2015 ANNUAL REPORT

TERADATA®

TDC
LISTED
NYSE

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

BUSINESS OVERVIEW

Teradata is a global leader in analytic data solutions and related services, as well as marketing and analytic applications. Our analytic data solutions comprise software, hardware, and related business consulting and support services for analytics across a company's entire analytical ecosystem. We help customers access and manage data and extract business value and insight from their data. Our applications are designed to leverage data to help customers discover and exploit new insights such as:

- Determining and maximizing customer and product profitability,
- More accurately forecasting consumer demand,
- Creating more predictable and less costly supply chains, and
- Improving organizations' effectiveness in marketing to their customers.

Our consulting services allow customers to maximize use and obtain great value from their analytics and marketing investments. Our services include a broad range of offerings including consulting to help organizations design, optimize and manage their analytic and big data environments, either on-premises or in the cloud. Our value-added consulting services provide expertise in: data architecture services, cloud ("software as a service", "analytics as a service"), private cloud, managed services, and related installation services. In addition to our consulting services we offer a comprehensive set of support services. We serve customers around the world across a broad set of industries, including communications, ecommerce, financial services, government, gaming, healthcare, insurance, manufacturing, media and entertainment, oil and gas, retail, travel and transportation, and utilities - with offerings ranging from small departmental implementations to many of the world's largest analytic data platforms and marketing applications. To meet evolving trends in information management, we provide our offerings on-premises or in the cloud (as a service).

2015 FINANCIAL OVERVIEW

As more fully discussed in later sections of this MD&A, the following are the financial highlights for 2015:

- Revenue decreased 7% in 2015 from 2014 to $2,530 million. The year-over-year revenue comparison was negatively impacted by 5 percentage points from foreign currency fluctuations.
- Gross margin was 50.4% in 2015, down from 54.1% in 2014, which was largely due to foreign exchange impact as well as adverse product and deal mix.
- Operating loss was $(195) million in 2015, down from operating income of $503 million in 2014. The year-over-year decline was largely due to impairments of goodwill and acquired intangibles, as well as by lower revenues, gross margins, and an increase in operating expenses.
- Net loss of $(214) million in 2015 versus $367 million of net income in 2014. Net loss per common share was $(1.53) in 2015 compared to net income per common (diluted) share of $2.33 in 2014. Net loss for 2015 includes a $457 million after-tax impairment loss for goodwill and acquired intangibles, approximately $45 million in after-tax impacts of acquisition-related transaction, integration and reorganization expenses, and amortization of acquired intangible assets, compared to $45 million of such costs and expenses in 2014. Additionally, 2015 net loss includes a $35 million after-tax gain on sale of equity investments and 2014 includes a $6 million after tax loss on equity investments.

STRATEGY OVERVIEW

Teradata empowers data-driven companies to achieve competitive advantage and win in their markets by exploiting data for insight and value. With Teradata's industry-leading analytic data solutions, marketing applications and proven consulting experience and expertise, companies can become more competitive by leveraging insights from data to, among other things, increase revenue and profitability, improve marketing effectiveness, drive innovation, enhance customer relationships, improve business processes and reduce costs.

Our strategy is centered on providing the world's best data solutions to drive competitive advantage for our customers, by focusing on these critical areas:

- Deliver our solutions on-premises or via the cloud (as a service), offering customers choice in how they deploy a Teradata analytics environment and leverage the power of our solutions. These flexible delivery options are designed to extend our market opportunity.
- Expand our analytical ecosystem offerings, including our big data portfolio, that helps organizations architect, integrate data into, and manage their analytic environment. We also focus on enhancing and extending value-added services, including big data consulting, ecosystem architecture consulting and managed services across customers' complex analytical ecosystems.
- Building analytic solutions and providing consulting that creates actionable insights and/or automates decisions that deliver high impact return on investment, by packaging replicable analytical use cases, based on learnings from our top customers, many of which are the leaders and innovators in analytics.
- Optimize our go-to-market approach to improve effectiveness in demand creation and address new and expanded market opportunities, such as with our cloud offerings.
- Continue investing in partnerships to increase the number of solutions available on Teradata platforms, maximize customer value, and increase our market coverage.

We believe that these strategic areas will best position us to be our customers' trusted advisor and partner of choice for architecting, implementing, and managing their analytic solutions.

FUTURE TRENDS

We believe that future demand for our analytic data platforms will increase due to high levels of data growth being driven by new types of data, such as big data and the internet of things, including: machine-generated data, sensor data, data from connected devices, social network data, internet text and search indexing, call detail records, genomics, biological research, medical records, seismic/exploration data, photography and video archives, and large scale e-commerce data.

Analytic environments are becoming more complex to design and manage as there are increasing types of analytic tools and techniques, multiple data management systems both on-premises and in the cloud, varying service level requirements, and the growth and volume of data. This complexity drives the need for an overall architecture to manage such environments. Demand for value-added services is growing as customers seek help with evolving their analytic architectures, rapidly deploying their analytic architectural solutions, and increasingly look to purchase analytic capabilities "as a service".

Overall, analytics are growing in importance as global businesses seek new means to drive business value from the ever-increasing amounts and types of data and as a result, we expect Teradata's leadership position and investments in strategic areas of focus to position us for future growth.

This growth, however, is not expected to be without its challenges from general economic conditions, competitive pressures, alternative technologies, and other risks and uncertainties. Since mid-2012, we have seen a shift in the market and in customers' buying patterns, with respect to large capital investments and related services. Currently, we believe that the greatest challenge for future revenue growth relates to pressures on large capital expenditures.

We believe that a number of factors have contributed to the pressures on large capital expenditures and the resulting slowdown in our revenue growth, including: the evolving information technology market, as customers focus investments in their analytical ecosystems which have lower average selling prices than traditional on-premises integrated data warehouse ("IDW") environments and changing customer behavior as buying decisions are shifting from IT to business users.

Overall, we believe that the IDW will remain a critical part of companies' analytical ecosystems and Teradata's technology is highly differentiated with our ability to handle the concurrency and service level agreements of hundreds to thousands of mission-critical users and applications. Further, we believe the Company has the opportunity for continued revenue growth from both the expansion of our existing customers' analytical ecosystems (through growth in IDW, Teradata private and public cloud, Teradata big data analytics, and our value-added services and solutions) as well as the addition of new customers. Teradata has expanded our offerings as well as our pricing options to make it easier and to provide more flexibility for customers to buy and expand with Teradata including cloud offerings and subscription pricing.

There is risk that pricing and competitive pressures on our solutions could occur in the future as major customers evaluate and rationalize their analytics infrastructure, particularly to the extent that cost becomes a top focus and lower-cost alternatives are more seriously and frequently considered. However, such alternatives generally do not enable companies to perform mission-critical, complex business analytic workloads or provide a Unified Data Architecture to address mission-critical analytics, discovery analytics, and data management such as those enabled by Teradata's offerings. As the market continues to evolve, we could be challenged to generate revenue growth shorter term as customers purchase in smaller deal sizes, and we potentially shift from upfront perpetual licenses to recurring subscription models for both on-premises and cloud offerings.

As described above, we continue to believe that analytics will remain a high priority for companies and longer term will drive growth for Teradata's leading solutions. Moreover, we continue to be committed to new product development and achieving a positive yield from our research and development spending and resources, which are intended to drive future demand. In addition, we will continue to optimize our go-to-market structure and rationalize our cost structure as we work to broaden our product and services portfolios and market reach.

As a portion of the Company's operations and revenue occur outside the United States, and in currencies other than the U.S. dollar, the Company is exposed to fluctuations in foreign currency exchange rates. In 2016, Teradata is expecting approximately two percentage points of adverse impact from currency translation on our reported revenue growth rate and a corresponding currency impact on operating income, based on currency rates as of January 30, 2016.

BUSINESS TRANSFORMATION

During 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. In addition to exiting the majority of our marketing applications business, this plan is intended to lead to a comprehensive transformation of the Company that will place it on a trajectory of meaningful revenue growth, by building on our strengths in high performance data analytics and consulting services, advancing our technology leadership positions, and expanding our market opportunities. This transformation plan addresses the challenges of the analytical ecosystem, cloud, software-only, and open source. It also addresses customers' changing behaviors in how they buy, consume, and deploy analytic solutions.

Our broad-reaching transformation is intended to drive change in four key revenue generating areas and create a more diversified, stable, and predictable revenue stream:

1. **On premises data warehouse** - We plan to make it easier to buy, expand, and seamlessly upgrade data warehouses - through pricing options, software-only, and Teradata Labs innovation. We believe that we have a solid opportunity for revenue growth in this market by growing the portion of IT budgets our existing customers spend on Teradata solutions, and by penetrating the more than 75% of the Global 5000 that do not use Teradata. We expect that our software-only version of Teradata will also allow us to expand with both new and existing customers.
2. **Cloud** - We plan to make our data warehouse available on managed and public cloud, which is intended to expand our data warehouse market opportunity in the Global 5000. We currently expect to deliver our initial software-only version of Teradata on a public cloud during the first part of 2016, and to make our fully scalable version of Teradata available on public clouds in 2017. We are building new services for cloud migration as well as for design and implementation.
3. **Analytical ecosystem** - We plan to continue to add to our software and service offerings that focus on the analytical ecosystem such as with Unity, QueryGrid, and Listener. These offerings help connect and manage the ecosystem and Aster, which helps to extract value from the data.
4. **Value-added services and solutions** - We plan to provide replicable analytical solutions including packaged service offers, use cases, and intellectual property. We believe we have a strong foundation for building repeatable solutions with our logical data models, business improvement opportunities, and use cases. We intend to expand our investments to systematically capture more of these use cases and intellectual property from engagements around the world and to package them for ease of delivery and implementation.

We expect the mix of our revenues to shift toward cloud, analytical ecosystem, and value added services over time, as these are fast growing markets. We believe this shift also will help increase our recurring revenue.

Another central and critical element of Teradata's transformation plan is modifying our go-to-market approach to integrate with our four revenue generating initiatives. We have already begun taking steps to optimize our go-to-market approach for on-premises data warehouse and analytical ecosystem, and we are also exploring new ways to generate additional demand within the Global 5000.

The Company is also engaged in a thorough review of its costs and is taking significant steps to rationalize its expense structure. This broad-based cost rationalization effort includes reducing Teradata's infrastructure costs as it transitions its focus solely to its data and analytics business, optimizes its go-to-market resources and approach, and prioritizes research and development projects based on revenue generation and profitability.

Although we believe the demand for our marketing applications solutions is likely to increase as marketing continues to be transformed by the increased usage of data and analytics, Teradata has concluded it is in the long-term best interests of the Company and its shareholders to exit the marketing applications business in order to exclusively focus on its data and analytics business.

RESULTS FROM OPERATIONS FOR THE YEARS ENDED DECEMBER 31:

Revenue	**2015**	**% of Revenue**	2014	% of Revenue	2013	% of Revenue
in millions						
Product revenue	**$ 1,057**	**41.8%**	$ 1,227	44.9%	$ 1,230	45.7%
Service revenue	**1,473**	**58.2%**	1,505	55.1%	1,462	54.3%
Total revenue	**$2,530**	**100.0%**	$ 2,732	100.0%	$ 2,692	100.0%

Total revenue decreased 7% in 2015 as compared to 2014. The 7% reported revenue decrease included a 5% adverse impact from foreign currency fluctuations. The revenue decline was due primarily to constrained information technology budgets, extended sales cycles, and a reduction in large customer orders, as well as the impact currency translation had on reported revenue growth. Product revenue decreased 14% in 2015 from 2014 primarily due to a decrease in customers' large capital expenditures and foreign currency fluctuations, which had a 5% adverse impact on product revenue. Service revenue decreased 2% in 2015 from 2014, with an underlying 5% decrease in consulting services revenue and 1% increase in maintenance services revenue compared to 2014. Services revenue declined due to foreign currency fluctuations, which had a 6% adverse impact on services revenue.

In 2014, total revenue increased 1% in 2014 as compared to 2013. The 1% reported revenue increase included a 2% adverse impact from foreign currency fluctuations. The general lack of meaningful revenue growth was due primarily to tightly constrained information technology budgets, extended sales cycles, a reduction in large customer orders, as well as the impact currency translation had on reported revenue growth. Product revenue was flat in 2014 from 2013. Service revenue increased 3% in 2014 from 2013, with an underlying 7% increase in maintenance services revenue, as compared to 2013. Consulting services revenue was flat in 2014 compared to 2013.

Gross Margin

The Company often uses specific terms/definitions to describe variances in gross margin. 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 margin even if total revenue remains unchanged.
- **Services Mix -** The proportion of higher-margin maintenance revenue versus lower-margin consulting revenue that generates the total services revenue of the Company.
- **Product Mix -** The proportion of various products that generate the total product revenue of the Company. For example, a higher mix of IDW products versus departmental data mart, Aster, our Extreme Data Appliance or Hadoop products would have a positive impact on product gross margins. This definition 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, typically 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 margin 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-margin hardware revenue versus higher-margin software revenue.
    - **ELA** transactions allow customers to purchase as much software as needed for current production use for a period of time in exchange for a fixed fee that is typically recognized as revenue upfront or as payments become due if the terms of the payments are extended. Additional capacity during the term results in lower-margin hardware revenue versus higher-margin software revenue.

Gross margin for the following years ended December 31:

Gross margin	**2015**	**% of Revenue**	2014	% of Revenue	2013	% of Revenue
in millions						
Product gross margin	**$ 617**	**58.4%**	$ 784	63.9%	$ 797	64.8%
Service gross margin	**659**	**44.7%**	695	46.2%	676	46.2%
Total gross margin	**$1,276**	**50.4%**	$1,479	54.1%	$1,473	54.7%

In 2015, product margin declined 5.5 percentage points due to deal mix (including a higher mix of hardware versus software deals as well as pricing programs that are intended to make it easier to buy Teradata), foreign currency, a lower mix of integrated data warehousing products and a reduction in product volume. Service gross margin declined 1.5 percentage points due to investments in our big data consulting capabilities, the marketing applications business prior to the decision to exit this business, and our Teradata cloud capabilities.

In 2014, product gross margin decreased primarily due to increased amortization of previously capitalized software. Additionally, product gross margins were adversely impacted by product mix and were partially offset by improved deal mix.

Operating Expenses	**2015**	**% of Revenue**	2014	% of Revenue	2013	% of Revenue
in millions						
Selling, general and administrative expenses	**$ 765**	**30.2%**	$ 770	28.2%	$ 757	28.1%
Research and development expenses	**228**	**9.0%**	206	7.5%	184	6.8%
Impairment of goodwill and acquired intangibles	**478**	**18.9%**	–	–%	–	–%
Total operating expenses	**$1,471**	**58.1%**	$ 976	35.7%	$ 941	35.0%

In 2015, selling, general and administrative ("SG&A") expense decreased by $5 million or 1% compared to 2014. The decrease is a result of the change in foreign currency exchange rates, partially offset by increased investments in demand creation resulting from our strategic investment initiatives. Research and development ("R&D") expenses increased $22 million or 11% in 2015 due to additional investments in big data analytics, cloud and marketing applications, which includes incremental expenses for our recent acquisitions. The increase in R&D expense was also caused by a decrease in capitalized software of $7 million compared to 2014.

In 2014, SG&A increased by $13 million or 2% compared to 2013. R&D expenses increased $22 million in 2014 from 2013 due to expenses related to a voluntary early-retirement program during the first quarter of 2014, incremental headcount for our complementary technology acquisitions, and our internal planned investments on future releases.

During the second quarter of 2015, the Company determined that indicators were present in the marketing applications reporting units which would suggest the fair value of the reporting units may have declined below the carrying value. These indicators were primarily due to lower than forecasted revenue and profitability levels for 2015 and future periods. The lower projected operating results reflected a review of the marketing applications business performed by new leadership announced at the end of the first quarter of 2015. The interim goodwill impairment analysis performed in the second quarter of 2015 resulted in a revision of the Company's previous estimates performed in the fourth quarter of 2014 and first quarter of 2015 (in connection with the change in segment reporting), which resulted in a goodwill impairment of $340 million in the second quarter of 2015.

The annual goodwill impairment analysis, which the Company performed during the fourth quarter of 2015, did not result in an impairment charge for the data and analytics segment. However, because our marketing applications business was held for sale as of December 31, 2015, an additional impairment of $97 million for goodwill and $41 million for acquired intangible assets was recorded since the fair value less cost to sell was lower than the carrying amount. The fair value of this business was based on a review of the term sheets and indications of interest that were received from third parties in addition to ongoing negotiations with potential buyers. At the time the Company announced its earnings in early February 2016, our preliminary analysis indicated an impairment of $34 million for goodwill and no impairment for acquired intangible assets based on the fair value of our marketing applications business. This analysis was subsequently updated to reflect the current fair value as of the date of this annual report on Form 10-K.

Other Income/(Expense), net	**2015**	2014	2013
in millions			
Gain/(loss) on Securities	**$ 57**	$ (9)	$ (22)
Interest income	**5**	5	4
Interest expense	**(9)**	(3)	(4)
Other	**(2)**	(2)	(2)
Total Other Income /(Expense), net	**$ 51**	$ (9)	$ (24)

In 2015, other income primarily included a gain of $57 million from sale of equity investments. This was partially offset by an increase in interest expense due to an increase in debt. In 2014, other expense primarily included a loss of $9 million on an equity investment arising from an impairment of carrying value. In 2013, other expense included a loss of $25 million on an equity investment arising from an impairment of carrying value, partially offset by a $3 million gain on sale.

Income Taxes

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

	2015	2014	2013
Effective Tax Rate	**(48.6%)**	25.7%	25.8%

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%). There were no material discrete tax items impacting the effective tax rate for full year 2014. The tax rate for 2013 included a $4 million discrete tax benefit for the 2012 U.S. Federal Research and Development Tax Credit (the "R&D tax credit") that was recognized in January of 2013 when the tax credit was retroactively reinstated.

We currently estimate our full-year effective tax rate for 2016 to be approximately 26%. This estimate takes into consideration, among other items, the forecasted earnings mix by tax jurisdiction for 2016. This effective tax rate estimate excludes the tax impact from the pending disposal of our marketing applications business, a portion of which will be taxable in the United States and Germany, causing a discrete tax impact for GAAP reporting purposes in the quarter of disposition.

Revenue and Gross Margin by Operating Segment

Effective January 1, 2015, Teradata implemented an organizational change in which Teradata currently manages its business in two divisions, which are also the Company's operating segments: (1) data and analytics, and (2) marketing applications. This change was meant to enable each division to be more sharply focused in rapidly addressing the dynamics of each market, and in bringing the best solutions to our customers. For purposes of discussing results by segment, management excludes the impact of certain items, consistent with the manner by which 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 margin. For management reporting purposes assets are not allocated to the segments. Our segment results are reconciled to total Company results reported under U.S. Generally Accepted Accounting Principles ("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	**2015**	**% of Revenue**	2014	% of Revenue	2013	% of Revenue
Segment Revenue						
Data and Analytics	**$ 2,337**	**92.4%**	$2,523	92.3%	$2,478	92.1%
Marketing Applications	**193**	**7.6%**	209	7.7%	214	7.9%
Total revenue	**$ 2,530**	**100%**	$2,732	100%	$2,692	100%
Segment Gross margin						
Data and Analytics	**$ 1,237**	**52.9%**	$1,422	56.4%	$1,399	56.5%
Marketing Applications	**79**	**40.9%**	94	45.0%	109	50.9%
Total Segment gross margin	**$ 1,316**	**52.0%**	$ 1,516	55.5%	$1,508	56.0%

Data and Analytics: Revenue decreased $186 million or 7%, in 2015 from 2014, with an underlying 4% decrease in the Americas region coupled with a 12% decrease in the International region. The revenue decrease included a 5% adverse impact from foreign currency fluctuations. The Americas revenue was down primarily driven by a decrease in customer large capital expenditure transactions. International revenue was down primarily due to foreign currency fluctuations, which impacted revenue by 11%. Gross margins were down in 2015 compared to 2014 due to the high mix of hardware versus software deals and the impact of foreign currency exchange rates.

In 2014, revenue increased $45 million or 2% from 2013, with an underlying 1% decrease in the Americas region offset by a 6% increase in the International region. The overall revenue decrease included a 1% adverse impact from foreign currency fluctuations.

Marketing Applications: Revenue decreased $16 million or 8% in 2015 from 2014. The revenue decrease included a 7% adverse impact from foreign currency fluctuations. The overall gross margin decrease in 2015 from 2014 is primarily driven by investments in the cloud business as well as lower professional services margins, which were impacted by investments to help better position the Company to go broader in the market and drive long-term growth in this business.

In 2014, revenue decreased $5 million or 2% from 2013. There was no impact due to foreign currency fluctuations. The decrease in gross margin in 2014 from 2013 was primarily due to investments to drive long-term growth in this business.

Changes in segment reporting. Beginning January 2016, the Company will change its operating segments and report future results under three separate segments: (a) Americas Data and Analytics (b) International Data and Analytics, and (c) Marketing Applications until such time as the portion of the marketing applications business to be divested is sold. The remainder of the marketing applications business that will be retained will be reported under the data and analytics operating segments.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Teradata ended 2015 with $839 million in cash and cash equivalents, a $5 million increase from the December 31, 2014 balance, after using approximately $657 million for repurchases of Company common stock, and approximately $17 million for acquisitions and investment activities which were completed during the year. Cash provided by operating activities decreased by $279 million to $401 million in 2015. The decrease in cash provided by operating activities was primarily due to lower net income and due to a higher level of collections of accounts receivables in the fourth quarter of 2014 as compared to 2015.

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, as 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	**2015**	2014	2013
Net cash provided by operating activities	**$401**	$680	$510
Less:			
Expenditures for property and equipment	**(52)**	(54)	(60)
Additions to capitalized software	**(68)**	(75)	(78)
Free cash flow	**$281**	$551	$372

Financing activities and certain other investing activities are not included in our calculation of free cash flow. In 2015 and 2014, these other investing activities primarily consisted of immaterial complementary business acquisitions and equity investment activities that were closed during these years.

Teradata's financing activities for the years ended December 31, 2015 primarily consisted of cash outflows of $657 million for share repurchases, proceeds from Credit Facility (as defined below) borrowings of $180 million, repayments of credit facility borrowings of $220 million, and proceeds from a new term loan of $600 million and repayment of existing term loan of $247 million, as discussed below. Teradata's financing activities for the years ended December 31, 2014 and 2013 primarily consisted of cash outflows for share repurchases, with proceeds from a prior credit facility of $220 million in 2014. The Company purchased 19 million shares of its common stock at an average price per share of $34.15 in 2015, 13 million shares at an average price per share of $43.09 in 2014, and 7.8 million shares at an average price per share of $48.53 in 2013.

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. On February 6, 2012, the board approved a new $300 million share repurchase authorization to replace a prior $300 million authorization (the "general share repurchase program"), that was to expire on February 10, 2012. Since February 2012, Teradata's Board of Directors has approved, in $300 million increments, additional share repurchase authorizations for a total of $2.0 billion under the Company's general share repurchase program on December 10, 2012, October 14, 2013, May 5, 2014, December 18, 2014 and May 4, 2015. Additional share repurchase of $500 million was authorized in August 20, 2015. As of December 31, 2015, the Company had $573 million of authorization remaining under the general share repurchase program to repurchase outstanding shares of Teradata common stock. 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 were $24 million in 2015, $29 million in 2014, and $28 million in 2013. 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 United States in various foreign subsidiaries was $819 million as of December 31, 2015 and $785 million as of December 31, 2014. The remaining balance held in the United States was $20 million as of December 31, 2015 and $49 million as of December 31, 2014. Under current tax laws and regulations, if cash and cash equivalents held outside the United States are distributed to the United States in the form of dividends or otherwise, we would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits) and potential foreign withholding taxes. As of December 31, 2015, we have not provided for the U.S. federal tax liability on approximately $1.2 billion of foreign earnings that are considered permanently reinvested outside of the United States.

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 2015, 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, 2015, the Company had $180 million of outstanding borrowings on the Credit Facility at an interest rate of 1.623%, leaving $220 million in additional borrowing capacity available. The Company was in compliance with all covenants as of December 31, 2015.

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 will commence 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, 2015, the term loan principal outstanding was $600 million and carried an interest rate of 1.8125%. The Company was in compliance with all covenants as of December 31, 2015.

Management believes current cash, cash flows from operations and the $220 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, 2015, with projected cash payments in the periods shown:

in millions	Total Amounts	2016	2017-2018	2019-2020	2021 and Thereafter
Principal payments on long-term debt	$ 600	$ 30	$ 90	$480	$ –
Interest payments on long-term debt	41	11	20	10	–
Principal payments on short-term debt	180	180	–	–	–
Interest payments on short-term debt	3	3	–	–	–
Lease obligations	81	24	35	12	10
Purchase obligations	18	8	10	–	–
Total debt, lease and purchase obligations	$ 923	$ 256	$155	$502	$10

Our principal payments on short-term and long-term debt represent the expected cash payments on our $600 million term loan and our $400 million credit facility 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 on our $600 million term loan as of December 31, 2015. Our principal payments on short-term debt represent the expected cash payment on our $400 million Credit Facility, of which $180 million is currently outstanding and $220 million is available. 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 $20 million in total uncertain tax positions recorded as non-current liabilities and $3 million recorded as current liabilities on its balance sheet as of December 31, 2015. 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. 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

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, 2015 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 internally in researching and developing a computer software product is 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, 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 fluctuation in the amount of research and development costs that are expensed or capitalized in any given period, thus impacting our reported profitability for that period.

Income Taxes

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.

The Company's intention is to permanently reinvest its foreign earnings outside of the United States. As a result, the effective tax rates are largely based upon the pre-tax earnings mix and allocation of certain expenses in various taxing jurisdictions where the Company conducts its business. These jurisdictions apply a broad range of statutory income tax rates; the U.S. statutory corporate income tax rate is currently 35% as compared to the overall statutory effective tax rate of our various foreign jurisdictions of approximately 13%. As of December 31, 2015, the Company has not provided for federal income taxes on earnings of approximately $1.2 billion from its foreign subsidiaries.

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, 2015, the Company has a total of $38 million of unrecognized tax benefits, of which $20 million is included in the other liabilities section of the Company's consolidated balance sheet as a non-current liability and $3 million is recorded in current income taxes payable as the Company expects to settle this uncertain tax position within the next twelve months. The remaining balance of $15 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.

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 $25 million in 2015 and $20 million in 2014 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 Research & Development tax credit carryforward deferred tax asset, as the Company expects to continue to generate excess California Research & Development 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 for which awards are expected to vest. 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. Further, we estimate forfeitures for options granted which are not expected to vest. The estimation of stock awards that will ultimately vest requires judgment, and to the extent that actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period in which estimates are revised. We consider many factors when estimating expected forfeitures including types of awards and historical experience. Actual results and future changes in estimates may differ substantially from our current estimates.

In addition, we 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.

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 guidance on goodwill impairment requires the company to perform a two-step impairment test. In the first step, 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 second step of the impairment test is performed in order to determine the implied fair value of the reporting unit's goodwill in the same manner as if the reporting unit was being acquired in a business combination. The implied fair value of the goodwill in step two analysis is determined by the acquisition method of accounting for business combinations which requires the company to estimate the fair value of assets and liabilities and to allocate the fair value between net assets and goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then the company records an impairment loss equal to the difference. Teradata reviewed four reporting units in its 2015 goodwill impairment assessment, as each operating segment consisted of separate reporting units for the Americas and International regions. See "Note 3—Goodwill and Acquired Intangible Assets" for additional information.

The acquisition method of accounting for business combinations requires the Company to estimate the fair value of assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree to properly allocate any excess purchase price consideration between net assets and goodwill. Impairment testing for assets, other than goodwill, requires the allocation of cash flows to those assets or group of assets and if required, an estimate of fair value for the assets or group of assets.

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, 2015, 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 $12 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, 2015, 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, 2015.

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, 2015, which appears in this Annual Report.

Michael F. Koehler
President and Chief Executive Officer

Stephen M. Scheppmann
Executive Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF TERADATA CORPORATION:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of (loss)/income, comprehensive (loss)/income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Teradata Corporation and its subsidiaries at December 31, 2015 and December 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) of the Company's 2015 Annual Report on Form 10-K presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it classifies deferred tax assets and liabilities on the consolidated balance sheet in 2015.

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

Atlanta, GA
February 26, 2016

CONSOLIDATED STATEMENTS OF (LOSS)/INCOME

For the Year Ended December 31	2015	2014	2013
in millions, except per share amounts			
Revenue			
Product revenue	**$ 1,057**	$ 1,227	$ 1,230
Service revenue	**1,473**	1,505	1,462
Total revenue	**2,530**	2,732	2,692
Costs and operating expenses			
Cost of products	**440**	443	433
Cost of services	**814**	810	786
Selling, general and administrative expenses	**765**	770	757
Research and development expenses	**228**	206	184
Impairment of goodwill and acquired intangibles	**478**	–	–
Total costs and operating expenses	**2,725**	2,229	2,160
(Loss)/income from operations	**(195)**	503	532
Other income/(expense), net			
Interest expense	**(9)**	(3)	(4)
Other income/(expense), net	**60**	(6)	(20)
Total other income/(expense), net	**51**	(9)	(24)
(Loss)/income before income taxes	**(144)**	494	508
Income tax expense	**70**	127	131
Net (loss)/income	**$ (214)**	$ 367	$ 377
Net (loss)/income per common share			
Basic	**$ (1.53)**	$ 2.36	$ 2.31
Diluted	**$ (1.53)**	$ 2.33	$ 2.27
Weighted average common shares outstanding			
Basic	**139.6**	155.3	163.4
Diluted	**139.6**	157.8	166.4

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

For the Year Ended December 31	2015	2014	2013
in millions			
Net (loss)/income	**$ (214)**	$ 367	$ 377
Other comprehensive (loss)/income:			
Foreign currency translation adjustments	**(36)**	(47)	2
Securities:			
Reclassification of gain to net income	**(26)**	–	–
Unrealized (loss)/gain on securities, before tax	**(7)**	50	–
Tax impact on securities	**2**	(19)	–
Net change in securities	**(31)**	31	–
Defined benefit plans:			
Reclassification of loss to net income	**3**	1	2
Defined benefit plan adjustment, before tax	**(9)**	(29)	–
Defined benefit plan adjustment, tax portion	**1**	7	–
Defined benefit plan adjustment, net of tax	**(5)**	(21)	2
Other comprehensive (loss)/income	**(72)**	(37)	4
Comprehensive (loss)/income	**$(286)**	$ 330	$ 381

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

CONSOLIDATED BALANCE SHEETS

At December 31	2015	2014
in millions, except per share amounts		
Assets		
Current Assets		
Cash and cash equivalents	**$ 839**	$ 834
Accounts receivable, net	**580**	619
Inventories	**49**	38
Assets held for sale	**214**	–
Other current assets	**52**	81
Total current assets	**1,734**	1,572
Property and equipment, net	**143**	159
Capitalized software, net	**190**	199
Goodwill	**380**	948
Acquired intangible assets, net	**22**	136
Deferred income taxes	**41**	20
Other assets	**20**	98
Total assets	**$ 2,530**	$ 3,132
Liabilities and stockholders' equity		
Current liabilities		
Current portion of long-term debt	**$ 30**	$ 53
Short-term borrowings	**180**	220
Accounts payable	**96**	126
Payroll and benefits liabilities	**120**	125
Deferred revenue	**367**	370
Liabilities held for sale	**58**	–
Other current liabilities	**102**	101
Total current liabilities	**953**	995
Long-term debt	**570**	195
Pension and other postemployment plan liabilities	**89**	99
Long-term deferred revenue	**15**	18
Deferred tax liabilities	**28**	86
Other liabilities	**26**	32
Total liabilities	**1,681**	1,425
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, 2015 and 2014, respectively	**–**	–
Common stock: par value $0.01 per share, 500.0 shares authorized, 130.7 and 147.9 shares issued at December 31, 2015 and 2014, respectively	**1**	1
Paid-in capital	**1,128**	1,054
(Accumulated deficit)/retained earnings	**(204)**	656
Accumulated other comprehensive loss	**(76)**	(4)
Total stockholders' equity	**849**	1,707
Total liabilities and stockholders' equity	**$ 2,530**	$ 3,132

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended December 31	2015	2014	2013
in millions			
Operating activities			
Net (loss)/income	**$ (214)**	$ 367	$ 377
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**170**	169	147
Stock-based compensation expense	**56**	50	49
Excess tax benefit from stock-based compensation	**(2)**	(2)	(7)
Deferred income taxes	**(39)**	(2)	18
(Gain)/loss on investments	**(57)**	9	25
Impairment of goodwill and acquired intangibles	**478**	–	–
Changes in assets and liabilities, net of acquisitions:			
Receivables	**1**	101	(46)
Inventories	**(11)**	18	(9)
Current payables and accrued expenses	**(8)**	(23)	(63)
Deferred revenue	**24**	(28)	9
Other assets and liabilities	**3**	21	10
Net cash provided by operating activities	**401**	680	510
Investing activities			
Expenditures for property and equipment	**(52)**	(54)	(60)
Additions to capitalized software	**(68)**	(75)	(78)
Proceeds from disposition of investments	**85**	–	–
Business acquisitions and other investing activities, net	**(17)**	(69)	(36)
Net cash used in investing activities	**(52)**	(198)	(174)
Financing activities			
Proceeds from long-term borrowings	**600**	–	–
Repayments of long-term borrowings	**(247)**	(26)	(15)
Proceeds from credit facility borrowings	**180**	220	
Repayments of credit-facility borrowings	**(220)**	–	–
Repurchases of common stock	**(657)**	(551)	(382)
Excess tax benefit from stock-based compensation	**2**	2	7
Other financing activities, net	**18**	29	28
Net cash used in financing activities	**(324)**	(326)	(362)
Effect of exchange rate changes on cash and cash equivalents	**(20)**	(17)	(8)
Increase/(decrease) in cash and cash equivalents	**5**	139	(34)
Cash and cash equivalents at beginning of year	**834**	695	729
Cash and cash equivalents at end of year	**$ 839**	$ 834	$ 695
Supplemental data			
Cash paid during the year for:			
Income taxes	**$ 98**	$ 133	$ 124
Interest	**$ 8**	$ 3	$ 4

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Treasury Stock		Paid-in	Retained Earnings/ (Accumulated	Accumulated Other Comprehensive	
in millions	Shares	Amount	Shares	Amount	Capital	Deficit)	Income/(Loss)	Total
December 31, 2012	**190**	**$ 2**	**(24)**	**$ (806)**	**$ 898**	**$ 1,656**	**$ 29**	**$1,779**
Net income						377		377
Employee stock compensation, employee stock purchase programs and option exercises	1				68			68
Income tax benefit from stock compensation plans					7			7
Purchases of treasury stock, not retired			(8)	(378)				(378)
Pension and postemployment benefit plans, net of tax							2	2
Currency translation adjustment							2	2
December 31, 2013	**191**	**$ 2**	**(32)**	**$(1,184)**	**$ 973**	**$ 2,033**	**$ 33**	**$1,857**
Net income						367		367
Employee stock compensation, employee stock purchase programs and option exercises	2	(1)			78			77
Income tax benefit from stock compensation plans					3			3
Retirement of common stock previously held as treasury	(32)		32	1,184		(1,184)		–
Repurchases of Company common stock, retired	(13)					(560)		(560)
Pension and postemployment benefit plans, net of tax							(21)	(21)
Unrealized gain on securities							31	31
Currency translation adjustment							(47)	(47)
December 31, 2014	**148**	**$ 1**	**–**	**$ –**	**$1,054**	**$ 656**	**$ (4)**	**$1,707**
Net loss						(214)		(214)
Employee stock compensation, employee stock purchase programs and option exercises	2				78			78
Income tax expense for stock compensation plans					(4)			(4)
Repurchases of Company common stock, retired	(19)					(646)		(646)
Pension and postemployment benefit plans, net of tax							(5)	(5)
Securities, net of tax							(31)	(31)
Currency translation adjustment							(36)	(36)
December 31, 2015	**131**	**$ 1**	**–**	**$ –**	**$1,128**	**$ (204)**	**$ (76)**	**$ 849**

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 platforms, marketing and analytic applications, and related services. The Company's analytic data platforms are comprised of software, hardware, and related business consulting and support services for data warehousing and big data analytics.

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, software subscriptions (unspecified when-and-if-available 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
- Collectibility is reasonably assured

Teradata reports revenue net of any taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions. 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 software is generally recognized upon delivery with the hardware once title and risk of loss have been transferred. Revenue for software subscriptions, which provide for unspecified upgrades or enhancements on a when-and-if-available basis, is recognized straight-line over the term of the subscription arrangement. Revenue for maintenance support services is also recognized on a straight-line basis over the term of the contract. Revenue for other 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 postcontract customer support ("PCS") in which case the entire software arrangement or group is recognized ratably over the PCS period.

Teradata's analytic database 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 database software and hardware platform are necessary to deliver the analytic data platform's essential functionality, the database 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 subscriptions (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 considered to be 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 data warehouse 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 in order 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 of 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 4 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, 2015 there was no material impact to revenue resulting from changes in VSOE, TPE or BESP, nor does the Company expect a material impact from such changes in the near term.

Perpetual licenses, term licenses, hosting arrangements and software as a service. Teradata's application offerings include perpetual licenses, term licenses, hosting arrangements and software as a service. For software arrangements that include a perpetual license, the residual method is typically used because the Company does not have VSOE for its perpetual licenses. This is because the perpetual license is never sold standalone. If the license is of limited life and does not require the Company to host the software for the customer, the software is considered a term license. Teradata's term licenses are typically offered for application software and include a right-to-use license, PCS and consulting services. The revenue for these arrangements are typically recognized ratably over the contract term. The term of these arrangements varies between one and five years and may or may not include hosting services. In most arrangements the pricing is bundled to the customer. If the term license is hosted, the customer has the right to take possession of the software at any time during the hosting period. The customer's rights to the software in these circumstances are not dependent on additional software payments or significant penalties, and the customer can feasibly run the software on its own hardware or contract with another party to host the software. If these criteria are not met, the hosting arrangement is accounted for outside the software rules as a software as a service arrangement. Under a software as a service arrangement, the license, PCS and hosting fee are recognized ratably over the term of the contract.

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

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

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 income. Realized gains and losses are included in other income and expense in the Consolidated Statements of 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	**2015**	2014	2013
Depreciation expense	**$ 53**	$ 51	$ 48

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 big data, marketing and analytic applications are expensed as incurred based on the frequency and agile nature of development. Costs incurred for the development of data warehousing software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. 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. 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. The following table identifies the activity relating to capitalized software:

	Internal-use Software			External-use Software		
in millions	**2015**	2014	2013	**2015**	2014	2013
Beginning balance at January 1	**$13**	$12	$12	**$186**	$183	$161
Capitalized	**6**	7	6	**61**	68	72
Amortization	**(6)**	(6)	(6)	**(70)**	(65)	(50)
Ending balance at December 31	**$13**	$13	$12	**$177**	$186	$183

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

	Actual	For the year ended (estimated)				
in millions	**2015**	2016	2017	2018	2019	2020
Internal-use software amortization expense	**$ 6**	$ 6	$ 4	$ 3	$ –	$ –
External-use software amortization expense	**$70**	$66	$56	$36	$19	$ –

Estimated expense, which is recorded to cost of sales for external use software, is based on capitalized software at December 31, 2015 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.

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.

Assets and Liabilities Held for Sale. The Company classifies assets and liabilities (disposal groups) to be sold as held for sale in the period in which all of the following criteria are met:

- Management, having the authority to approve the action, commits to a plan to sell the disposal group;
- The disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups;
- An active program to locate a buyer and other actions required to complete the plan to sell the disposal group have been initiated;
- The sale of the disposal group is probable, and transfer of the disposal group is expected to qualify for recognition as a completed sale, within one year, except if events or circumstances beyond the Company's control extend the period of time required to sell the disposal group beyond one year;
- The disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Company initially measures a disposal group that is classified as held for sale at the lower of its carrying value or fair value less costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized until the date of sale. The Company assesses the fair value of a disposal group less costs to sell each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the carrying value of the disposal group at the time it was initially classified as held for sale.

Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group under Assets held for sale and Liabilities held for sale in the Consolidated Balance Sheets. Refer to Note 15 for further information on the Company's assets and liabilities held for sale.

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 (with the exception of 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, 2015. 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 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. 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. Prior to 2014, because the Company did not have a sufficient trading history as a standalone public company, the volatility was based on a blend of peer group volatility and Teradata 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. Prior to 2015, the expected term assumption was based on the simplified method under GAAP, which is based on the vesting period and contractual term for each vesting tranche of awards. The mid-point between the vesting date and the expiration date was used as the expected term under this method. The risk-free interest rate used in the Black-Scholes model is based on the implied yield curve available on U.S. Treasury 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.

Treasury Stock. Prior to the fourth quarter of 2014 when all treasury stock shares were retired, shares of the Company's common stock repurchased through the share repurchase programs were held as treasury stock. Treasury stock was accounted for using the cost method. Beginning in the fourth quarter of 2014, stock repurchased through the share repurchase programs will be retired upon repurchase. The excess repurchase price over the par value is charged to retained earnings.

Earnings Per Share. Basic earnings per share is calculated by dividing net income by the weighted-average number of shares outstanding during the reported period. The calculation of diluted earnings per share is similar to basic earnings per share, except that the weighted-average number of shares outstanding includes the dilution from potential shares added from stock options, restricted 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 per share for the year ended December 31:

in millions, except earnings per share	**2015**	2014	2013
Net (loss)/income attributable to common stockholders	**$ (214)**	$ 367	$ 377
Weighted average outstanding shares of common stock	**139.6**	155.3	163.4
Dilutive effect of employee stock options, restricted shares and other stock awards	**–**	2.5	3.0
Common stock and common stock equivalents	**139.6**	157.8	166.4
(Loss)/earnings per share:			
Basic	**$ (1.53)**	$ 2.36	$ 2.31
Diluted	**$ (1.53)**	$ 2.33	$ 2.27

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 4.5 million in 2015, 2.4 million shares in 2014 and 0.9 million shares in 2013 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.

In July 2015, the FASB issued a one-year delay in the effective date of the new standard. Under this guidance, 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. The Company is currently evaluating the impact on its consolidated financial position, results of operations and cash flows, as well as the method of transition that will be used in adopting the standard.

Accounting for Share-based Payments with Performance Targets. In June 2014, the FASB issued new guidance that requires that a performance target that affects vesting and that could be achieved after the requisite service period, be treated as a performance condition. A reporting entity should apply existing guidance as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. The amendments in this update are effective for annual periods, and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. This amendment is not expected to have a material impact on the Company's consolidated financial statements.

Income Statement Presentation by Eliminating the Concept of Extraordinary Items. This update eliminates from GAAP the concept of extraordinary items. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. This amendment is not expected to have a material impact on the Company's results of operations.

Simplifying the Presentation of Debt Issuance Costs. To simplify presentation of debt issuance costs, the amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For public business entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and shall be applied on a retrospective basis. Debt issuance costs as of December 31, 2015 were $3 million. The Company plans to adopt this amendment when effective. This amendment is not expected to have a material impact on the Company's consolidated financial position.

Intangibles, Goodwill and Other Internal-Use Software. The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change current guidance for a customer's accounting for service contracts. This amendment will be effective for annual periods, including interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial position, results of operations and cash flows.

Business Combinations. In September 2015, the FASB issued new guidance that eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. An acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. The amendments in this update are effective for annual periods, and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The Company does not expect this guidance to have significant impact on its consolidated financial statements.

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 is currently evaluating the impact of this guidance on its consolidated financial position, results of operations and cash flows.

Recently Adopted Guidance

Income Taxes. In November 2015, the FASB issued new guidance to simplify the presentation of deferred income taxes. The amendments in this update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. For public business entities, the amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company has early adopted the new guidance prospectively as of December 31, 2015. As such, we did not restate our December 31, 2014 Balance Sheet. As a result of this adoption, no deferred tax amounts were recorded in other current assets and other current liabilities in 2015, as compared to $28 million recorded in other current assets and $1 million recorded in other current liabilities in 2014.

NOTE 2: Supplemental Financial Information

At December 31	2015	2014
in millions		
Accounts receivable		
Trade	**$ 591**	$ 635
Other	**6**	3
Accounts receivable, gross	**597**	638
Less: allowance for doubtful accounts	**(17)**	(19)
Total accounts receivable, net	**$ 580**	$ 619
Inventories		
Finished goods	**$ 32**	$ 21
Service parts	**17**	17
Total inventories	**$ 49**	$ 38
Other current assets		
Current deferred tax assets	**$ –**	$ 28
Other	**52**	53
Total other current assets	**$ 52**	$ 81
Property and equipment		
Land	**$ 8**	$ 8
Buildings and improvements	**78**	77
Machinery and other equipment	**336**	341
Property and equipment, gross	**422**	426
Less: accumulated depreciation	**(279)**	(267)
Total property and equipment, net	**$ 143**	$ 159

At December 31	2015	2014
Other assets		
Available-for-sale securities	$ –	$ 78
Other	20	20
Total other assets	$ 20	$ 98
Other current liabilities		
Sales and value-added taxes	$ 35	$ 40
Other	67	61
Total other current liabilities	$ 102	$ 101
Deferred revenue		
Deferred revenue, current	$ 367	$ 370
Long-term deferred revenue	15	18
Total deferred revenue	$ 382	$ 388

Above amounts exclude assets and liabilities held for sale. Refer to Note 15 for further information on the Company's assets and liabilities held for sale

NOTE 3: Goodwill and Acquired Intangible Assets

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

in millions	Balance December 31, 2014	Additions	Currency Translation Adjustments	Impairment	Transfers to Held for Sale	**Balance December 31, 2015**
Goodwill						
Data and Analytics	$351	$4	$ (4)	$ –	$ –	**$351**
Marketing Applications	597	–	(18)	(437)	(113)	**29**
Total goodwill	$948	$4	$(22)	$(437)	$(113)	**$380**

The changes to goodwill for the year ended December 31, 2015 were due to an impairment of goodwill discussed below, the transfer of goodwill to held for sale (See Note 15), an immaterial complementary acquisition, and changes in foreign currency exchange rates.

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. The guidance on goodwill impairment requires the Company to perform a step one impairment test, which may result in a second step if the fair value of the reporting unit is less than the carrying value of the net assets. In the first step, the Company compares the fair value of each reporting unit to its carrying value. The Company's reporting units are at one level below the operating segment level, which include the Americas and International reporting units for the data and analytics and marketing applications operating segments. The Company typically determines the fair value of its reporting units using a weighting of fair values derived from the income approach and the market approach. 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 second step of the impairment test is performed in order to determine the implied fair value of the reporting unit's goodwill in the same manner as if the reporting unit was being acquired in a business combination. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then the Company records an impairment loss equal to the difference.

During the second quarter of 2015, the Company determined that indicators were present in the marketing applications reporting units which would suggest the fair value of the reporting units may have declined below the carrying value. The indicators were primarily due to lower than forecasted revenue and profitability levels for 2015 and future periods. The lower projected operating results reflect further review and analysis of the marketing applications business performed following the creation of the business as a separate business unit as was announced at the end of the first quarter of 2015. Based on our analysis, the implied fair value of goodwill was substantially lower than the carrying value of goodwill for the Americas and International marketing applications reporting units. As a result, the Company recorded an impairment charge of $241 million for the Americas marketing applications reporting unit and $99 million for the International marketing applications reporting unit during the second quarter of 2015.

For the impairment analysis performed in the second quarter of 2015, the Company utilized a combination of income and market approaches evenly weighted to estimate the fair value of the reporting units for step one. The income approach was determined based on the present value of estimated future cash flows, discounted at a risk-adjusted market rate, including a growth rate to calculate the terminal value. The Company's forecasted future cash flows, which incorporate anticipated future revenue growth and related expenses to support the growth, were used to calculate fair value. These cash flow projections are based on management's most current estimates of revenue growth rates and operating margins, taking into consideration historical, industry and market conditions. The discount rate used represents the weighted average cost of capital for the marketing applications reporting units considering the risks and uncertainty inherent in the cash flows of the reporting units and in the internally developed forecasts. In applying the market approach, valuation multiples were derived from historical and projected operating data of selected peer companies and applied to the appropriate historical and projected operating data to arrive at a fair value. The implied fair value of the goodwill in step two was determined by allocating the fair value of the reporting units to all of the assets and liabilities as if the reporting units had been acquired in a business combination and its fair value was the purchase price paid to be acquired. The use of these unobservable inputs resulted in the fair value estimate being classified as a Level 3 measurement.

In the fourth quarter of 2015, the Company committed to a plan to exit the majority of the marketing applications business, which met the criteria for held for sale and will continue to be reported under continuing operations. The Company will retain a portion of the marketing applications business, which was allocated $29 million of goodwill based on the relative fair values of the business to be disposed of and the portion that will be retained. The Company then performed a goodwill impairment analysis on the business to be disposed of along with the remainder reporting units. As a result of this analysis, the Company recognized an additional impairment of $97 million in the fourth quarter of 2015. The fair value of the marketing applications business that will be disposed of was based on a review of indications of interest received from potential buyers and determined based on the best estimate of what the actual sales price will be. The Company believes that this is a better indication of fair value than the income and market approaches used in the interim analysis performed in the second quarter of 2015. The remaining goodwill of $113 million was then transferred to assets held for sale in the Consolidated Balance Sheets. There was no goodwill impairment for the remaining reporting units as the fair value of each reporting unit exceeded their respective carrying amounts.

The determination of whether or not goodwill is impaired involves a significant level of judgment in the assumptions underlying the approaches used to determine the estimated fair value of our reporting units. The Company believes that the assumptions and rates used in the impairment assessment are reasonable. However, these assumptions are judgmental and variations in any assumptions could result in materially different calculations of fair value. The Company will continue to evaluate goodwill on an annual basis as of the beginning of its fourth quarter, and whenever events or changes in circumstances, such as significant adverse changes in operating results, market conditions or changes in management's business strategy, indicate that there may be a probability of impairment. It is possible that the assumptions used by management related to the evaluation may change or that actual results may vary significantly from management's estimates. As a result, additional impairment charges may occur in the future.

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:

in millions	Amortization Life (in years)	December 31, 2015 Gross Carrying Amount	December 31, 2015 Accumulated Amortization and Currency Translation Adjustments	December 31, 2014 Gross Carrying Amount	December 31, 2014 Accumulated Amortization and Currency Translation Adjustments
Acquired intangible assets					
Intellectual property/developed technology	1 to 7	**$83**	**$(63)**	$186	$ (95)
Customer relationships	3 to 10	**3**	**(3)**	77	(35)
Trademarks/trade names	5	**1**	**(1)**	1	(1)
In-process research and development	5	**5**	**(3)**	5	(2)
Total		**$92**	**$(70)**	$269	$(133)

The decrease in gross carrying amount of acquired intangible assets was primarily due to a transfer of intangibles to held for sale of $190 million ($85 million net), partially offset by $10 million for newly acquired intangible assets associated with an immaterial acquisition. The $85 million transferred to held for sale was then reduced by an additional $41 million to adjust the carrying amount of the net assets and liabilities down to their fair value less cost to sell (See Note 15).

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

in millions	Actual 2013	Actual 2014	Actual **2015**	Estimated 2016	Estimated 2017	Estimated 2018	Estimated 2019	Estimated 2020
Amortization expense	$44	$47	**$40**	$10	$7	$3	$2	$ –

NOTE 4: Income Taxes

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

in millions	**2015**	2014	2013
(Loss)/income before income taxes			
United States	**$ (88)**	$ 301	$ 362
Foreign	**(56)**	193	146
Total (loss)/income before income taxes	**$ (144)**	$ 494	$ 508

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

in millions	**2015**	2014	2013
Income tax expense			
Current			
Federal	**$ 74**	$ 94	$ 78
State and local	**9**	8	10
Foreign	**26**	27	26
Deferred			
Federal	**(19)**	1	18
State and local	**(3)**	–	2
Foreign	**(17)**	(3)	(3)
Total income tax expense	**$ 70**	$ 127	$ 131
Effective tax rate	**(48.6%)**	25.7%	25.8%

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:

	2015	2014	2013
Income tax expense at the U.S. federal tax rate	**35.0%**	35.0%	35.0%
Foreign income tax differential	**14.0%**	(9.0%)	(7.3%)
State and local income taxes	**0.5%**	0.5%	0.4%
U.S. permanent book/tax differences	**3.1%**	0.4%	0.5%
U.S. manufacturing deduction	**5.5%**	(2.1%)	(2.1%)
Impairment of goodwill and acquired intangibles	**(100.1%)**	–	–
Other, net	**(6.6%)**	0.9%	(0.7%)
Effective tax rate	**(48.6%)**	25.7%	25.8%

The 2015 effective tax rate includes a discrete tax expense of $145 million resulting from the $437 million goodwill impairment, of which $414 million is related to non-deductible goodwill. In addition to the goodwill impairment, the higher 2015 effective tax rate as compared to 2014 was also driven by the lower foreign earnings mix in 2015 versus 2014. The 2014 effective tax had no material discrete tax items impacting the effective tax rate.

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

in millions	**2015**	2014
Deferred income tax assets		
Employee pensions and other liabilities	**$ 62**	$ 61
Other balance sheet reserves and allowances	**23**	22
Tax loss and credit carryforwards	**62**	59
Deferred revenue	**3**	–
Total deferred income tax assets	**150**	142
Valuation allowance	**(25)**	(20)
Net deferred income tax assets	**125**	122
Deferred income tax liabilities		
Intangibles and capitalized software	**81**	102
Property and equipment	**30**	29
Deferred revenue	**–**	17
Other	**1**	12
Total deferred income tax liabilities	**112**	160
Total net deferred income tax assets/(liabilities)	**$ 13**	$ (38)

As of December 31, 2015, Teradata has net operating loss ("NOL") and tax credit carryforwards totaling $73 million (tax effected and before any valuation allowance offset and application of recognition criteria for uncertain tax positions). Of the total tax carryforwards, $26 million are NOL's in the U.S. and certain foreign jurisdictions, a small portion of which will begin to expire in 2016; $36 million are R&D tax credits, of which almost 90 percent are California R&D tax credits that have an indefinite carryforward period (which has a $25 million valuation allowance offset recorded); and the remaining $11 million are tax attributes that were acquired from various acquisitions and were not recorded for financial reporting purposes as they did not meet the recognition criteria for uncertain tax positions.

The Company's intention is to permanently reinvest its foreign earnings outside of the U.S. As a result, the effective tax rates in the periods presented are largely based upon the pre-tax earnings mix and allocation of certain expenses in various taxing jurisdictions where the Company conducts its business; these jurisdictions apply a broad range of statutory income tax rates. At December 31, 2015, the Company had not provided for federal income taxes on earnings of approximately $1.2 billion from its foreign subsidiaries. Should these earnings be distributed in the form of dividends or otherwise, the Company would be subject to U.S. income taxes and potential withholding taxes in various international jurisdictions. The U.S. taxes would be partially offset by U.S. foreign tax credits. Determination of the amount of unrecognized deferred U.S. tax liability is not practical because of the complexities associated with this hypothetical calculation.

The Company 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, 2015, the Company's uncertain tax positions totaled approximately $38 million, of which $20 million is reflected in the other liabilities section of the Company's balance sheet as a non-current liability, and $3 million is recorded in current income taxes payable as the Company expects to settle this uncertain tax position within the next twelve months. The remaining balance of $15 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 $38 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, 2015.

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

in millions	**2015**	2014
Balance at January 1	**$36**	$34
Gross increases for prior period tax positions	**–**	4
Gross decreases for prior period tax positions	**–**	(3)
Gross increases for current period tax positions	**6**	4
Decreases due to the lapse of applicable statute of limitations	**(1)**	(3)
Decreases relating to settlements with taxing authorities	**(3)**	–
Balance at December 31	**$38**	$36

The Company and its subsidiaries file income tax returns in the U.S. federal and various state jurisdictions, as well as numerous foreign jurisdictions. As of December 31, 2015, 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. In addition, the Internal Revenue Service audit of the Company's United States Federal tax filing for tax year 2011 was finalized in July of 2014 and resulted in a no change audit.

NOTE 5: Employee Stock-based Compensation Plans

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

in millions	**2015**	2014	2013
Stock options	**$ 12**	$ 13	$ 14
Restricted shares	**41**	33	32
Employee share repurchase program	**3**	4	3
Total stock-based compensation before income taxes	**56**	50	49
Tax benefit	**(17)**	(16)	(16)
Total stock-based compensation, net of tax	**$ 39**	$ 34	$ 33

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 16.4 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, 2015, 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 $11.37 in 2015, $17.67 in 2014 and $18.02 in 2013. The fair value of each option award on the grant date was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2015	2014	2013
Dividend yield	**–**	–	–
Risk-free interest rate	**1.76%**	1.73%	1.77%
Expected volatility	**34.4%**	37.8%	37.6%
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, 2015:

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, 2015	7,237	$35.50	6.1	$78
Granted	1,185	$30.63		
Exercised	(428)	$20.66		
Canceled	(134)	$46.18		
Forfeited	(286)	$48.12		
Outstanding at December 31, 2015	7,574	$34.91	5.7	$20
Fully vested and expected to vest at December 31, 2015	7,476	$34.89	5.6	$20
Exercisable at December 31, 2015	5,299	$33.43	4.2	$20

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	2015	2014	2013
Intrinsic value of options exercised	$ 8	$14	$19
Cash received from option exercises	$ 9	$11	$ 9
Tax benefit realized from option exercises	$ 3	$ 5	$ 6

As of December 31, 2015, there was $30 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 3.0 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, 2015:

shares in thousands	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Unvested shares at January 1, 2015	3,252	$47.24
Granted	2,118	$32.82
Vested	(832)	$54.60
Forfeited/canceled	(392)	$45.34
Unvested shares at December 31, 2015	4,146	$38.58

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 at December 31:

	2015	2014	2013
Weighted-average fair value of restricted share units granted	$32.82	$44.39	$48.24
Total fair value of shares vested (in millions)	$ 45	$ 27	$ 30

As of December 31, 2015, there was $96 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 2015:

shares in thousands	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Service-based shares	2,055	$32.68
Performance-based shares	63	$37.36
Total stock grants	2,118	$32.82

In 2012, approximately 0.3 million shares of the performance awards issued included challenging or "stretch" financial goals through 2016 based on a GAAP revenue and/or non-GAAP earnings per share targets in 2016. Each recipient's opportunity to earn the award is based on performance over a four-year period ending in 2016. There was no compensation expense related to these awards recorded in 2015 based on management's determination that at December 31, 2015 it was not probable that performance targets for these awards would be achieved.

In February of 2016, restricted share units granted as part of our 2015-16 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 actually 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 through the use of 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 as long as the requisite service is rendered, regardless of whether the market conditions are achieved.

Modifications. In connection with the plan to exit most of the marketing applications business, the Company modified its awards for certain impacted employees to accelerate the vesting of any unvested awards at the date of sale. This modification resulted in a Type III modification (improbable to probable). In addition, a modification to extend the exercise period of all vested options from 59 days to one year resulted in a Type I modification (probable to probable). Related to the awards that were modified, the Company recognized a net reduction in compensation expense of $1 million in the fourth quarter of 2015.

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. As of January 1, 2013, the ESPP discount was 15% of the average market price and considered compensatory. Prior to 2013, the ESPP discount was 5% of the average market price and this plan was considered non-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 1.4 million shares remaining under that authorization at December 31, 2015. 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	**2015**	2014	2013
Employee share purchases	**0.5**	0.4	0.4
Aggregate cost	**$ 17**	$ 18	$ 20

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.

During the fourth quarter of 2015, the Company amended it U.S. separation plan to eliminate the accumulation of postemployment benefits based on service, resulting in an immaterial curtailment benefit. As a result of this change, postemployment benefits for the U.S. will no longer be accounted for using actuarial models.

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

	2015		2014		2013	
in millions	**Pension**	**Postemployment**	Pension	Postemployment	Pension	Postemployment
Service cost	**$ 8**	**$ 6**	$ 9	$ 4	$ 8	$ 3
Interest cost	**3**	**1**	4	1	4	1
Expected return on plan assets	**(2)**	**–**	(2)	–	(2)	–
Settlement charge	**1**	**–**	1	–	1	–
Amortization of actuarial loss/(gain)	**2**	**–**	2	(1)	2	(1)
Amortization of prior service credit	**–**	**–**	(1)	–	–	–
Total costs	**$12**	**$ 7**	$13	$ 4	$13	$ 3

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	**2015**	2014	**2015**	2014
Change in benefit obligation				
Benefit obligation at January 1	**$130**	$129	**$ 39**	$ 27
Service cost	**8**	9	**6**	4
Interest cost	**3**	4	**1**	1
Plan participant contributions	**1**	1	**–**	–
Actuarial (gain)/loss	**(9)**	18	**20**	19
Benefits paid	**(9)**	(19)	**(15)**	(11)
Currency translation adjustments	**(9)**	(15)	**(2)**	(1)
New plans	**–**	3	**–**	–
Benefit obligation at December 31	**$115**	$130	**$ 49**	$ 39
Change in plan assets				
Fair value of plan assets at January 1	**67**	76	**–**	–
Actual return on plan assets	**1**	7	**–**	–
Company contributions	**5**	8	**–**	–
Benefits paid	**(9)**	(19)	**–**	–
Currency translation adjustments	**(2)**	(7)	**–**	–
Plan participant contribution	**1**	1	**–**	–
New plans	**–**	1	**–**	–
Fair value of plan assets at December 31	**63**	67	**–**	–
Funded status (underfunded)	**$ (52)**	$ (63)	**$ (49)**	$ (39)
Amounts Recognized in the Balance Sheet				
Non-current assets	**$ 5**	$ 4	**$ –**	$ –
Current liabilities	**(1)**	(1)	**(16)**	(5)
Non-current liabilities	**(56)**	(66)	**(33)**	(34)
Net amounts recognized	**$ (52)**	$ (63)	**$ (49)**	$ (39)
Amounts Recognized in Accumulated Other Comprehensive Income				
Unrecognized Net actuarial loss	**$ 19**	$ 33	**$ 23**	$ 6
Unrecognized Prior service/(credit) cost	**(1)**	–	**2**	1
Total	**$ 18**	$ 33	**$ 25**	$ 7

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

in millions	**2015**	2014
Accumulated pension benefit obligation	**$106**	$ 118

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

in millions	**2015**	2014
Projected benefit obligation	**$58**	$ 69
Accumulated benefit obligation	**$50**	$ 61
Fair value of plan assets	**$ –**	$ 3

The following table presents the pre-tax net changes in projected benefit obligations recognized in other comprehensive income during 2015 and 2014:

	Pension		Postemployment	
in millions	**2015**	2014	**2015**	2014
Actuarial (gain)/loss arising during the year	**$ (9)**	$ 14	**$18**	$18
Amortization of (loss)/gain included in net periodic benefit cost	**(2)**	(2)	**–**	1
Prior service cost arising during the year	**–**	1	**–**	–
Recognition of loss due to settlement	**(1)**	(1)	**–**	–
Foreign currency exchange	**–**	(3)	**–**	–
Total recognized in other comprehensive (loss)/income	**$(12)**	$ 9	**$18**	$19

The following table presents the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost during 2016:

in millions	Pension	Postemployment
Net loss to be recognized in other comprehensive income	$3	$ –

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		
	2015	2014	**2015**	2014	2013
Discount rate	**2.4%**	2.3%	**2.3%**	3.0%	3.0%
Rate of compensation increase	**3.2%**	3.3%	**3.3%**	3.2%	3.3%
Expected return on plan assets	**N/A**	N/A	**3.3%**	3.4%	3.4%

	Postemployment Benefit Obligations		Postemployment Benefit Cost		
	2015	2014	**2015**	2014	2013
Discount rate	**3.6%**	3.5%	**3.5%**	3.8%	3.4%
Rate of compensation increase	**3.0%**	3.0%	**3.0%**	3.7%	3.8%
Involuntary turnover rate	**1.8%**	1.3%	**1.3%**	1.0%	1.0%

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.

The discount rate used to determine year-end 2015 U.S. benefit obligations 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. International discount rates were determined by examining interest rate levels and trends within each country, particularly yields on high-quality long-term corporate bonds, relative to our future expected cash flows.

Gains and losses have resulted from changes in actuarial assumptions and from differences between assumed and actual experience, including, among other items, changes in discount rates and differences between actual and assumed asset returns. These gains and losses (except those differences being amortized to the market-related value) are only amortized to the extent that they exceed 10% of the higher of the market-related value 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
	2015	2014	
Equity securities	**31%**	32%	31%
Debt securities	**43%**	41%	47%
Insurance (annuity) contracts	**16%**	17%	16%
Real estate	**6%**	5%	3%
Other	**4%**	5%	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, 2015.

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, 2015:

		Fair Value Measurements at Reporting Date Using		
in millions	**December 31, 2015**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market funds	**$ 3**	**$ –**	**$ 3**	**$ –**
Equity funds	**19**	**–**	**19**	**–**
Bond/fixed-income funds	**27**	**–**	**27**	**–**
Real-estate indirect investments	**4**	**–**	**4**	**–**
Insurance contracts	**10**	**–**	**–**	**10**
Total Assets at fair value	**$63**	**$ –**	**$53**	**$10**

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, 2015:

in millions	**Insurance Contracts**
Balance as of January 1, 2015	**$11**
Purchases, sales and settlements, net	**(1)**
Balance as of December 31, 2015	**$10**

The following table sets forth by level, within the fair value hierarchy, the pension plan assets at fair value as of December 31, 2014:

		Fair Value Measurements at Reporting Date Using		
in millions	December 31, 2014	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	21	–	21	–
Bond/fixed-income funds	28	–	28	–
Real-estate indirect investments	4	–	4	–
Commodities/Other	1	–	1	–
Insurance contracts	11	–	–	11
Total Assets at fair value	$67	$ –	$56	$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, 2014:

in millions	Insurance Contracts
Balance as of January 1, 2014	$10
Purchases, sales and settlements, net	1
Balance as of December 31, 2014	$11

Investment Strategy. Teradata employs a number of 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. The Company expects to contribute approximately $5 million to the international pension plans, in 2016.

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		
2016	$ 4	$16
2017	$ 5	$ 5
2018	$ 5	$ 5
2019	$ 4	$ 5
2020	$ 4	$ 5
2021-2025	$27	$23

Savings Plans. U.S. employees and many international employees participate in defined contribution savings plans. These plans generally provide either a specified percent of pay or a matching contribution on participating employees' voluntary elections. The Company's matching contributions typically are subject to a maximum percentage or level of compensation. Employee contributions can be made pre-tax, after-tax or a combination thereof. The following table identifies the expense for the U.S and International subsidiary savings plans for the years ended December 31:

in millions	**2015**	2014	2013
U.S. savings plan	**$22**	$23	$23
International subsidiary savings plans	**$18**	$18	$17

NOTE 7: Derivative Instruments and Hedging Activities

As a portion of the Company's operations and revenue occur outside the United States and in currencies other than the U.S. dollar, the Company is exposed to potential gains and losses from changes in foreign currency exchange rates. In an attempt 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	**2015**	2014
Contract notional amount of foreign exchange forward contracts	**$ 138**	$116
Net contract notional amount of foreign exchange forward contracts	**$ 25**	$ 17

The fair value derivative assets and liabilities recorded in other current assets and accrued liabilities at December 31, 2015 and 2014, 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, 2015, 2014 and 2013. 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.

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, 2015, the maximum future payment obligation of this guaranteed value and the associated liability balance was $3 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	**2015**	2014	2013
Beginning balance at January 1	**$ 7**	$ 8	$ 8
Accruals for warranties issued	**9**	16	15
Settlements (in cash or kind)	**(10)**	(17)	(15)
Balance at end of period	**$ 6**	$ 7	$ 8

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. The fair value of these indemnification obligations is not readily determinable due to the conditional nature of the Company's potential obligations and the specific facts and circumstances involved with each particular agreement, and as such the Company has not recorded a liability in connection with these 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, 2015, for the following fiscal years were:

in millions	Total Amounts	2016	2017	2018	2019	2020
Operating lease obligations	$ 70	$24	$19	$15	$ 7	$ 5
Sublease rentals	(5)	(3)	(2)	–	–	–
Total committed operating leases less sublease rentals	$ 65	$21	$17	$15	$ 7	$ 5

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

in millions	**2015**	2014	2013
Rental expense	**$ 26**	$ 26	$ 26
Sublease rental income	**$ 3**	$ 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, 2015 and 2014.

The Company is also potentially subject to concentrations of supplier risk. Our hardware components are assembled exclusively by Flextronics International Ltd. ("Flextronics"). Flextronics procures a wide variety of components used in the manufacturing process on our behalf. Although many of these components are available from multiple sources, 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 Flextronics and to source certain components from single suppliers, a disruption in production at Flextronics or at a supplier could impact the timing of customer shipments and/or Teradata's operating results.

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, available-for-sale securities 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. Available-for-sale securities include equity securities that are traded in active markets, such as the National Association of Securities Dealers Automated Quotations Systems ("NASDAQ"), and are therefore included in Level 1 of the valuation hierarchy. Available-for-sale securities are included in other assets in the Company's balance sheet. Unrealized holding gains and losses are excluded from earnings and reported in other comprehensive income until realized.

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, 2015 and 2014, 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	December 31, 2015	(Level 1)	(Level 2)	(Level 3)
Assets				
Money market funds	**$351**	**$351**	**$ –**	**$ –**

		Fair Value Measurements at Reporting Date Using		
in millions	December 31, 2014	(Level 1)	(Level 2)	(Level 3)
Assets				
Money market funds	$393	$393	$ –	$ –
Available-for-sale securities	78	78	–	–
Total assets at fair value	$471	$471	$ –	$ –

NOTE 10: Debt

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. During 2015, 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, 2015, the Company had $180 million outstanding under the Credit Facility and carried an interest rate of 1.623%, leaving $220 million in additional borrowing capacity available. The new revolving credit-facility was accounted for as a modification. 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, 2015.

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 to fund share repurchases. The $600 million term loan is payable in quarterly installments, which will commence 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, 2015, the term loan principal outstanding was $600 million and carried an interest rate of 1.8125%. The payment of the existing term loan with proceeds for the new term loan was accounted for as a modification. Unamortized deferred issuance costs on the original term loan and new lender fees of approximately $2 million are being amortized over the five-year term of the loan. The Company was in compliance with all covenants as of December 31, 2015.

Annual contractual maturities of principal on term loan outstanding at December 31, 2015, are as follows:

in millions	
2016	$ 30
2017	30
2018	60
2019	67
2020	413
Total	$600

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

In millions	**2015**	2014	2013
Interest expense	**$ 9**	$ 3	$ 4

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.

NOTE 11: Segment, Other Supplemental Information and Concentrations

Effective January 1, 2015, Teradata implemented an organizational change in which Teradata now manages its business in two divisions, which are also the Company's operating segments: (1) data and analytics, and (2) marketing applications. This change was intended to enable each division to be more sharply focused in rapidly addressing the dynamics of each market, and in bringing the best solutions to our customers. For purposes of discussing results by segment, management excludes the impact of certain items, consistent with the manner by which 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 margin. For management reporting purposes assets are not allocated to the segments. Prior period segment information has been reclassified to conform to the current period presentation.

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

In millions	**2015**	2014	2013
Segment revenue			
Data and Analytics	**$2,337**	$2,523	$2,478
Marketing Applications	**193**	209	214
Total revenue	**2,530**	2,732	2,692
Segment gross margin			
Data and Analytics	**1,237**	1,422	1,399
Marketing Application	**79**	94	109
Total segment gross margin	**1,316**	1,516	1,508
Stock-based compensation expense	**13**	11	7
Amortization of acquisition-related intangible assets	**19**	21	24
Acquisition, integration and reorganization-related costs	**8**	5	4
Total gross margin	**1,276**	1,479	1,473
Selling, general and administrative expenses	**765**	770	757
Research and development expenses	**228**	206	184
Impairment of goodwill and acquired intangibles	**478**	–	–
Total (loss)/income from operations	**$ (195)**	$ 503	$ 532

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

In millions	**2015**	2014	2013
Products (software and hardware)[1]	**$1,057**	$1,227	$1,230
Consulting services	**780**	817	818
Maintenance services	**693**	688	644
Total services	**1,473**	1,505	1,462
Total revenue	**$2,530**	$2,732	$2,692

[1] Our analytic database software and hardware products are often sold and delivered together in the form of a "node" of capacity as an integrated technology solution. Accordingly, it is impracticable to provide the breakdown of revenue from various types of software and hardware products.

The following table presents revenues by geographic area at December 31:

In millions	**2015**	2014	2013
United States	**$1,428**	$1,458	$1,511
Americas (excluding United States)	**125**	161	122
International	**977**	1,113	1,059
Total revenue	**$2,530**	$2,732	$2,692

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

In millions	**2015**[(1)]	2014
United States	**$129**	$130
Americas (excluding United States)	**3**	4
International	**23**	25
Property and equipment, net	**$155**	$159

(1) 2015 amounts include property and equipment held for sale for $12 million.

Concentrations. No single customer accounts for more than 10% of the Company's revenue. As of December 31, 2015, 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 Flextronics. 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 Flextronics or at a supplier would not have a material adverse effect on the Company's operations.

Changes in segment reporting. Beginning January 2016, the Company will change its operating segments and report future results under three separate segments: (a) Americas Data and Analytics (b) International Data and Analytics, and (c) Marketing Applications until such time as the portion of the marketing applications business to be divested is sold. The remainder of the marketing applications business that will be retained will be reported under the data and analytics operating segments.

NOTE 12: Business Combinations and Other Investment Activities

During 2015, the Company completed two immaterial business acquisitions for $17 million, which complement and strengthen the Company's global portfolio. One of the acquisitions pertains to the marketing applications business, which the Company plans to exit and therefore has been classified in the assets held for sale (see Note 15). In addition, the Company sold two equity investments for $85 million and recognized a gain of $57 million.

During 2014, the Company completed six immaterial business acquisitions and other equity investments for $69 million. These acquisitions complement and strengthen the Company's global portfolio. Two of these acquisitions pertained to the marketing applications business, which the Company plans to exit and therefore have been classified in the assets held for sale (see Note 15). In addition, the Company recognized a loss of $9 million in an equity investment arising from an impairment of carrying value.

During 2013, the Company completed two immaterial business acquisitions and two other equity investments for $36 million. In addition, the Company recognized a loss of $25 million on an equity investment arising from an impairment of carrying value, partially offset by a $3 million gain on sale. The gains and losses for these transactions were recorded in other income/(expense) in the Consolidated Statements of Income.

NOTE 13: Accumulated Other Comprehensive (Loss)/Income

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

In millions	Available-for-sale securities	Defined benefit plans	Foreign currency translation adjustments	Total AOCI
Balance as of December 31, 2012	**$ –**	**$ (5)**	**$ 34**	**$ 29**
Other comprehensive income before reclassifications	–	–	2	2
Amounts reclassified from AOCI	–	2	–	2
Net other comprehensive income	–	2	2	4
Balance as of December 31, 2013	**$ –**	**$ (3)**	**$ 36**	**$ 33**
Other comprehensive income/(loss) before reclassifications	31	(22)	(47)	(38)
Amounts reclassified from AOCI	–	1	–	1
Net other comprehensive income/(loss)	31	(21)	(47)	(37)
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)**

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

AOCI Component	Location	2015	2014	2013
In millions				
Defined benefit plans	Cost of services	**$ (2)**	$(1)	$(2)
Defined benefit plans	Selling, general and administrative expenses	**(1)**	–	(1)
Defined benefit plans	Research and development expenses	**–**	–	1
Available for sale securities	Other income	**42**	–	–
Tax portion	Income tax expense	**(16)**	–	–
Total reclassifications	Net income/(loss)	**$ 23**	$(1)	$(2)

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 includes 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 in 2015 related to these actions:

- $4 million for employee severance and other employee-related costs,
- $140 million charge for asset write-downs, and
- $8 million for professional services, legal and other associated costs.

From the amounts incurred above, $140 million was for non-cash write-downs of goodwill, acquired intangibles and other assets (see Note 3). In addition to the costs and charges incurred above, the Company made cash payments of $14 million 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. Because the Company accounts for postemployment benefits under ASC 712, it did not record any liability associated with ASC 420, Exit or Disposal Cost Obligations.

NOTE 15: Assets and Liabilities Held for Sale

In the fourth quarter of 2015, the Company committed to a plan to exit the majority of the marketing applications business. The Company determined that it was in the long-term best interests of the Company and its shareholders to realign Teradata's business by focusing on the Company's core data and analytics business. The assets and liabilities for this business, which are 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 was ceased at that time. The anticipated divestiture is not presented as discontinued operations in our consolidated financial statements, because it does not have a major effect on the Company's operations and financial results.

For the year ended December 31, 2015, we generated revenue from these assets of $152 million. Additionally, for the year ended December 31, 2015 we recognized operating loss from these assets of $561 million (includes loss from impairment of goodwill and acquired intangibles of $478 million).

When an asset is classified as held for sale, the asset's carrying amount is evaluated and adjusted to the lower of its carrying amount or fair value less costs to sell. As discussed in Note 3, the Company recorded a 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.

A summary of the carrying amounts of assets and liabilities held for sale on our consolidated balance sheets as of December 31, 2015 related to the anticipated divestiture discussed above is detailed below:

In millions	2015
Current assets held for sale	
Accounts receivable, net	$ 41
Other current assets	3
Total current assets held for sale	44
Property and equipment, net	12
Goodwill	113
Acquired intangibles, net	44
Other Assets	1
Total assets held for sale	$214
Current liabilities held for sale	
Accounts payable	$ 10
Payroll and benefits liabilities	12
Deferred Revenue	30
Other current liabilities	5
Total current liabilities held for sale	57
Other liabilities	1
Total liabilities held for sale	$ 58

The final sale of the business described above will be subject to the ability to negotiate acceptable terms and conditions and approval of the Company's Board of Directors, as applicable.

NOTE 16: Quarterly Information (Unaudited)

in millions, except per share amounts	First	Second[1]	Third	Fourth[2]
2015				
Total revenues	$ 582	$ 623	$ 606	$ 719
Gross margin	$ 277	$ 327	$ 307	$ 365
Operating income/(loss)	$ 30	$ (262)	$ 77	$ (40)
Net income/(loss)	$ 22	$ (265)	$ 78	$ (49)
Net income/(loss) per share:				
Basic	$0.15	$ (1.87)	$0.56	$ (0.37)
Diluted	$0.15	$ (1.87)	$0.55	$ (0.37)
2014				
Total revenues	$ 628	$ 676	$ 667	$ 761
Gross margin	$ 333	$ 371	$ 350	$ 425
Operating income	$ 89	$ 133	$ 123	$ 158
Net income	$ 59	$ 96	$ 94	$ 118
Net income per share:				
Basic	$0.37	$ 0.61	$0.61	$ 0.78
Diluted	$0.37	$ 0.60	$0.60	$ 0.77

(1) Loss from operations for the three months ended June 30, 2015 includes a goodwill impairment charge of $340 million for the marketing applications segment.
(2) Loss from operations for the three months ended December 31, 2015 includes goodwill and acquired intangibles impairment charges of $138 million for the marketing applications business.

NOTE 17: Subsequent Events

From January 1, 2016 through February 26, 2016, the Company purchased approximately 2 million shares for approximately $47 million. As of February 26, 2016 the Company had approximately $528 million of share repurchase authorization remaining.

COMMON STOCK INFORMATION

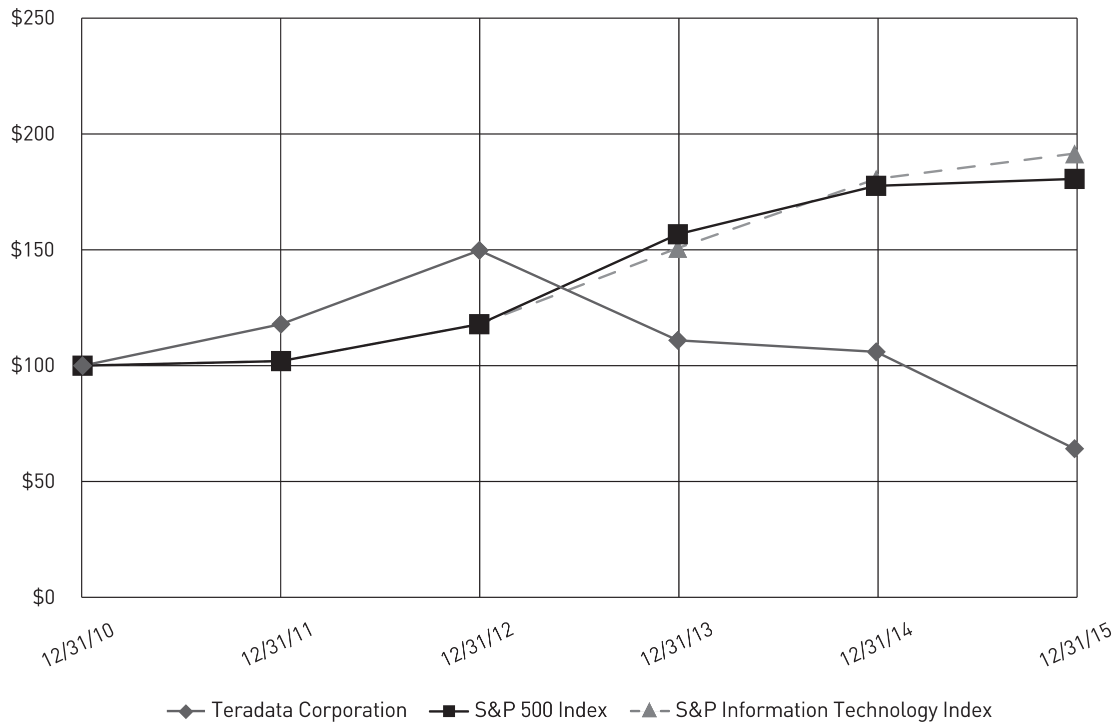
Teradata common stock trades on the New York Stock Exchange under the symbol "TDC." There were approximately 62,800 registered holders of Teradata common stock as of February 4, 2016. The following table presents the high and low closing per share prices of Teradata common stock traded on the New York Stock Exchange during the calendar quarter indicated.

Common Stock Closing Market Price	High	Low
2015		
Fourth quarter	**$30.63**	**$25.58**
Third quarter	**$37.11**	**$27.70**
Second quarter	**$45.89**	**$36.95**
First quarter	**$46.98**	**$41.63**
2014		
Fourth quarter	$45.22	$39.87
Third quarter	$45.84	$39.99
Second quarter	$49.18	$39.54
First quarter	$49.19	$40.00

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 for the five-year period from December 31, 2010 to December 31, 2015, assuming an initial investment of $100 and reinvestment of all dividends, if any.



	As of December 31					
Company/Index	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Teradata Corporation	$100	$118	$150	$111	$106	**$64**
S&P 500 Index	$100	$102	$118	$157	$178	**$181**
S&P Information Technology Index	$100	$102	$118	$151	$181	**$192**

SELECTED FINANCIAL DATA

For the Year Ended December 31	2015[1]	2014[2]	2013[3]	2012[4]	2011[5]
in millions, except per share and employee amounts					
Revenue	**$ 2,530**	$ 2,732	$ 2,692	$ 2,665	$ 2,362
(Loss)/income from operations	**$ (195)**	$ 503	$ 532	$ 580	$ 456
Other income/(expense), net	**$ 51**	$ (9)	$ (24)	$ (2)	$ 25
Income tax expense	**$ 70**	$ 127	$ 131	$ 159	$ 128
Net (loss)/income	**$ (214)**	$ 367	$ 377	$ 419	$ 353
Net (loss)/income per common share					
Basic	**$ (1.53)**	$ 2.36	$ 2.31	$ 2.49	$ 2.10
Diluted	**$ (1.53)**	$ 2.33	$ 2.27	$ 2.44	$ 2.05

At December 31	2015	2014	2013	2012	2011
Total assets	**$ 2,530**	$ 3,132	$ 3,096	$ 3,066	$ 2,616
Debt, including current portion	**$ 780**	$ 468	$ 274	$ 289	$ 300
Total stockholders' equity	**$ 849**	$ 1,707	$ 1,857	$ 1,779	$ 1,494
Number of employees	**11,300**	11,500	10,800	10,200	8,600

(1) 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.

(2) 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.

(3) 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.

(4) Includes $17 million ($13 million after-tax) for acquisition-related transaction, integration and reorganization costs and expenses, $36 million ($23 million after-tax) for amortization of acquired intangible assets, and $4 million of additional tax expense due to the 2012 U.S. R&D tax credit not being enacted until 2013.

(5) Includes $25 million ($20 million after-tax) for acquisition-related transaction, integration and reorganization costs and expenses, $24 million ($15 million after-tax) for amortization of acquired intangible assets, offset by a $28 million ($22 million after-tax) gain on equity investments.

CORPORATE INFORMATION

Annual Meeting of Stockholders

Stockholders are invited to attend Teradata's Annual Meeting of Stockholders at 8 a.m. on Tuesday, April 26, 2016, to be held at the:

Terry Executive Education Center
3475 Lenox Road NE
Atlanta, GA 30326

Stockholder Account Inquiries

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

Teradata Corporation
c/o Computershare Shareholder Services
P.O. Box 30170
College Station, TX 77842-3176

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 2015, 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 2015 periodic reports.

Board of Directors

James M. Ringler
Chairman of the Board
Teradata Corporation

Lisa R. Bacus
Executive Vice President and
Global Chief Marketing Officer
Cigna Corporation

Edward P. Boykin
Retired President and
Chief Operating Officer
Computer Sciences Corporation

Nancy E. Cooper
Retired Executive Vice President
and Chief Financial Officer
CA Technologies

Cary T. Fu
Co-Founder
Retired Chairman of the Board
and Chief Executive Officer
Benchmark Electronics, Inc.

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

David E. Kepler
Retired Executive Vice President,
Chief Sustainability Officer, and
Chief Information Officer
The Dow Chemical Company

Michael F. Koehler
President and
Chief Executive Officer
Teradata Corporation

Victor L. Lund
Former Non-Executive Chairman
of the Board
DemandTec, Inc.

John G. Schwarz
Founder and
Chief Executive Officer
Visier Inc.

William S. Stavropoulos
Chairman Emeritus
The Dow Chemical Company

Leadership

Michael F. Koehler
President and
Chief Executive Officer

Stephen A. Brobst
Chief Technology Officer

Saundra D. Davis
Chief Human Resource Officer

John D. Dinning
Chief Transformation Officer

Robert E. Fair, Jr.
Chief Operating Officer

Daniel L. Harrington
Executive Vice President,
International Region and
Global Services

Richard A. Morton
President, Americas Region

Laura K. Nyquist
General Counsel and Secretary

Oliver G. Ratzesberger
President, Teradata Labs

Stephen M. Scheppmann
Executive Vice President
and Chief Financial Officer

TERADATA®

TERADATA CORPORATION

10000 Innovation Drive
Dayton, OH 45342
www.teradata.com

MIX
Paper from
responsible sources
FSC® C013980
www.fsc.org

Printed with soy ink, a renewable resource.
Please recycle