparable companies with similar operating and investment characteristics as the reporting unit. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not

impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the company records an impairment loss equal to the difference. Teradata reviewed two reporting units in its 2017 goodwill impairment assessment, as each operating segment was deemed as a reporting unit for purposes of testing. Based on the Company's evaluation and weighting of the events and circumstances that have occurred since the most recent quantitative test, the Company concluded that it was not more likely than not that each reporting unit's fair value was below its carrying value. Therefore, the Company determined that it was not necessary to perform a quantitative goodwill impairment test for the reporting units in 2017. See "Note 3—Goodwill and Acquired Intangible Assets" for additional information.

Determining the fair value of goodwill and acquired intangibles is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, discount rates and future economic and market conditions. The company's estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management's assumptions, which may not reflect unanticipated events and circumstances that may occur.

Pension and Postemployment Benefits

We measure pension and postemployment benefit costs and credits using 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, 2017, a one-half percent increase/decrease in the discount rate would change the projected benefit obligation of our pension plans by approximately $7 million, and a one-half percent increase/decrease in our involuntary turnover assumption would change our postemployment benefit obligation by approximately $10 million.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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, the Canadian 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, 2017, for such contracts resulting from a hypothetical 10% adverse change in all foreign currency exchange rates is approximately $2 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 7— Derivative Instruments and Hedging Activities" in the Notes to Consolidated Financial Statements elsewhere in this Annual Report.

REPORTS OF MANAGEMENT

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.

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 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 (2013). Based on our assessment and those criteria, management concluded that Teradata's internal control over financial reporting was effective as of December 31, 2017.

Teradata's independent registered public accounting firm has issued their report on the effectiveness of Teradata's internal control over financial reporting as of December 31, 2017, which appears in this Annual Report.

Victor L. Lund
Director, President and Chief Executive Officer

Mark A. Culhane
Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF TERADATA CORPORATION:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Teradata Corporation and its subsidiaries as of December 31, 2017 and December 31, 2016, and the related consolidated statements of (loss) income, comprehensive (loss) income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes of Teradata Corporation (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and December 31, 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, 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 Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

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

PricewaterhouseCoopers LLP
Atlanta, GA
February 23, 2018

We have served as the Company's auditor since 2007.

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

For the Years Ended December 31	2017	2016	2015
in millions, except per share amounts			
Revenue			
Product and cloud revenue	$ 747	$ 923	$ 1,115
Service revenue	1,409	1,399	1,415
Total revenue	2,156	2,322	2,530
Costs and operating expenses			
Cost of product and cloud	325	383	489
Cost of services	809	751	765
Selling, general and administrative expenses	652	664	765
Research and development expenses	306	212	228
Impairment of goodwill, acquired intangibles and other assets	–	80	478
Total costs and operating expenses	2,092	2,090	2,725
Income (loss) from operations	64	232	(195)
Other (expense) income, net			
Interest expense	(15)	(12)	(9)
Other income, net	9	1	60
Total other (expense) income, net	(6)	(11)	51
Income (loss) before income taxes	58	221	(144)
Income tax expense	125	96	70
Net (loss) income	$ (67)	$ 125	$ (214)
Net (loss) income per common share			
Basic	$ (0.53)	$ 0.96	$ (1.53)
Diluted	$ (0.53)	$ 0.95	$ (1.53)
Weighted average common shares outstanding			
Basic	125.8	129.7	139.6
Diluted	125.8	131.5	139.6

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

For the Years Ended December 31	2017	2016	2015
in millions			
Net (loss) income	**$(67)**	$125	$ (214)
Other comprehensive income (loss):			
Foreign currency translation adjustments	**16**	(7)	(36)
Securities:			
Reclassification of gain to net income (loss)	**–**	–	(26)
Unrealized loss on securities, before tax	**–**	–	(7)
Tax impact on securities	**–**	–	2
Net change in securities	**–**	–	(31)
Defined benefit plans:			
Reclassification of loss to net income (loss)	**4**	3	3
Defined benefit plan adjustment, before tax	**(6)**	(12)	(9)
Defined benefit plan adjustment, tax portion	**1**	3	1
Defined benefit plan adjustment, net of tax	**(1)**	(6)	(5)
Other comprehensive income (loss)	**15**	(13)	(72)
Comprehensive (loss) income	**$(52)**	$112	$(286)

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

CONSOLIDATED BALANCE SHEETS

At December 31	2017	2016
in millions, except per share amounts		
Assets		
Current assets		
Cash and cash equivalents	**$1,089**	$ 974
Accounts receivable, net	**554**	548
Inventories	**30**	34
Other current assets	**77**	65
Total current assets	**1,750**	1,621
Property and equipment, net	**162**	138
Capitalized software, net	**121**	187
Goodwill	**399**	390
Acquired intangible assets, net	**23**	11
Deferred income taxes	**57**	49
Other assets	**44**	17
Total assets	**$2,556**	$2,413
Liabilities and stockholders' equity		
Current liabilities		
Current portion of long-term debt	**$ 60**	$ 30
Short-term borrowings	**240**	–
Accounts payable	**74**	103
Payroll and benefits liabilities	**173**	139
Deferred revenue	**414**	369
Other current liabilities	**102**	88
Total current liabilities	**1,063**	729
Long-term debt	**478**	538
Pension and other postemployment plan liabilities	**109**	96
Long-term deferred revenue	**85**	14
Deferred tax liabilities	**4**	33
Other liabilities	**149**	32
Total liabilities	**1,888**	1,442
Commitments and contingencies (Note 8)		
Stockholders' equity		
Preferred stock: par value $0.01 per share, 100.0 shares authorized, no shares issued and outstanding at December 31, 2017 and 2016, respectively	**–**	–
Common stock: par value $0.01 per share, 500.0 shares authorized, 121.9 and 130.6 shares issued at December 31, 2017 and 2016, respectively	**1**	1
Paid-in capital	**1,320**	1,220
Accumulated deficit	**(579)**	(161)
Accumulated other comprehensive loss	**(74)**	(89)
Total stockholders' equity	**668**	971
Total liabilities and stockholders' equity	**$2,556**	$2,413

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2017	2016	2015
in millions			
Operating activities			
Net (loss) income	**$ (67)**	$125	$(214)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	**138**	128	170
Stock-based compensation expense	**68**	62	56
Excess tax benefit from stock-based compensation	**–**	–	(2)
Deferred income taxes	**(34)**	(3)	(39)
Gain on investments	**–**	(2)	(57)
Impairment of goodwill, acquired intangibles and other assets	**–**	80	478
Changes in assets and liabilities, net of acquisitions:			
Receivables	**(6)**	40	1
Inventories	**3**	14	(11)
Account payables and accrued expenses	**12**	11	(8)
Deferred revenue	**115**	1	24
Other assets and liabilities	**95**	(10)	3
Net cash provided by operating activities	**324**	446	401
Investing activities			
Expenditures for property and equipment	**(78)**	(53)	(52)
Additions to capitalized software	**(9)**	(65)	(68)
Proceeds from sales of property and equipment	**–**	5	–
Proceeds from disposition of investments	**–**	2	85
Proceeds from sale of business	**–**	92	–
Business acquisitions and other investing activities, net	**(21)**	(16)	(17)
Net cash used in investing activities	**(108)**	(35)	(52)
Financing activities			
Proceeds from long-term borrowings	**–**	–	600
Repayments of long-term borrowings	**(30)**	(30)	(247)
Proceeds from credit facility borrowings	**420**	-	180
Repayments of credit-facility borrowings	**(180)**	(180)	(220)
Repurchases of common stock	**(351)**	(82)	(657)
Excess tax benefit from stock-based compensation	**–**	–	2
Other financing activities, net	**32**	30	18
Net cash used in financing activities	**(109)**	(262)	(324)
Effect of exchange rate changes on cash and cash equivalents	**8**	(14)	(20)
Increase in cash and cash equivalents	**115**	135	5
Cash and cash equivalents at beginning of year	**974**	839	834
Cash and cash equivalents at end of year	**$1,089**	$974	$ 839
Supplemental data			
Cash paid during the year for:			
Income taxes	**$ 25**	$105	$ 98
Interest	**$ 14**	$ 12	$ 8

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock			Retained Earnings	Accumulated Other	
	Shares	Amount	Paid-in Capital	(Accumulated Deficit)	Comprehensive Income (Loss)	Total
in millions						
December 31, 2014	**148**	**$1**	**$1,054**	**$ 656**	**$ (4)**	**$1,707**
Net loss				(214)		(214)
Employee stock compensation, employee stock purchase programs and option exercises	2		78			78
Income tax benefit from stock compensation plans			(4)			(4)
Repurchases of common stock, retired	(19)			(646)		(646)
Pension and postemployment benefit plans, net of tax					(5)	(5)
Unrealized gain on securities					(31)	(31)
Currency translation adjustment					(36)	(36)
December 31, 2015	**131**	**$1**	**$1,128**	**$(204)**	**$(76)**	**$ 849**
Net income				125		125
Employee stock compensation, employee stock purchase programs and option exercises	3		92			92
Repurchases of common stock, retired	(3)			(82)		(82)
Pension and postemployment benefit plans, net of tax					(6)	(6)
Currency translation adjustment					(7)	(7)
December 31, 2016	**131**	**$1**	**$1,220**	**$(161)**	**$(89)**	**$ 971**
Net loss				(67)		(67)
Employee stock compensation, employee stock purchase programs and option exercises	2		100			100
Repurchases of common stock, retired	(11)			(351)		(351)
Pension and postemployment benefit plans, net of tax					(1)	(1)
Currency translation adjustment					16	16
December 31, 2017	**122**	**$1**	**$1,320**	**$(579)**	**$ (74)**	**$ 668**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Description of Business, Basis of Presentation and Significant Accounting Policies

Description of the Business. Teradata Corporation ("Teradata" or the "Company") is a global leader in analytic data solutions and services. Our analytic data solutions comprise software, hardware, and related business consulting and support services for analytics across a company's entire analytical ecosystem.

Basis of Presentation. The financial statements are presented on a consolidated basis and include the accounts of the Company and its wholly-owned subsidiaries in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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, impairments of goodwill and other intangibles, stock-based compensation, pension and other postemployment benefits, 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, unspecified when-and-if-available software upgrades, hardware, maintenance support services, and other consulting, implementation and installation-related ("consulting") services. Teradata records revenue when it is realized, or realizable, and earned. Teradata considers these requirements met when:

- Persuasive evidence of an arrangement exists
- The products or services have been delivered to the customer
- The sales price is fixed or determinable and free of contingencies or significant uncertainties
- Collectability 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. The Company assesses whether fees are fixed or determinable at the time of sale. Standard payment terms may vary based on the country in which the agreement is executed, but are generally between 30 days and 90 days. Payments that are due within six months are generally deemed to be fixed or determinable based on a successful collection history on such arrangements, and thereby satisfy the required criteria for revenue recognition. 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 deferred and recognized upon sell-through to the end customer.

The Company's deliverables often involve delivery or performance at different periods of time. Revenue for perpetual software is generally recognized upon delivery with the hardware once title and risk of loss have been transferred. Revenue for unspecified software upgrades or enhancements on a when-and-if-available basis are recognized straight-line over the term of the arrangement. Revenue for maintenance support services is also recognized on a straight-line basis over the term of the contract. Revenue for other consulting, implementation and installation services is recognized as services are provided. In certain instances, acceptance of the product or service is specified by the customer. In such cases, revenue is deferred until the acceptance criteria have been met. Delivery and acceptance generally occur in the same reporting period. The Company's arrangements generally do not include any customer negotiated provisions for cancellation, termination or refunds that would significantly impact recognized revenue.

The Company evaluates all deliverables in an arrangement to determine whether they represent separate units of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value, and 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. Most of the Company's products and services qualify as separate units of accounting and are recognized upon meeting the criteria as described above.

For multiple deliverable arrangements that contain non-software related deliverables, the Company allocates revenue to each deliverable based upon the relative selling price hierarchy and if software and software-related deliverables are also included in the arrangement, to those deliverables as a group based on the best estimate of selling price ("BESP") for the group. The selling price for a deliverable is based on its vendor-specific objective evidence of selling price ("VSOE") if available, third-party evidence of selling price ("TPE") if VSOE is not available, or BESP if neither VSOE nor TPE is available. The Company then recognizes revenue when the remaining revenue recognition criteria are met for each deliverable. For the software group or arrangements that contain only software and software-related deliverables, the revenue is allocated utilizing the residual or fair value method. Under the residual method, the VSOE of the undelivered elements is deferred and accounted for under the applicable revenue recognition guidance, and the remaining portion of the software arrangement fee is allocated to the delivered elements and is recognized as revenue. The fair value method is similar to the relative selling price method used for non-software deliverables except that the allocation of each deliverable is based on VSOE. For software groups or arrangements that contain only software and software-related deliverables in which VSOE does not exist for each deliverable (fair value method) or does not exist for each undelivered element (residual method), revenue for the entire software arrangement or group is deferred and not recognized until delivery of all elements without VSOE has occurred, unless the only undelivered element is post-contract customer support ("PCS") in which case the entire software arrangement or group is recognized ratably over the PCS period.

Teradata's analytic software and hardware products are sold and delivered together in the form of a "Node" of capacity as an integrated technology solution. Because both the analytic software and hardware platform are necessary to deliver the analytic data platform's essential functionality, the analytic software and hardware (Node) are excluded from the software rules and considered a non-software related deliverable. Teradata software applications and related support are considered software-related deliverables. Additionally, the amount of revenue allocated to the delivered items utilizing the relative selling price or fair value method is limited to the amount that is not contingent upon the delivery of additional items or meeting other specified performance conditions (the non-contingent amount).

VSOE is based upon the normal pricing and discounting practices for those products and services when sold separately. Teradata uses the stated renewal rate approach in establishing VSOE for maintenance and when-and-if-available software upgrades (collectively referred to as PCS). Under this approach, the Company assesses whether the contractually stated renewal rates are substantive and consistent with the Company's normal pricing practices. Renewal rates greater than the lower level of our targeted pricing ranges are substantive and, therefore, meet the requirements to support VSOE. In instances where there is not a substantive renewal rate in the arrangement, the Company allocates revenue based upon BESP, using the minimum established pricing targets as supported by the renewal rates for similar customers utilizing the bell-curve method. Teradata also offers consulting and installation-related services to its customers, which are considered non-software deliverables if they relate to the nodes. These services are rarely considered essential to the functionality of the analytics solution deliverable and there is never software customization of the proprietary database software. VSOE for consulting services is based on the hourly rates for standalone consulting services projects by geographic region and are indicative of the Company's customary pricing practices. Pricing in each market is structured to obtain a reasonable margin based on input costs.

In nearly all multiple-deliverable arrangements, the Company is unable to establish VSOE for all deliverables in the arrangement. This is due to infrequently selling each deliverable separately (such is the case with our nodes), not pricing products or services within a narrow range, or only having a limited sales history. When VSOE cannot be established, attempts are made to establish TPE of the selling price for each deliverable. TPE is determined based on competitor prices for similar deliverables when sold separately. However, Teradata's offerings contain significant differentiation such that the comparable pricing of products with similar functionality cannot typically be obtained. This is because Teradata's products contain a significant amount of proprietary technology and its solutions offer substantially different features and functionality than other available products. As Teradata's products are significantly different from those of its competitors, the Company is unable to establish TPE for the vast majority of its products.

When the Company is unable to establish selling prices using VSOE or TPE, the Company uses BESP in its allocation of arrangement consideration. The objective of BESP is to determine the price at which the Company would transact a sale if the product or service was sold on a standalone basis. The Company determines BESP for a product or service by considering multiple factors including, but not limited to, geographies, market conditions, product life cycles, competitive landscape, internal costs, gross margin objectives, purchase volumes and pricing practices.

The primary consideration in developing BESP for the Company's nodes is the bell-curve method based on historical transactions. The BESP analysis is at the geography level to align it with the way in which the Company goes to market and establishes pricing for its products. The Company has established discount ranges off published list prices for different geographies based on strategy and maturity of Teradata's presence in the respective geography. There are distinctions in each geography and product group which support the use of geographies and markets for the determination of BESP. For example, the Company's U.S. market is relatively mature and most of the large transactions are captured in this market, whereas the International markets are less mature with generally smaller deal size. Additionally, the prices and margins for the Company's products vary by geography and by product class. BESP is analyzed on a semi-annual basis using data from the four previous quarters, which the Company believes best reflects most recent pricing practices in a changing marketplace.

The Company reviews VSOE, TPE and its determination of BESP on a periodic basis and updates it, when appropriate, to ensure that the practices employed reflect the Company's recent pricing experience. The Company maintains internal controls over the establishment and updates of these estimates, which includes review and approval by the Company's management. For the year ended December 31, 2017 there was no material impact to revenue resulting from changes in VSOE, TPE or BESP.

Teradata's new go-to-market offerings introduced in the second half of 2016, which are part of the overall business transformation strategy, include the following offerings:

- Subscription license - Teradata's subscription licenses include a right-to-use license and are typically sold with PCS. The revenue for these arrangements is typically recognized ratably over the contract term. The term of these arrangements varies between one and five years.
- Cloud - These arrangements include a right-to-access software license that the customer does not have a right to take possession of without significant penalty during the hosting period and the services can be delivered through a managed or public cloud. These arrangements are recognized outside the software rules and revenue is recognized ratably over the contract term. The term of these arrangements typically varies between one and five years.
- Rentals - Teradata owns the equipment and may or may not provide managed services. The revenue for these arrangements is generally recognized straight-line over the term of the contract. The term of these arrangements typically varies between one and three years and are generally accounted for as operating leases.
- Service model - Teradata owns the equipment to provide the service on-premises. Service models typically include a minimum fixed amount that is recognized ratably over the contract term and may include an elastic amount for usage above the minimum, which is recognized monthly based on actual utilization. The term of these arrangements varies between one and five years.

S**hipping and Handling.** Product shipping and handling costs are included in cost of products in the Consolidated Statements of (Loss) 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.

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. Cost of service parts is determined using the average cost method. Finished goods inventory is determined using actual cost.

Available-for-sale Securities. Available-for-sale securities are reported at fair value. Unrealized holding gains and losses are excluded from earnings and reported in other comprehensive (loss) income. Realized gains and losses are included in other income and expense in the Consolidated Statements of (Loss) Income.

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. Total depreciation expense on the Company's property and equipment for December 31 was as follows:

in millions	**2017**	2016	2015
Depreciation expense	**$55**	$49	$53

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 analytic applications are expensed as incurred based on the frequency and agile nature of development. Prior to December 31, 2016, costs incurred for the development of analytic database software that will be sold, leased or otherwise marketed were capitalized between technological feasibility and the point at which a product was ready for general release. Technological feasibility is established when planning, designing and initial coding activities that are necessary to establish the product can be produced to meet its design specifications are complete. 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 four years using the greater of the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or the straight-line method over the remaining estimated economic life of the product beginning when the product is available for general release. Costs capitalized include direct labor and related overhead costs. Costs incurred prior to technological feasibility and after general release are expensed as incurred.

Our research and development efforts have recently become more driven by market requirements and rapidly changing customers' needs. In addition, the Company started applying agile development methodologies to help respond to new technologies and trends. Agile development methodologies are characterized by a more dynamic development process with more frequent and iterative revisions to a product release features and functions as the software is being developed. Due to the shorter development cycle and focus on rapid production associated with agile development, the Company did not capitalize any amounts for external-use software development costs in 2017 due to the relatively short duration between the completion of the working model and the point at which a product is ready for general release. Prior capitalized costs will continue to be amortized under the greater of revenue-based or straight-line method over the estimated useful life.

The following table identifies the activity relating to capitalized software:

	Internal-use Software			**External-use Software**		
in millions	**2017**	2016	2015	**2017**	2016	2015
Beginning balance at January 1	**$13**	$13	$13	**$174**	$177	$186
Capitalized	**9**	6	6	**–**	59	61
Amortization	**(6)**	(6)	(6)	**(69)**	(62)	(70)
Ending balance at December 31	**$16**	$13	$13	**$105**	$174	$177

The aggregate amortization expense (actual and estimated) for internal-use and external-use software for the following periods is:

	Actual	For the years ended (estimated)				
in millions	**2017**	2018	2019	2020	2021	2022
Internal-use software amortization expense	**$ 6**	$ 7	$ 7	$ 7	$7	$6
External-use software amortization expense	**$69**	$49	$34	$22	$–	$–

Estimated expense, which is recorded to cost of sales for external use software, is based on capitalized software at December 31, 2017 and does not include any new capitalization for future periods.

Valuation of Long-Lived Assets. Long-lived assets such as property and equipment, acquired intangible assets and internal 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. No impairment was recognized during 2017.

Goodwill. 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 upon occurrence of an event or change in circumstances that would more likely than not reduce the fair value of a reporting unit below its carrying amount. See Note 3 - Goodwill and Acquired Intangibles for additional information.

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 (except for the capitalized software development costs discussed above). Research and development costs primarily include labor-related costs, contractor fees, and overhead expenses directly related to research and development support.

Pension and Postemployment Benefits. The Company accounts for its pension and postemployment benefit obligations using actuarial models. The measurement of plan obligations was made as of December 31, 2017. 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.

The Company recognizes the funded status of its pension and postemployment plan obligations in its consolidated balance sheet and records in other comprehensive income certain gains and losses that arise during the period, but are deferred under pension and postemployment 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 daily exchange rates prevailing during the period. Adjustments arising from the translation are included in accumulated other comprehensive income, a separate component of stockholders' equity. Gains and losses resulting from foreign currency transactions are included in determining net income.

Income Taxes. Income tax expense is provided based on income before income taxes in the various jurisdictions in which the Company conducts its business. 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. For the Global Intangible Low-Taxed Income ("GILTI") provisions of the Tax Act, a provisional estimate could not be made as the Company has not yet completed its assessment of or elected an accounting policy to either recognize deferred taxes for basis differences expected to reverse as GILTI or to record GILTI as period costs if and when incurred. In accordance with SEC guidance, provisional amounts may be refined as a result of additional guidance from, and interpretations by, U.S. regulatory and standard-setting bodies and changes in assumptions. Teradata recognizes 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.

Stock-based Compensation. Stock-based payments to employees, including grants of stock options, restricted shares and restricted share units, are 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. The Company's expected volatility assumption used in the Black-Scholes option-pricing model is based on Teradata's historical volatility. The expected term for options granted is based upon historical observation of actual time elapsed between date of grant and exercise of options for all employees. The risk-free interest rate used in the Black-Scholes model is based on the implied yield curve available on U.S. Treasury 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.

Earnings (Loss) Per Share. Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted-average number of shares outstanding during the reported period. The calculation of diluted earnings 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 share awards and other stock awards. Refer to Note 5 for share information on the Company's stock compensation plans.

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

	For the years ended December 31		
in millions, except (loss) earnings per share	**2017**	2016	2015
Net (loss) income attributable to common stockholders	**$ (67)**	$ 125	$ (214)
Weighted average outstanding shares of common stock	**125.8**	129.7	139.6
Dilutive effect of employee stock options, restricted shares and other stock awards	**–**	1.8	–
Common stock and common stock equivalents	**125.8**	131.5	139.6
Earnings (loss) per share:			
Basic	**$(0.53)**	$ 0.96	$ (1.53)
Diluted	**$(0.53)**	$ 0.95	$ (1.53)

For 2017, due to the net loss attributable to Teradata common stockholders, largely due to the tax expense recorded as a result of the Tax Cuts and Jobs Act of 2017, potential common shares that would cause dilution, such as employee stock options, restricted shares and other stock awards, have been excluded from the diluted share count because their effect would have been anti-dilutive. For 2017, the fully diluted shares would have been 127.8 million.

For 2015, due to the net loss attributable to Teradata common stockholders, largely due to the goodwill and acquired intangibles impairment charges, potential common shares that would cause dilution, such as employee stock options, restricted shares and other stock awards, have been excluded from the diluted share count because their effect would have been anti-dilutive. For 2015, the fully diluted shares would have been 141.9 million.

Options to purchase 2.7 million in 2017, 5.2 million shares in 2016 and 4.5 million shares in 2015 of common stock, 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.

Recently Issued Accounting Pronouncements

Revenue Recognition. In May 2014, the Financial Accounting Standards Board ("FASB") issued new guidance that affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The new guidance will supersede the revenue recognition requirements in the current revenue recognition guidance, and most industry-specific guidance. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer are amended to be consistent with the guidance on recognition and measurement in this update. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, the FASB defines a five-step process which includes the following: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The new revenue standard will be effective for annual reporting periods beginning after December 15, 2017, with early application permitted. The standard allows entities to apply the standard retrospectively for all periods presented or alternatively an entity is permitted to recognize the cumulative effect of initially applying the guidance as an opening balance sheet adjustment to retained earnings in the period of initial application (modified retrospective method).

The Company will adopt the new accounting guidance effective January 1, 2018 by utilizing the modified retrospective method. The Company is still evaluating and finalizing the impact on its consolidated financial position, results of operations and cash flows.

Although the Company is still evaluating the impact on its consolidated financial statements, the Company believes the most significant impacts will likely include the following items:

- As the Company transitions to the new go-to-market offerings, such as subscription-based licenses rather than perpetual licenses, the Company could potentially see a more significant impact in the amount of revenue recognized over time under the current rules but upfront under the new rules. This impact will result in revenue that is adjusted to retained earnings in the period of adoption and therefore not recognized in future periods or restated to prior periods due to the Company applying the modified retrospective method of adoption.
- The Company currently expenses contract acquisition costs and believes that the requirement to defer incremental contract acquisition costs and recognize them over the term of the contract to which the costs relate will have an impact, especially as the Company transitions to longer-term, over-time revenue contracts.
- The amount of revenue allocated to the delivered items and recognized upfront utilizing the relative selling price model is limited to the amount that is not contingent upon the delivery of additional items or meeting other specified performance conditions (i.e., the non-contingent amount) under current rules. Under the new rules, the amounts allocated to delivered items and recognized upfront could be higher if it is probable that a significant reversal in the amount of revenue recognized will not occur in future periods upon the delivery of additional items or meeting other specified performance conditions; and
- The new standard will impact our internal control environment, including our financial statement disclosure controls, business process controls, new systems and processes, and enhancements to existing systems and processes.

The Company expects to record approximately $20 million of adjustments to retained earnings for the revenue-related items discussed above. The Company also expects to record approximately $15 million of deferred compensation costs upon adoption that will then be amortized in future periods.

The Company does not expect that the new standard will result in substantive changes in our performance obligations or the amounts of revenue allocated between multiple performance obligations, with the exception of contingent revenue discussed above. The Company is still in the process of evaluating and finalizing these impacts, and our initial assessment may change as the Company continues with implementing new systems, processes, accounting policies and internal controls.

Leases. In February 2016, the FASB issued new guidance which requires a lessee to account for leases as finance or operating leases. Both leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition. For lessors, the standard modifies the classification criteria and the accounting for sales-type and direct financing leases. Entities will classify leases to determine how to recognize lease-related revenue and expense. This standard is effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. A modified retrospective approach is required for leases existing or entered into after the beginning of the earliest comparative period in the consolidated financial statements. The Company is currently assessing the impact of this update on its consolidated financial statements. We currently believe that the most significant changes will be related to the recognition of right-of-use assets and lease liabilities on our consolidated balance sheets for real estate and equipment leases that are currently classified as operating leases and therefore not recorded on the consolidated balance sheets.

Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. In August 2016, the FASB issued an update addressing eight specific cash flow issues to reduce diversity in practice. The amended guidance is effective for fiscal years beginning after December 31, 2017, and for interim periods within those years. Early adoption is permitted. The Company will adopt this amended guidance in the first quarter of 2018 and does not expect the impact on its consolidated financial statements to be material.

Financial Instruments. In January 2016, the FASB issued new guidance which enhances the reporting model for financial instruments and related disclosures. This update requires equity securities to be measured at fair value with changes in fair value recognized through net income and will eliminate the cost method for equity securities without readily determinable fair values. The provisions are effective for public entities with fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, in certain circumstances. The Company will adopt this amended guidance in the first quarter of 2018 and does not expect the impact on its consolidated financial statements to be material.

Intra-entity asset transfers. In October 2016, the FASB issued accounting guidance to simplify the accounting for income tax consequences of intra-entity transfers of assets other than inventory. Under this guidance, companies will be required to recognize the income tax consequences of an intra-entity asset transfer when the transfer occurs. Current guidance prohibits

companies from recognizing current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The guidance must be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the period of adoption. The guidance is effective for periods beginning after December 15, 2017 and early adoption is permitted. The Company will adopt this amended guidance in the first quarter of 2018 and does not expect the impact on its consolidated financial statements to be material.

Classification of restricted cash. In December 2016, the FASB issued accounting guidance to address diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. Under this guidance, companies will be required to present restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The guidance is required to be applied retrospectively and is effective for periods beginning after December 15, 2017, with early adoption permitted. The Company will adopt this amended guidance in the first quarter of 2018 and does not expect the impact on its consolidated financial statements to be material.

Clarification on the definition of a business. In January 2017, the FASB issued accounting guidance to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This new guidance is effective for reporting periods beginning after December 15, 2017 with early adoption permitted. The Company will adopt this amended guidance in the first quarter of 2018 and does not expect the impact on its consolidated financial statements to be material.

Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. In March 2017, the FASB issued accounting guidance for "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit Cost". The amendment requires the service cost component of net periodic benefit cost be presented in the same income statement line item as other employee compensation costs arising from services rendered during the period and other components of the net periodic benefit cost be presented separately from the line item that includes the service cost and outside of any subtotal of operating income. For public entities, the amendments are effective for interim and annual reporting periods beginning after December 15, 2017. The Company will adopt this amended guidance in the first quarter of 2018. The retroactive adoption of this standard will result in an increase in operating income and a corresponding decrease in other income (primarily related to the return on pension assets) for the years ended December 31 of $4 million in 2017 and $3 million in 2016.

Stock Compensation. In May 2017, the FASB issued accounting guidance for "Compensation—Stock Compensation (Topic 718) - Scope of Modification Accounting". The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in this update. The amendments in this update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period. The Company will adopt this amended guidance in the first quarter of 2018 and does not expect any impact on its consolidated financial statements.

Derivatives and Hedging. In August 2017, the FASB issued amendments to hedge accounting guidance. These amendments are intended to better align a company's risk management strategies and financial reporting for hedging relationships. Under the new guidance, more hedging strategies will be eligible for hedge accounting and the application of hedge accounting is simplified. In addition, the new guidance amends presentation and disclosure requirements. The guidance is effective for fiscal years beginning after December 15, 2018 with early adoption permitted, including the interim periods within those years. The guidance requires the use of a modified retrospective approach. The Company is currently evaluating the impact of the guidance on our consolidated financial statements.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. In February 2018, the FASB issued guidance allowing companies the option to reclassify to retained earnings the tax effects related to items in Accumulated other comprehensive income (loss) as a result of the Tax Cuts and Jobs Act that was enacted on December 22, 2017. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018, and early adoption is permitted. This guidance should be applied either in the period of adoption or retrospectively to each period in which the effects of the change in the U.S. federal income tax rate in the Tax Cuts and Jobs Act is recognized. The Company is currently evaluating the impact of the guidance on our consolidated financial statements.

Recently Adopted Guidance

Simplifying the measurement for goodwill. In January 2017, the FASB issued guidance to simplify the accounting for the impairment of goodwill. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The Company early adopted this accounting guidance effective January 1, 2017. This amendment did not have an impact on the Company's consolidated financial statements.

NOTE 2: Supplemental Financial Information

At December 31	2017	2016
in millions		
Accounts receivable		
Trade	$ 559	$ 561
Other	7	6
Accounts receivable, gross	566	567
Less: allowance for doubtful accounts	(12)	(19)
Total accounts receivable, net	$ 554	$ 548
Inventories		
Finished goods	$ 18	$ 20
Service parts	12	14
Total inventories	$ 30	$ 34
Property and equipment		
Land	$ 8	$ 8
Buildings and improvements	82	77
Machinery and other equipment	404	354
Property and equipment, gross	494	439
Less: accumulated depreciation	(332)	(301)
Total property and equipment, net	$ 162	$ 138
Other current liabilities		
Sales and value-added taxes	$ 30	$ 28
Pension and other postemployment plan liabilities	2	7
Other	70	53
Total other current liabilities	$ 102	$ 88
Deferred revenue		
Deferred revenue, current	$ 414	$ 369
Long-term deferred revenue	85	14
Total deferred revenue	$ 499	$ 383
Other long-term liabilities		
Transition tax	$ 133	$ –
Uncertain tax positions	14	20
Other	2	12
Total other long-term liabilities	$ 149	$ 32

NOTE 3: Goodwill and Acquired Intangible Assets

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

in millions	Balance at December 31, 2016	Additions	Currency Translation Adjustments	**Balance at December 31, 2017**
Goodwill				
Americas Data and Analytics	$251	$2	$–	**$253**
International Data and Analytics	139	–	7	**146**
Total goodwill	$390	$2	$7	**$399**

During 2017, the Company recorded additional goodwill of $2 million, for an immaterial acquisition that occurred during the period.

In the fourth quarter of 2017, the Company performed its annual impairment test of goodwill and determined that no impairment to the carrying value of goodwill was necessary. The Company reviewed two reporting units in its 2017 goodwill impairment assessment, as both geographic operating segments were considered separate reporting units for purposes of testing. Based on the Company's evaluation and weighting of the events and circumstances that have occurred since the most recent quantitative test, the Company concluded that it was not more likely than not that each reporting unit's fair value was below its carrying value. Therefore, the Company determined that it was not necessary to perform a quantitative goodwill impairment test for the reporting units in 2017.

Acquired intangible assets were specifically identified when acquired, and are deemed to have finite lives. The gross carrying amount and accumulated amortization for Teradata's acquired intangible assets were as follows:

		December 31, 2017		December 31, 2016	
in millions	**Amortization Life** (in Years)	**Gross Carrying Amount**	**Accumulated Amortization and Currency Translation Adjustments**	Gross Carrying Amount	Accumulated Amortization and Currency Translation Adjustments
Acquired intangible assets					
Intellectual property/developed technology	1 to 7	**$43**	**$(20)**	$71	$(61)
Trademarks/trade names	5	–	–	1	(1)
In-process research and development	5	–	–	5	(4)
Total		**$43**	**$(20)**	$77	$(66)

During 2017, the Company recorded additional intangibles of $18 million, for intellectual property related to an immaterial acquisition that occurred during the period. The gross carrying amount of acquired intangibles was reduced by certain intangible assets previously acquired that became fully amortized and were removed from the balance sheet.

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

	Actual			For the years ended (estimated)				
in millions	2015	2016	**2017**	2018	2019	2020	2021	2022
Amortization expense	$40	$10	**$8**	$7	$6	$4	$4	$2

NOTE 4: Income Taxes

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

in millions	**2017**	2016	2015
Income (loss) before income taxes			
United States	**$(26)**	$ 93	$(88)
Foreign	**84**	128	(56)
Total income (loss) before income taxes	**$ 58**	$221	$(144)

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

in millions	**2017**	2016	2015
Income tax expense			
Current			
Federal	**$ 132**	$ 67	$ 74
State and local	**2**	7	9
Foreign	**25**	25	26
Deferred			
Federal	**(22)**	7	(19)
State and local	**(4)**	1	(3)
Foreign	**(8)**	(11)	(17)
Total income tax expense	**$ 125**	$ 96	$ 70
Effective income tax rate	**215.5%**	43.4%	(48.6%)

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	**2017**	2016	2015
Income tax expense at the U.S. federal tax rate	**35.0%**	35.0%	35.0%
Foreign income tax differential	**(18.0%)**	(13.2%)	14.0%
State and local income taxes	**(11.0%)**	0.2%	0.5%
U.S. permanent book/tax differences	**(12.0%)**	(0.1%)	3.1%
Change in valuation allowance for California R&D credit	**10.0%**	0.8%	(3.4%)
U.S. manufacturing deduction permanent difference	**(8.0%)**	(3.5%)	5.5%
Goodwill impairment	**–%**	8.9%	(100.1%)
Tax impact of sale of marketing applications business	**–%**	9.9%	–%
Impact of excess tax benefits and tax deficiencies	**–%**	2.2%	–%
Tax impact of U.S. tax law change - IRC Section 987	**–%**	3.5%	–%
Deferred tax impact from U.S. rate change	**(27.0%)**	–%	–%
Tax impact of transition Tax- U.S. tax reform	**250.0%**	–%	–%
Other, net	**(3.5%)**	(0.3%)	(3.2%)
Effective income tax rate	**215.5%**	43.4%	(48.6%)

The 2017 effective tax rate was impacted by the Tax Act, which was signed into law on December 22, 2017, making significant changes to the U.S. Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a modified territorial tax system, and a one-time transition tax on the mandatory deemed repatriation of cumulative

foreign earnings as of December 31, 2017. On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act.

In accordance with SAB 118, the Company has determined its best estimate of the impact of the Tax Act in its year-end income tax provision in accordance with its understanding of the Tax Act and guidance available as of the date of this filing and has recorded $126 million as additional income tax expense in the fourth quarter of 2017. The provisional amount related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings was $145 million of tax expense based on cumulative foreign earnings of $1.3 billion, which the Company expects to pay over an 8-year period. In addition, a tax benefit of $19 million was recorded, a majority of which related to the re-measurement of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. The ultimate impact may differ materially from these provisional amounts, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the Tax Act.

The 2016 effective tax rate was impacted by the $57 million of goodwill impairment charges recorded in the first quarter of 2016, all of which was treated as a permanent, non-deductible tax item. In addition, a discrete tax charge of $22 million was recorded in the third quarter of 2016 related to the tax impact of the sale of the marketing applications business, which occurred on July 1, 2016. In the fourth quarter of 2016, the Company recorded $8 million of tax expense associated with the issuance of new U.S. Treasury Regulations under Internal Revenue Code Section 987 on December 7, 2016, which clarified how companies calculate foreign currency translation gains and losses for income tax purposes for branches whose accounting records are kept in a currency other than the currency of the Company. Also in the fourth quarter of 2016, the Company elected to early adopt Accounting Standards Update 2016-09, Improvements to Employee Share-based Payment Accounting. As a result, the Company incurred a $5 million discrete tax expense associated with the net shortfall arising from 2016 equity compensation vesting and exercises.

The 2015 effective tax rate was impacted by the $437 million of goodwill impairment charges recorded for 2015, of which $414 million was treated as a permanent non-deductible tax item. This resulted in full-year income tax expense in 2015 of $70 million, on a pre-tax net loss of $(144) million, causing a negative tax rate of (48.6%).

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

in millions	**2017**	2016
Deferred income tax assets		
Employee pensions and other liabilities	**$ 50**	$ 59
Other balance sheet reserves and allowances	**13**	18
Tax loss and credit carryforwards	**59**	53
Deferred revenue	**3**	3
Other	**2**	–
Total deferred income tax assets	**127**	133
Valuation allowance	**(32)**	(26)
Net deferred income tax assets	**95**	107
Deferred income tax liabilities		
Intangibles and capitalized software	**30**	63
Property and equipment	**12**	22
Other	**–**	6
Total deferred income tax liabilities	**42**	91
Total net deferred income tax assets	**$ 53**	$ 16

As of December 31, 2017, Teradata has net operating loss ("NOL") and tax credit carryforwards totaling $59 million (tax effected and before any valuation allowance offset and application of recognition criteria for uncertain tax positions). Of the total tax carryforwards, $15 million are NOL's in the U.S. and certain foreign jurisdictions, a small portion of which will begin to expire in 2019 and $44 million are California R&D tax credits that have an indefinite carryforward period (which has a $32 million valuation allowance offset recorded).

Prior to the enactment of the Tax Act, the Company had not provided for taxes on the undistributed earnings of its foreign subsidiaries as the Company either reinvested or intended to reinvest those earnings outside of the U.S. As a result of the 2017 Tax Act, the Company has changed its indefinite reinvestment assertion related to foreign earnings that have been taxed in the U.S. and now considers a majority of these earnings no longer indefinitely reinvested. As a result of U.S. tax reform legislation, distributions of profits from non-U.S. subsidiaries are not expected to cause a significant U.S. tax impact in the future. However, these distributions may be subject to non-U.S. withholding taxes if profits are distributed from certain jurisdictions. The Company has not recorded any provisional foreign or state tax expense with respect to earnings which have been subject to federal income tax as they either would not be taxable upon remittance or they are considered permanently reinvested. Additional information and analysis are needed to determine the final amount of deferred tax liability considering factors such as whether non-U.S. entities are subject to withholding taxes, have reserve requirements, or have projected working capital and other capital needs in the country where the earnings were generated that would result in a decision to indefinitely reinvest a portion or all their earnings. The Company will disclose any future impact, if any, in the reporting period in which the accounting is completed, which will not exceed one year from the date of enactment of the Tax Act in accordance with SAB 118.

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.

As of December 31, 2017, the Company's uncertain tax positions totaled approximately $28 million, of which $2 million is reflected in current taxes payable as it is anticipated the liability will be settled within the next twelve months, and $14 million is reflected in the other liabilities section of the Company's balance sheet as a non-current liability. The remaining balance of $12 million of uncertain tax positions relates to certain tax attributes both generated by the Company and acquired in various acquisitions, which are netted against the underlying deferred tax assets recorded on the balance sheet. The entire balance of $28 million in uncertain tax positions would cause a decrease in the effective income tax rate upon recognition. Teradata has recorded $2 million of interest accruals related to its uncertain tax liabilities as of December 31, 2017.

Below is a roll-forward of the Company's liability related to uncertain tax positions at December 31:

in millions	**2017**	2016
Balance at January 1	**$30**	$38
Gross decreases for prior period tax positions	**(1)**	(7)
Gross increases for current period tax positions	**3**	3
Decreases due to the lapse of applicable statute of limitations	(4)	(4)
Balance at December 31	**$28**	$30

The Company and its subsidiaries file income tax returns in the U.S. and various state jurisdictions, as well as numerous foreign jurisdictions. As of December 31, 2017, the Company has ongoing tax audits in a limited number of state and foreign jurisdictions. However, no material adjustments have been proposed or made in any of these examinations to date, which would result in any incremental income tax expense in future periods to the Company. The Company's tax returns for years 2014-2017 are still open for assessment by tax authorities in its major jurisdictions.

NOTE 5: Employee Stock-based Compensation Plans

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

in millions	**2017**	2016	2015
Stock options	**$ 9**	$ 9	$ 12
Restricted shares	**56**	51	41
Employee share repurchase program	**3**	2	3
Total stock-based compensation before income taxes	**68**	62	56
Tax benefit	**(21)**	(13)	(17)
Total stock-based compensation, net of tax	**$ 47**	$ 49	$ 39

The Teradata Corporation 2007 Stock Incentive Plan (the "2007 SIP"), as amended, and the Teradata 2012 Stock Incentive Plan (the "2012 SIP") provide for the grant of several different forms of stock-based compensation. The 2012 SIP was adopted and approved by stockholders in April 2012 and no further awards may be made under the 2007 SIP after that time. A total of approximately 17.5 million shares were authorized to be issued under the 2012 SIP. New shares of the Company's common stock are issued as a result of the vesting of restricted share units and stock option exercises, and at the time of grant for restricted shares, for awards under both plans.

As of December 31, 2017, the Company's primary types of stock-based compensation were stock options, restricted shares, restricted share units and the employee stock purchase program (the "ESPP").

Stock Options

The Compensation and Human Resource Committee of Teradata's Board of Directors has discretion to determine the material terms and conditions of option awards under both the 2007 SIP and the 2012 SIP (collectively, the "Teradata SIP"), provided that (i) the exercise price must be no less than the fair market value of Teradata common stock (as defined in both plans) on the date of grant, and (ii) the term must be no longer than ten years. Option grants generally have a four-year vesting period.

The weighted-average fair value of options granted for Teradata equity awards was $11.08 in 2017, $10.68 in 2016 and $11.37 in 2015. The fair value of each option award on the grant date was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2017	2016	2015
Dividend yield	**–%**	–%	–%
Risk-free interest rate	**1.99%**	2.08%	1.76%
Expected volatility	**35.0%**	35.2%	34.4%
Expected term (years)	**6.3**	6.3	6.3

The following table summarizes the Company's stock option activity for the year ended December 31, 2017:

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, 2017	**6,509**	**$36.22**	**5.3**	**$ 8**
Granted	**10**	**$29.04**		
Exercised	**(746)**	**$25.28**		
Canceled	**(153)**	**$46.56**		
Forfeited	**(247)**	**$32.97**		
Outstanding at December 31, 2017	**5,373**	**$ 37.63**	**4.5**	**$30**
Fully vested and expected to vest at December 31, 2017	**5,373**	**$ 37.63**	**4.5**	**$30**
Exercisable at December 31, 2017	**4,220**	**$39.60**	**3.4**	**$21**

The following table summarizes the total intrinsic value of options exercised and the cash received by the Company from option exercises under all share-based payment arrangements at December 31:

in millions	**2017**	2016	2015
Intrinsic value of options exercised	**$ 6**	$13	$8
Cash received from option exercises	**$19**	$18	$9
Tax benefit realized from option exercises	**$ 2**	$ 5	$3

As of December 31, 2017, there was $13 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 2.4 years.

Restricted Shares and Restricted Share Units

The Teradata SIP provides for the issuance of restricted shares, as well as restricted share units. These grants consist of both service-based and performance-based awards. Service-based awards typically vest over a three-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 share 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 share units does not have the rights of a stockholder and is subject to restrictions on transferability and risk of forfeiture. For both restricted share grants and restricted share units, any potential dividend rights would be subject to the same vesting requirements as the underlying equity award. As a result, such rights are considered a contingent transfer of value and consequently these equity awards are not considered participating securities. Performance-based grants are subject to future performance measurements over a one-to four-year period. All performance-based shares that are earned in respect of an award will become vested at the end of the performance and/or service period provided the employee is continuously employed by the Company and applicable performance measures and other vesting conditions 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 shares and restricted share unit activity during the year ended December 31, 2017:

shares in thousands	**Number of Shares**	**Weighted-Average Grant Date Fair Value per Share**
Unvested shares at January 1, 2017	**4,042**	**$31.57**
Granted	**2,044**	**$34.88**
Vested	**(1,487)**	**$33.55**
Forfeited/canceled	**(373)**	**$29.05**
Unvested shares at December 31, 2017	**4,226**	**$32.76**

The following table summarizes the weighted-average fair value of restricted share units granted for Teradata equity awards and the total fair value of shares vested.

	2017	2016	2015
Weighted-average fair value of restricted share units granted	**$34.88**	$26.61	$32.82
Total fair value of shares vested (in millions)	**$ 50**	$ 61	$ 45

As of December 31, 2017, there was $98 million of unrecognized compensation cost related to unvested restricted share grants. The unrecognized compensation cost is expected to be recognized over a remaining weighted-average period of 2.4 years.

The following table represents the composition of Teradata restricted share unit grants in 2017:

shares in thousands	**Number of Shares**	**Weighted-Average Grant Date Fair Value**
Service-based shares	**1,736**	**$36.33**
Performance-based shares	**308**	**$26.68**
Total stock grants	**2,044**	**$34.88**

Performance-based share units granted as part of our long-term incentive program for certain corporate officers and key executives will be earned based on Teradata's total shareholder return ("TSR") over a three-year performance period relative to the other companies in the S&P 1500 Technology Index. The number of shares issued, as a percentage of the amount subject to the performance share award, could range from 0% to 200%. The grant date fair value of the non-vested performance-based awards was determined using a Monte Carlo simulation model, which utilized multiple input variables that determined the probability of satisfying the market condition requirements applicable to each award. The compensation expense for the award will be recognized if the requisite service is rendered, regardless of whether the market conditions are achieved.

Employee Stock Purchase Program

The Company's ESPP, effective on October 1, 2007, and as amended effective as of January 1, 2013, 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 was 15% of the average market price and is considered compensatory.

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, with approximately 0.2 million shares remaining under that authorization at December 31, 2017. The shares of Teradata common stock purchased by a participant on an exercise date (the last day of each month), for all purposes, are deemed to have been issued and sold at the close of business on such exercise date. Prior to that time, none of the rights or privileges of a stockholder exists with respect to such shares. Employee purchases and aggregate cost were as follows at December 31:

in millions	**2017**	2016	2015
Employee share purchases	**0.6**	0.6	0.5
Aggregate cost	**$ 15**	$ 13	$ 17

NOTE 6: Employee Benefit Plans

Pension and Postemployment Plans. Teradata currently sponsors defined benefit pension plans for certain of its international employees. For those international pension plans for which the Company holds asset balances, those assets are primarily invested in common/collective trust funds (which include publicly traded common stocks, corporate and government debt securities, real estate indirect investments, cash or cash equivalents) and insurance contracts.

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.

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

	2017		2016		2015	
in millions	**Pension**	**Postemployment**	Pension	Postemployment	Pension	Postemployment
Service cost	**$ 9**	**$ 7**	$ 8	$6	$ 8	$6
Interest cost	**3**	**1**	3	1	3	1
Expected return on plan assets	**(2)**	**–**	(2)	–	(2)	–
Settlement charge	**–**	**–**	1	–	1	–
Amortization of actuarial loss	**1**	**2**	1	1	2	–
Amortization of prior service (credit) cost	**(1)**	**1**	–	2	–	–
Divestiture	**–**	**–**	(2)	(1)	–	–
Total costs	**$10**	**$11**	$ 9	$9	$12	$7

The underfunded amount of pension and postemployment obligations is recorded as a liability in the Company's 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:

	Pension		Postemployment	
in millions	**2017**	2016	**2017**	2016
Change in benefit obligation				
Benefit obligation at January 1	**$120**	$115	**$ 42**	$ 49
Service cost	**9**	8	**7**	6
Interest cost	**3**	3	**1**	1
Plan participant contributions	**1**	1	**–**	–
Actuarial (gain) loss	**(3)**	5	**12**	12
Benefits paid	**(4)**	(8)	**(15)**	(20)
Currency translation adjustments	**10**	(2)	**–**	(1)
Divestiture	**–**	(2)	**–**	(5)
Benefit obligation at December 31	**$136**	$120	**$ 47**	$ 42
Change in plan assets				
Fair value of plan assets at January 1	**$ 64**	$ 63	**$ –**	$ –
Actual return on plan assets	**5**	2	**–**	–
Company contributions	**5**	6	**–**	–
Benefits paid	**(4)**	(8)	**–**	–
Currency translation adjustments	**4**	–	**–**	–
Plan participant contribution	**1**	1	**–**	–
Fair value of plan assets at December 31	**75**	64	**–**	–
Funded status (underfunded)	**$ (61)**	$ (56)	**$(47)**	$(42)
Amounts Recognized in the Balance Sheet				
Non-current assets	**$ 10**	$ 5	**$ –**	$ –
Current liabilities	**(2)**	(1)	**(7)**	(6)
Non-current liabilities	**(69)**	(60)	**(40)**	(36)
Net amounts recognized	**$ (61)**	$ (56)	**$(47)**	$(42)
Amounts Recognized in Accumulated Other Comprehensive (Loss) Income				
Unrecognized Net actuarial loss	**$ 15**	$ 21	**$ 37**	$ 26
Unrecognized Prior service (credit) cost	**(1)**	(1)	**3**	4
Total	**$ 14**	$ 20	**$ 40**	$ 30

The following table presents the accumulated pension benefit obligation at December 31:

in millions	**2017**	2016
Accumulated pension benefit obligation	**$125**	$110

The following table presents pension plans with accumulated benefit obligations in excess of plan assets at December 31:

in millions	**2017**	2016
Projected benefit obligation	**$69**	$60
Accumulated benefit obligation	**$63**	$53
Fair value of plan assets	**$ –**	$ –

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

	Pension		Postemployment	
in millions	**2017**	2016	**2017**	2016
Actuarial (gain) loss arising during the year	**$(7)**	$5	**$13**	$4
Amortization of loss included in net periodic benefit cost	**(1)**	(1)	**(2)**	(1)
Prior service (credit) cost arising during the year	**–**	–	**(1)**	2
Recognition of loss due to settlement	**–**	(1)	**–**	–
Foreign currency exchange	**2**	(1)	**–**	–
Total recognized in other comprehensive (loss) income	**$(6)**	$2	**$10**	$5

The following table presents the amounts in accumulated other comprehensive loss expected to be recognized as components of net periodic benefit cost during 2018:

in millions	Pension	Postemployment
Net loss to be recognized in other comprehensive income	$1	$4

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

	Pension Benefit Obligations		Pension Benefit Cost		
	2017	2016	**2017**	2016	2015
Discount rate	**2.1%**	2.0%	**2.0%**	2.4%	2.3%
Rate of compensation increase	**3.3%**	3.3%	**3.3%**	3.2%	3.3%
Expected return on plan assets	**N/A**	N/A	**2.9%**	3.0%	3.3%

	Postemployment Benefit Obligations		Postemployment Benefit Cost		
	2017	2016	**2017**	2016	2015
Discount rate	**2.6%**	3.4%	**2.6%**	3.4%	3.5%
Rate of compensation increase	**3.0%**	3.0%	**3.0%**	3.0%	3.0%
Involuntary turnover rate	**2.3%**	2.0%	**2.3%**	2.0%	1.3%

The Company determines the expected return on assets based on individual plan asset allocations, historical capital market returns, and long-term interest rate assumptions, with input from its actuaries, investment managers, and independent investment advisors. The company emphasizes long-term expectations in its evaluation of return factors, discounting or ignoring short-term market fluctuations. Expected asset returns are reviewed annually, but are generally modified only when asset allocation strategies change or long-term economic trends are identified.

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. The discount rate used for countries with individually insignificant benefit obligation at year-end was derived by matching the plans' expected future cash flows to the corresponding yields from the Citigroup Pension Liability Index. This yield curve has been constructed to represent the available yields on high-quality fixed-income investments across a broad range of future maturities.

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 of plan assets or the projected benefit obligation of each respective plan.

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

	Actual Asset Allocation as of December 31		Target Asset Allocation
	2017	2016	
Equity securities	**32%**	32%	31%
Debt securities	**41%**	42%	47%
Insurance (annuity) contracts	**17%**	17%	16%
Real-estate	**8%**	7%	3%
Other	**2%**	2%	3%
Total	**100%**	100%	100%

Fair Value. Fair value measurements are established utilizing a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers are more fully described in Note 9.

The following is a description of the valuation methodologies used for pension assets as of December 31, 2017.

Common/collective trust funds (which include money market funds, equity funds, bond funds, real-estate indirect investments, etc.): Valued at the net asset value ("NAV") of shares held by the Plan at year end, as reported to the Plan by the trustee, which represents the fair value of shares held by the Plan. Because the NAV of the shares held in the common/collective trust funds are derived by the value of the underlying investments, the Company has classified these underlying investments as Level 2 fair value measurements.

Insurance contracts: Valued by discounting the related future benefit payments using a current year-end market discount rate, which represents the fair value of the insurance contract. The Company has classified these contracts as Level 3 assets for fair value measurement purposes.

The following table sets forth by level, within the fair value hierarchy, the pension plan assets at fair value as of December 31, 2017:

		Fair Value Measurements at Reporting Date Using		
in millions	**December 31, 2017**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market funds	**$ 2**	**$–**	**$ 2**	**$ –**
Equity funds	**24**	**–**	**24**	**–**
Bond/fixed-income funds	**31**	**–**	**31**	**–**
Real-estate indirect investments	**6**	**–**	**6**	**–**
Insurance contracts	**12**	**–**	**–**	**12**
Total assets at fair value	**$75**	**$–**	**$63**	**$12**

The table below sets forth a summary of changes in the fair value of the pension plan level 3 assets for the year ended December 31, 2017:

in millions	**Insurance Contracts**
Balance as of January 1, 2017	**$11**
Purchases, sales and settlements, net	**1**
Balance as of December 31, 2017	**$12**

The following table sets forth by level, within the fair value hierarchy, the pension plan assets at fair value as of December 31, 2016:

in millions	December 31, 2016	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)
Money market funds	$ 1	$–	$ 1	$ –
Equity funds	21	–	21	–
Bond/fixed-income funds	27	–	27	–
Real-estate indirect investments	4	–	4	–
Insurance contracts	11	–	–	11
Total assets at fair value	$64	$–	$53	$11

The table below sets forth a summary of changes in the fair value of the pension plan level 3 assets for the year ended December 31, 2016:

in millions	Insurance Contracts
Balance as of January 1, 2016	$10
Purchases, sales and settlements, net	1
December 31, 2016	$11

Investment Strategy. Teradata employs several investment strategies across its various international pension plans. In some countries, particularly where Teradata does not have a large employee base, the Company may use insurance (annuity) contracts to satisfy its future pension payment obligations, whereby the Company makes pension plan contributions to an insurance company in exchange for which the pension plan benefits will be paid when the members reach a specified retirement age or on earlier exit of members from the plan. In other countries, the Company may employ local asset managers to manage investment portfolios according to the investment policies and guidelines established by the Company, and with consideration to individual plan liability structure and local market environment and risk tolerances. The Company's investment policies and guidelines primarily emphasize diversification across and within asset classes to maximize long-term returns subject to prudent levels of risk, with the overall objective of enabling the plans to meet their future obligations. 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 diversified across 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.

Cash Flows Related to Employee Benefit Plans

Cash Contributions. In 2018, the Company expects to contribute approximately $6 million to the international pension plans.

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

in millions	Pension Benefits	Postemployment Benefits
Year		
2018	$ 5	$ 7
2019	$ 5	$ 6
2020	$ 5	$ 6
2021	$ 6	$ 6
2022	$ 6	$ 6
2023 - 2027	$34	$24

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 following table identifies the expense for the U.S. and International subsidiary savings plans for the years ended December 31:

in millions	**2017**	2016	2015
U.S. savings plan	**$21**	$19	$22
International subsidiary savings plans	**$17**	$16	$18

NOTE 7: Derivative Instruments and Hedging Activities

As a portion of the Company's operations and revenue occur outside the U.S. and in currencies other than the U.S. dollar, the Company is exposed to potential gains and 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 predominantly from foreign currency denominated inter-company receivables and payables. The forward contracts are designated as fair value hedges of specified foreign currency denominated inter-company receivables and payables and generally mature in three months or less. The Company does not hold or issue derivative 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 applicable contracts.

All derivatives are recognized in the Consolidated Balance Sheets 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.

The following table identifies the contract notional amount of the Company's foreign exchange forward contracts at December 31:

in millions	**2017**	2016
Contract notional amount of foreign exchange forward contracts	**$147**	$156
Net contract notional amount of foreign exchange forward contracts	**$ 23**	$ 16

The fair value derivative assets and liabilities recorded in other current assets and accrued liabilities at December 31, 2017 and 2016, were not material.

Gains and losses from the Company's fair value hedges (foreign currency forward contracts and related hedged items) were immaterial for the years ended December 31, 2017, 2016 and 2015. Gains and losses from foreign exchange forward contracts are fully recognized each period and reported along with the offsetting gain or loss of the related hedged item, either in cost of products or in other income, depending on the nature of the related hedged item.

NOTE 8: Commitments and Contingencies

In the normal course of business, the Company is subject to proceedings, lawsuits, governmental investigations, 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.

As first disclosed in the Company's Form 10-Q for the second quarter of 2017, through internal processes, the Company discovered certain questionable expenditures for travel, gifts and other expenses at one of its international subsidiaries doing business in a single foreign country, Turkey. Teradata promptly initiated an internal investigation into the matter, with the assistance of outside counsel and forensic accountants, to determine whether the expenditures may have violated the U.S. Foreign Corrupt Practices Act ("FCPA") or other potentially applicable anti-corruption laws. In February 2017, the Company voluntarily contacted the SEC and the U.S. Department of Justice ("DOJ") to alert them to the relevant events and the Company's internal investigation. Teradata has fully cooperated with the government regarding the status of the Company's internal investigation and findings, including remedial actions and terminations.

On January 16, 2018, the SEC advised that its staff will not recommend any enforcement action by the SEC against Teradata and that its investigation into this matter is closed. On February 20, 2018, the DOJ also advised the Company that it will not take any enforcement action and that its investigation into this matter is closed.

Guarantees and Product Warranties.
Guarantees associated with the Company's business activities are reviewed for appropriateness and impact to the Company's financial statements. Periodically, the Company's customers enter into various leasing arrangements coordinated with a leasing company. In some instances, the Company guarantees the leasing company a minimum value at the end of the lease term on the leased equipment. As of December 31, 2017, 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.

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

in millions	**2017**	2016	2015
Beginning balance at January 1	**$ 5**	$ 6	$ 7
Accruals for warranties issued	**6**	8	9
Settlements (in cash or kind)	**(7)**	(9)	(10)
Balance at end of period	**$ 4**	$ 5	$ 6

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. Costs associated with maintenance support are expensed as incurred. 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 indemnification obligations under its charter and bylaws to its officers and directors, and 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 divesture activities that include indemnification obligations by the Company, including the sale of the marketing applications business. The fair value of these indemnification obligations is typically 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. As such, the Company has generally not recorded a liability in connection with these indemnification arrangements. 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.

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 under non-cancelable leases as of December 31, 2017, for the following fiscal years were:

in millions	Total Amounts	2018	2019	2020	2021	2022 and Thereafter
Operating lease obligations	$ 81	$27	$20	$16	$8	$10
Sublease rentals	(14)	(6)	(5)	(3)	–	–
Total committed operating leases less sublease rentals	$ 67	$21	$15	$13	$8	$10

The following table represents the Company's actual rental expense and sublease rental income for the years ended December 31:

in millions	**2017**	2016	2015
Rental expense	**$24**	$24	$26
Sublease rental income	**$ 5**	$ 3	$ 3

The Company had no contingent rentals for these periods.

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, 2017 and 2016.

The Company is also potentially subject to concentrations of supplier risk. Our hardware components are assembled exclusively by Flex Ltd. ("Flex"). Flex procures a wide variety of components used in the manufacturing process on our behalf. Although many of these components are available from multiple sources, Teradata 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 Flex and to source certain components from single suppliers, a disruption in production at Flex or at a supplier could impact the timing of customer shipments and/or Teradata's operating results. In addition, a significant change in the forecasts to any of these preferred suppliers could result in purchase obligations or components that may be in excess of demand.

NOTE 9: Fair Value Measurements

Fair value measurements are established utilizing 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 significant other observable inputs, such as 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.

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, specifically market spot and forward exchange rates. 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 fair value derivative assets and liabilities recorded in other current assets and accrued liabilities at December 31, 2017 and 2016, were not material. Any realized gains or losses would be mitigated by corresponding gains or losses on the underlying exposures. Further information on the Company's use of forward foreign exchange contracts is included in Note 7.

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

		Fair Value Measurements at Reporting Date Using		
in millions	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds at December 31, 2017	**$501**	**$501**	**$–**	**$–**
Money market funds at December 31, 2016	$473	$473	$–	$–

NOTE 10: Debt

Teradata's $600 million term loan is payable in quarterly installments, which commenced on March 31, 2016, with all remaining principal due in March 2020. The outstanding principal amount under the term loan agreement bears interest at a floating rate based upon a negotiated base rate or a Eurodollar rate plus a margin based on the leverage ratio of the Company.

As of December 31, 2017, the term loan principal outstanding was $540 million and carried an interest rate of 3.375%. Unamortized deferred issuance costs of approximately $1 million are being amortized over the five-year term of the loan. The Company was in compliance with all covenants as of December 31, 2017.

Annual contractual maturities of outstanding principal on the term loan at December 31, 2017, are as follows:

in millions	
2018	$ 60
2019	68
2020	412
Total	$540

The following table presents interest expense on borrowings for the years ended December 31:

in millions	**2017**	2016	2015
Interest expense	**$15**	$12	$9

Teradata's term loan is recognized on the Company's balance sheet at its unpaid principal balance, and is not subject to fair value measurement. However, given that the loan carries a variable rate, the Company estimates that the unpaid principal balance of the term loan would approximate its fair value. If measured at fair value in the financial statements, the Company's term loan would be classified as Level 2 in the fair value hierarchy.

Teradata's revolving credit facility (the "Credit Facility") has a borrowing capacity of $400 million. The Credit Facility ends on March 25, 2020 at which point any remaining outstanding borrowings would be due for repayment unless extended by agreement of the parties for up to two additional one-year periods. The interest rate charged on borrowings pursuant to the Credit Facility can vary depending on the interest rate option the Company chooses to utilize and the Company's leverage

ratio at the time of the borrowing. In the near term, Teradata would anticipate choosing a floating rate based on the London Interbank Offered Rate ("LIBOR"). The Credit Facility is unsecured and contains certain representations and warranties, conditions, affirmative, negative and financial covenants, and events of default customary for such facilities.

As of December 31, 2017, the Company had $240 million in borrowings outstanding under the Credit Facility, which carried an interest rate of 5.0%, leaving $160 million in additional borrowing capacity available. Unamortized deferred costs on the original credit facility and new lender fees of approximately $1 million are being amortized over the five-year term of the credit facility. The Company was in compliance with all covenants as of December 31, 2017.

NOTE 11: Segment, Other Supplemental Information and Concentrations

Effective July 1, 2016, following the sale of the marketing applications business, Teradata is managing its business in two operating segments: (1) Americas region (North America and Latin America); and (2) International region (Europe, Middle East, Africa, Asia Pacific and Japan). For purposes of discussing results by segment, management excludes the impact of certain items, consistent with how management evaluates the performance of each segment. This format is useful to investors because it allows analysis and comparability of operating trends. It also includes the same information that is used by Teradata management to make decisions regarding the segments and to assess financial performance. The chief operating decision maker evaluates the performance of the segments based on revenue and multiple profit measures, including segment gross profit. For management reporting purposes assets are not allocated to the segments.

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

in millions	**2017**	2016	2015
Segment revenue			
Americas Data and Analytics	**$1,195**	$1,334	$1,470
International Data and Analytics	**961**	919	907
Total Data and Analytics	**2,156**	2,253	2,377
Marketing Applications	**–**	69	153
Total revenue	**2,156**	2,322	2,530
Segment gross profit			
Americas Data and Analytics	**676**	796	871
International Data and Analytics	**434**	445	452
Total Data and Analytics	**1,110**	1,241	1,323
Marketing Application	**–**	34	63
Total segment gross profit	**1,110**	1,275	1,386
Stock-based compensation expense	**13**	14	13
Amortization of acquisition-related intangible assets	**1**	2	16
Acquisition, integration and reorganization-related costs	**6**	9	11
Amortization of capitalized software costs	**68**	62	70
Selling, general and administrative expenses	**652**	664	765
Research and development expenses	**306**	212	228
Impairment of goodwill, acquired intangibles and other assets	**–**	80	478
Total income (loss) from operations	**$ 64**	$ 232	$ (195)

Prior period segment information has been reclassified to conform to the current period presentation. Certain items, including amortization of certain capitalized software costs, were excluded from segment gross profit to conform to the way the Company manages and reviews the results by segment.

The following table presents a further disaggregation of revenue for the Company for the years ended December 31:

in millions	**2017**	2016	2015
Recurring revenue	**$1,047**	$ 978	$ 956
Perpetual licenses and hardware	**429**	600	752
Consulting services	**680**	675	669
Marketing applications	**–**	69	153
Total revenue	**$2,156**	$2,322	$2,530

Recurring revenue is intended to depict the over-time revenue recognition model for these revenue streams. The recurrence of these revenue streams in future periods depends on a number of factors including contractual term periods and customers' renewal decisions.

The following table presents revenues by geographic area for the years ended December 31:

in millions	**2017**	2016	2015
United States	**$1,089**	$1,246	$1,428
Americas (excluding United States)	**107**	123	125
International	**960**	953	977
Total revenue	**$2,156**	$2,322	$2,530

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

in millions	**2017**	2016
United States	**$119**	$113
Americas (excluding United States)	**11**	4
International	**32**	21
Property and equipment, net	**$162**	$138

Concentrations. No single customer accounts for more than 10% of the Company's revenue. As of December 31, 2017, 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's hardware components are assembled exclusively by Flex. In addition, the Company utilizes preferred supplier relationships to better ensure more consistent quality, cost and delivery. There can be no assurances that a disruption in production at Flex or at a supplier would not have a material adverse effect on the Company's operations.

NOTE 12: Business Combinations and Other Investment Activities

During 2017, the Company completed one immaterial business acquisition, which complements and strengthens the Company's research and development department, and released hold-back amounts from prior-year acquisitions for $21 million.

During 2016, the Company completed one immaterial business acquisition, which complements and strengthens the Company's global portfolio, and released hold-back amounts from several prior-year acquisitions for $16 million. The Company also sold the marketing applications business on July 1, 2016 (see Note 15).

During 2015, the Company completed two immaterial business acquisitions for $17 million, which complemented and strengthened the Company's global portfolio. One of the acquisitions pertained to the marketing applications business, which the Company exited on July 1, 2016. In addition, the Company sold two equity investments for $85 million and recognized a gain of $57 million.

NOTE 13: Accumulated Other Comprehensive (Loss) Income

The following table provides information on changes in accumulated other comprehensive (loss) income ("AOCI"), net of tax, for the years ended December 31:

in millions	Available-for-sale securities	Defined benefit plans	Foreign currency translation adjustments	Total AOCI
Balance as of December 31, 2014	$ 31	$(24)	$(11)	$ (4)
Other comprehensive loss before reclassifications	(5)	(8)	(36)	(49)
Amounts reclassified from AOCI	(26)	3	–	(23)
Net other comprehensive loss	(31)	(5)	(36)	(72)
Balance as of December 31, 2015	$ –	$(29)	$(47)	$(76)
Other comprehensive loss before reclassifications	–	(9)	(7)	(16)
Amounts reclassified from AOCI	–	3	–	3
Net other comprehensive loss	–	(6)	(7)	(13)
Balance as of December 31, 2016	$ –	$(35)	$(54)	$(89)
Other comprehensive (loss) income before reclassifications	–	**(5)**	**16**	**11**
Amounts reclassified from AOCI	–	**4**	**-**	**4**
Net other comprehensive (loss) income	–	**(1)**	**16**	**15**
Balance as of December 31, 2017	**$ –**	**$(36)**	**$(38)**	**$(74)**

The following table presents the impact and respective location of AOCI reclassifications in the Consolidated Statements of Income for the years ended December 31:

AOCI Component	Location	2017	2016	2015
in millions				
Defined benefit plans	Cost of services	**$(3)**	$(3)	$ (2)
Defined benefit plans	Selling, general and administrative expenses	**(2)**	(1)	(1)
Available for sale securities	Other income	–	–	42
Tax portion	Income tax benefit (expense)	1	1	(16)
Total reclassifications	Net (loss) income	**$(4)**	$(3)	$23

Further information on the Company's defined benefit plans is included in Note 6.

NOTE 14: Reorganization and Business Transformation

In the fourth quarter of 2015 the Company announced a plan to realign Teradata's business by reducing its cost structure and focusing on the Company's core data and analytics business. This business transformation included exiting the marketing applications business (see Note 15), rationalizing costs, and modifying the Company's go-to-market approach. The Company incurred the following costs related to these actions for the years ended December 31:

in millions	2017	2016	2015
Employee severance and other employee related cost	**$ 2**	$ 14	$ 4
Asset write-downs	**–**	80	140
Professional services, legal and other associated cost	**24**	35	8
Total reorganization and business transformation cost	**$26**	$129	$152

The charges for asset write-downs were for non-cash write-downs of goodwill, acquired intangibles and other assets. In addition to the costs and charges incurred above, the Company made cash payments of less than $1 million in 2017, $20 million in 2016, and $14 million in 2015 for employee severance that did not have a material impact on its Statement of Operations

due to Teradata accounting for its postemployment benefits under Accounting Standards Codification 712, *Compensation - Nonretirement Postemployment Benefits* ("ASC 712"), which uses actuarial estimates and defers the immediate recognition of gains or losses. As of December 31, 2017, the Company does not have any significant liabilities associated with these transformation activities.

NOTE 15: Impairment and Sale of the Marketing Applications Business

The Company reviews goodwill for impairment annually in the fourth quarter and whenever events or changes in circumstances indicate it is more likely than not that the fair value of the reporting unit is less than its carrying amount. During the second quarter of 2015, the Company determined that indicators were present in the marketing applications business which would suggest the fair value may have declined below the carrying value. The indicators were primarily lower than forecasted revenue and profitability levels for 2015 and future periods. Based on our analysis, the implied fair value of goodwill was substantially lower than the carrying value of goodwill. As a result, the Company recorded an impairment charge of $340 million during the second quarter of 2015.

In the fourth quarter of 2015, the Company committed to a plan to exit the marketing applications business. The assets and liabilities for this business, which were included within our marketing applications segment, were classified as held for sale in the fourth quarter of 2015 and, therefore, the corresponding depreciation and amortization expense ceased at that time. The divestiture was not presented as discontinued operations in our consolidated financial statements because it did not have a major effect on the Company's operations and financial results. The Company then performed a goodwill impairment analysis of the business to be disposed of. As a result of this analysis, the Company recognized an additional goodwill impairment of $97 million in the fourth quarter of 2015. In addition, acquired intangible assets were reduced by $41 million to adjust the carrying amount of the disposal group's net assets and liabilities down to its fair value less cost to sell.

On April 22, 2016, the Company entered into a definitive Asset Purchase Agreement (the "Purchase Agreement") with TMA Solutions, L.P., a Cayman Islands exempted limited partnership and affiliate of Marlin Equity Partners ("Marlin Equity"), to sell the marketing applications business for $90 million in cash, subject to a post-closing adjustment for working capital, debt and other metrics. We recognized an impairment of goodwill of $57 million and acquired intangibles of $19 million in the first quarter of 2016 to adjust the carrying value of the net assets of our marketing applications business to fair value less cost to sell.

Prior to the sale that occurred on July 1, 2016, the marketing applications business that was classified as held for sale generated revenue of $69 million and an operating loss of $112 million (which includes loss from impairment of goodwill and acquired intangibles of $76 million) for the six months ended June 30, 2016. For the year ended December 31, 2015, the Company generated revenue of $153 million and an operating loss of $561 million (which includes loss from impairment of goodwill and acquired intangibles of $478 million). The net assets held for sale as of July 1, 2016 were $87 million.

On July 1, 2016, pursuant to the Purchase Agreement, Teradata completed the sale of Teradata's marketing applications business to Marlin Equity. The purchase price received for this business was approximately $92 million in cash, after a post-closing adjustment for working capital, debt and other metrics. Transaction costs and post-closing obligations were approximately $5 million. Upon completion of the divestiture of the held for sale assets in July 2016, no material gain or loss was recognized as the carrying value of the held for sale assets was equal to the purchase price received less costs to sell.

The Company recorded tax expense of approximately $22 million in the third quarter of 2016 related to this transaction. The total tax expense, of which $14 million was cash taxes due to having zero tax basis in goodwill, was calculated based on the amount of proceeds allocated to the various jurisdictions in accordance with the Purchase Agreement at the local statutory rates.

NOTE 16: Quarterly Information (unaudited)

in millions, except per share amounts	First[1]	Second	Third	Fourth[2]
2017				
Total revenues	**$ 491**	**$ 513**	**$ 526**	**$ 626**
Gross profit	**$ 224**	**$ 242**	**$ 250**	**$ 306**
Operating (loss) income	**$ (1)**	**$ (1)**	**$ 7**	**$ 59**
Net (loss) income	**$ (2)**	**$ (4)**	**$ 13**	**$ (74)**
Net (loss) income per share:				
Basic	**$(0.02)**	**$(0.03)**	**$0.11**	**$(0.61)**
Diluted	**$(0.02)**	**$(0.03)**	**$0.10**	**$(0.61)**
2016				
Total revenues	$ 545	$ 599	$ 552	$ 626
Gross profit	$ 269	$ 310	$ 294	$ 315
Operating (loss) income	$ (42)	$ 87	$ 89	$ 98
Net (loss) income	$ (46)	$ 64	$ 49	$ 58
Net (loss) income per share:				
Basic	$(0.36)	$ 0.49	$0.38	$ 0.45
Diluted	$(0.36)	$ 0.49	$0.37	$ 0.44

[1] Loss from operation for the three months ended March 31, 2016 includes goodwill and acquired intangibles impairment charges of $76 million for the marketing application business.

[2] Loss from operations for the three months ended December 31, 2017 includes $126 million tax impact related to 2017 U.S. Tax Reform.

NOTE 17: Subsequent Events

From February 8, 2018 through February 22, 2018, the Company purchased approximately 1.4 million shares for approximately $49 million. As of February 23, 2018, the Company had approximately $462 million of share repurchase authorization remaining under its general share repurchase program.

COMMON STOCK INFORMATION

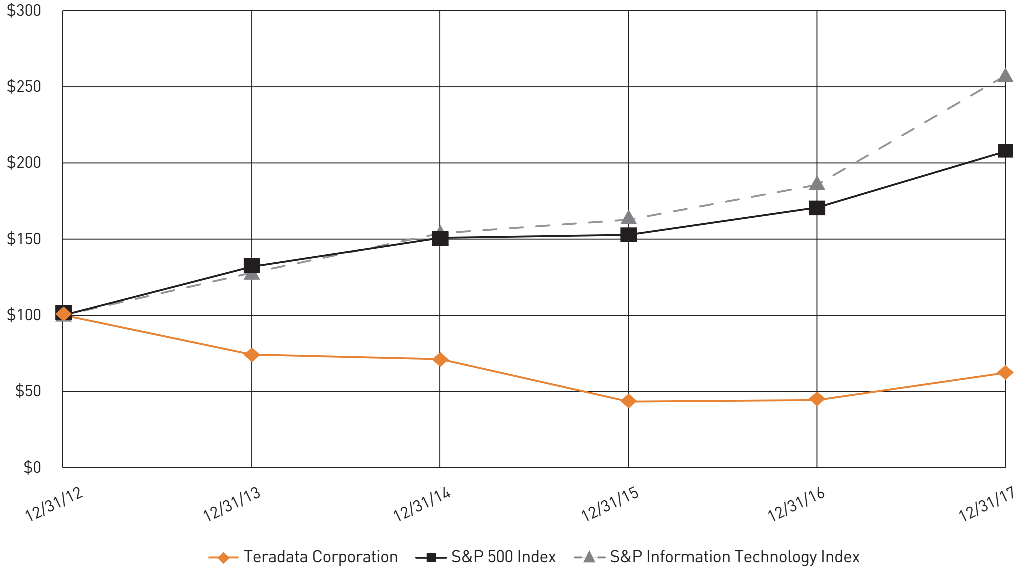
Teradata common stock trades on the New York Stock Exchange under the symbol "TDC." There were approximately 44,625 registered holders of Teradata common stock as of February 8, 2018. The following table presents the high and low closing per share prices of Teradata common stock traded on the New York Stock Exchange during the calendar quarter indicated.

Common Stock Closing Market Price	**High**	**Low**
2017		
Fourth quarter	**$39.20**	**$32.11**
Third quarter	**$33.79**	**$28.38**
Second quarter	**$32.00**	**$27.26**
First quarter	**$32.74**	**$27.58**
2016		
Fourth quarter	$30.63	$26.42
Third quarter	$32.62	$24.78
Second quarter	$29.05	$24.40
First quarter	$27.48	$22.60

Teradata has not paid cash dividends and does not anticipate the payment of cash dividends to holders 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.

TOTAL RETURN TO SHAREHOLDERS

The following graph compares the relative performance of Teradata stock, the Standard & Poor's ("S&P") 500 Stock Index and the S&P Information Technology Index. This graph covers the five-year period from December 31, 2012 to December 31, 2017. In each case, assumes a $100 investment on December 31, 2012, and reinvestment of all dividends, if any.



	As of December 31,					
Company/Index	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Teradata Corporation	$100	**$ 74**	$ 71	$ 43	$ 44	**$ 62**
S&P 500 Index	$100	**$132**	$151	$153	$171	**$208**
S&P Information Technology Index	$100	**$128**	$154	$163	$186	**$258**

SELECTED FINANCIAL DATA

For the Years Ended December 31	2017[1]	2016[2]	2015[3]	2014[4]	2013[5]
in millions, except per share and employee amounts					
Revenue	**$2,156**	$2,322	$2,530	$2,732	$2,692
Income (loss) from operations	**$ 64**	$ 232	$ (195)	$ 503	$ 532
Other (expense) income, net	**$ (6)**	$ (11)	$ 51	$ (9)	$ (24)
Income tax expense	**$ 125**	$ 96	$ 70	$ 127	$ 131
Net (loss) income	**$ (67)**	$ 125	$ (214)	$ 367	$ 377
Net (loss) income per common share					
Basic	**$ (0.53)**	$ 0.96	$ (1.53)	$ 2.36	$ 2.31
Diluted	**$ (0.53)**	$ 0.95	$ (1.53)	$ 2.33	$ 2.27

At December 31	2017	2016	2015	2014	2013
Total assets	**$2,556**	$ 2,413	$ 2,527	$ 3,132	$ 3,096
Debt, including current portion	**$ 780**	$ 570	$ 780	$ 468	$ 274
Total stockholders' equity	**$ 668**	$ 971	$ 849	$ 1,707	$ 1,857
Number of employees	**10,615**	10,093	11,300	11,500	10,800

(1) Includes $38 million ($25 million after-tax) for acquisition-related transaction, integration and reorganization expenses, $8 million ($6 million after-tax) for amortization of acquired intangible assets, $6 million tax impact related to a reversal of TMA uncertain tax positions, and a $126 million tax impact related to 2017 U.S. Tax Reform.

(2) Included 65 million ($41 million after-tax) for acquisition-related transaction, integration and reorganization costs and expenses, $9 million ($6 million after-tax) for amortization of acquired intangible assets, $76 million ($70 million after-tax) for impairment of goodwill and acquired intangibles, $4 million ($3 million after tax) for impairment of other assets, and $8 million of additional tax expense from a change in U.S. tax law.

(3) Includes $31 million ($20 million after-tax) for acquisition-related transaction, integration and reorganization costs and expenses, $39 million ($25 million after-tax) for amortization of acquired intangible assets, $478 million ($457 million after-tax) for impairment of goodwill and acquired intangibles, offset by $57 million ($35 million after-tax) gain on equity investments.

(4) Includes $22 million ($14 million after-tax) for acquisition-related transaction, integration and reorganization costs and expenses, $47 million ($31 million after-tax) for amortization of acquired intangible assets, and $8 million ($6 million after-tax) for expenses related to a net loss on equity investments.

(5) Includes $17 million ($11 million after-tax) for acquisition-related transaction, integration and reorganization costs and expenses, $43 million ($28 million after-tax) for amortization of acquired intangible assets, $22 million ($14 million after-tax) for expenses related to a net loss on equity investments, offset by a $4 million tax credit due to the 2012 U.S. R&D tax credit not being enacted until 2013

CORPORATE INFORMATION

Annual Meeting of Stockholders

Stockholders are invited to attend Teradata's Annual Meeting of Stockholders at 8 a.m. on Tuesday, April 17, 2018, to be held at:
Hotel Nikko San Francisco
222 Mason Street
San Francisco, CA 94102

Stockholder Account Inquiries

Information regarding "registered" stockholder accounts is available from Teradata's stock transfer agent, Computershare Shareholder Services, at https://www-us.computershare.com/investor or by contacting:

Teradata Corporation
c/o Computershare Shareholder Services
P.O. Box 505000
Louisville, KY 40233

E-mail: web.queries@computershare.com

Phone: 888-730-8825 (U.S.)
781-575-4592 (International)

TDD for the hearing impaired:
800-952-9245 (U.S.)
781-575-4592 (International)

Company Information

Information regarding Teradata's filings with the U.S. Securities and Exchange Commission ("SEC"), annual report on Form 10-K, quarterly reports, and other financial information can be accessed at www.teradata.com/investor, or obtained without charge by contacting:

Teradata Investor Relations
10000 Innovation Drive
Dayton, OH 45342
Phone: 937-242-4878
E-mail: investor.relations@teradata.com

CEO and CFO Certifications

In 2017, the company's CEO provided the New York Stock Exchange ("NYSE") with the annual CEO certification regarding Teradata's compliance with the NYSE's corporate governance listing standards. In addition, the company's CEO and CFO filed with the SEC all required certifications regarding the quality of Teradata's public disclosures in its fiscal 2017 periodic reports.

Board of Directors

James M. Ringler
Chairman of the Board
Teradata Corporation

Lisa R. Bacus
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Global Chief Marketing and
Customer Officer
Cigna Corporation

Timothy C.K. Chou
Retired President
Oracle on Demand, a division of
Oracle Corporation

Cary T. Fu
Co-Founder
Benchmark Electronics, Inc.

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Chief Executive Officer
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Michael P. Gianoni
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Officer Blackbaud, Inc.

David E. Kepler
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Chief Sustainability Officer, and
Chief Information Officer
The Dow Chemical Company

Victor L. Lund
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Officer Teradata Corporation

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Founder and Chief Executive
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William S. Stavropoulos
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The Dow Chemical Company

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Chief Executive Officer

Stephen A. Brobst
Chief Technology Officer

Mark A. Culhane
Executive Vice President and
Chief Financial Officer

Daniel L. Harrington
Executive Vice President,
Customer Support and Services

Laura K. Nyquist
General Counsel and Secretary

Oliver G. Ratzesberger
Chief Operating Officer

Eric P. Tom
Executive Vice President and
Chief Revenue Officer

Suzanne C. Zoumaras
Executive Vice President and
Chief Human Resources Officer

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