2019 ANNUAL REPORT

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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. This Annual Report contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements contained in the MD&A are forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to several factors, including those discussed in other sections of this Annual Report.

OVERVIEW

Teradata Corporation is a leading hybrid cloud analytics software provider focused on helping companies leverage all of their data across an enterprise to uncover real-time intelligence, at scale. In doing so, we enable them to find answers to their toughest challenges. Our solutions enable customers to integrate and simplify their analytics ecosystem, access and manage data, and use analytics to extract answers and derive business value from data. Our solutions are comprised of software, hardware, and related business consulting and support services to deliver analytics across a company's entire analytics ecosystem.

Teradata's strategy is based on our mission of transforming how businesses work and people live through the power of data. Our target market is made up of companies that we believe are the world's most demanding, large-scale users of data. These companies face significant challenges including siloed data and conflicting and duplicative solutions that typically results in considerable expense to maintain and to manage the complexity. Our strategy is to provide a differentiated set of offerings to our target market through a portfolio of integrated data and analytic solutions. Teradata Vantage™ is an extremely scalable, secure, highly concurrent and resilient analytics platform that addresses the challenges faced in our targeted customer set. By offering customers full integration of their datasets, tools, analytics languages, functions, and engines in one analytical platform, Vantage reduces customers' complexity, risk, and costs. Our Vantage platform embraces leading commercial and open source analytics technologies and is available in the cloud and on-premises.

All subscription-based Teradata software licenses enable portability of the software license between cloud and on-premises deployment options; this flexibility is designed to reduce risk associated with customers' buying decisions. Customer buying behavior has shifted from predominantly capital-intensive purchases to these subscription-based purchasing options. In the near term, the movement to subscription-based transactions is negatively impacting the timing of our reported revenue and our cash flows because revenue and cash related to subscription-based transactions are recognized and received over time versus upfront as was the case with the capital purchase model. The transition to a subscription-based model is expected to increase our recurring revenue, create more predictable operating results and improve cash flow generation. Near term impacts, however, can fluctuate based on the pace of customer adoption, which can be difficult to predict. In the longer term, we expect our reported operating results and cash flow to normalize and increase as customers increasingly transition to these subscription-based offerings.

We are continuing to invest in Teradata's future, including investments to (i) support and expand our cloud-based offerings, market-leading Vantage platform, and analytical consulting and solutions, (ii) align our go-to-market approach to best address our target customers, and (iii) modernize our infrastructure.

In connection with the Company's business transformation, Teradata introduced additional financial and performance metrics to allow for greater transparency regarding the progress we are making toward achieving our strategic objectives. These metrics included the following:

- **Annual Recurring Revenue ("ARR")** - annual contract value for all active and contractually binding term-based contracts at the end of a period. It includes maintenance, software upgrade rights, subscription-based transactions and managed services.
- **Bookings Mix** - subscription bookings divided by the sum of subscription bookings plus perpetual bookings.

Because we expect little to no perpetual revenue in 2020, we will not be providing bookings mix as a key financial and performance metric going forward.

2019 FINANCIAL OVERVIEW

As more fully discussed in later sections of this MD&A, the following are the financial highlights for 2019:

- Revenue of $1,899 million decreased by 12% in 2019 as compared to 2018, with an underlying 9% increase in recurring revenue as the Company's business shifts to subscription-based transactions. The increase in recurring revenue was more than offset by a 69% decrease in perpetual software licenses and hardware revenue and a 24% decrease in consulting services revenue. Foreign currency fluctuations had a 2% negative impact on total revenue for the year.
- Gross margin was 50.3% in 2019, an increase from 47.4% in 2018, primarily due to a higher recurring revenue mix as compared to prior year.
- Operating expenses in 2019 decreased by 3.9% as compared to 2018, primarily due to cost management initiatives.
- Operating income was $10 million in 2019, down from $43 million in 2018, primarily due to a decrease in revenue as compared to the prior year as a result of a higher subscription-based bookings mix, which resulted in a significant decline in perpetual as well as a decline in consulting revenue, as expected and generally in line with our strategy.
- Net loss was $20 million in 2019 versus net income of $30 million in 2018. Net loss per share was $0.18 in 2019 compared to net income per share of $0.25 in 2018.

RESULTS FROM OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

In July 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2019-07, "Codification Updates to SEC Sections-Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification", which makes a number of changes meant to simplify certain disclosures in financial condition and results of operations, particularly by eliminating year-to-year comparisons between prior periods previously disclosed. In accordance with the relevant aspects of the rule covering the current year annual report, we now include disclosures on results of operations for fiscal year 2019 versus 2018 only. For discussion of fiscal year 2018 versus 2017 see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report filed with the SEC for the fiscal year ended December 31, 2018.

Revenue

in millions	**2019**	**% of Revenue**	2018	% of Revenue
Revenue				
Recurring	**$1,362**	**71.7%**	$1,254	57.9%
Perpetual software license and hardware	**106**	**5.6%**	340	15.7%
Consulting services	**431**	**22.7%**	570	26.3%
Total revenue	**$1,899**	**100%**	$2,164	100%

Total revenue was down $265 million or 12% in 2019, which included a 2% negative impact from foreign currency fluctuations. Recurring revenue grew 9%, which included a 2% negative impact from foreign currency fluctuations. This increase in recurring revenue was driven by our movement to subscription-based transactions from perpetual software licenses and hardware transactions, which is consistent with our strategy. Under a subscription business model, we recognize revenue over time as opposed to the upfront recognition under the perpetual model. As the Company shifts to a recurring revenue model and focuses its consulting resources on strategic engagements that drive increased software consumption within our targeted customer base, perpetual revenue and consulting revenue declined versus the prior-year period, which more than offset the increase in recurring revenue. For 2020, we expect ARR growth and recurring revenue growth of at least 8%. Taking into consideration the growth in recurring revenue offset by reduced perpetual software license and hardware revenue and reduced consulting services revenues of mid-single digits, we believe total revenues will be flat to down slightly in 2020.

Revenues from perpetual software licenses and hardware in 2019 decreased 69%, including a 1% negative impact from foreign currency fluctuations. The decrease in perpetual software licenses and hardware revenue is consistent with our strategy to sell more subscription-based offerings. We expect perpetual revenues to continue to decline as customers switch to our subscription-based offerings. Perpetual revenue is primarily hardware-related, as software is generally being sold on subscription. We expect that there will be little to no perpetual revenue in 2020.

Consulting services revenue decreased 24%, which included a 1% negative impact from foreign currency, as we are realigning and focusing our consulting resources on higher-margin engagements that drive increased software consumption within our targeted customer base. In 2019, we made progress towards our strategy of refocusing our consulting organization on Vantage-oriented offerings and de-emphasizing non-core consulting engagements. We expect consulting revenue to decline longer term as we expect a deepening partner ecosystem and product simplification to reduce our reliance on Teradata's consulting organization while creating greater total value for our customers. In line with our strategy to increase consumption of Teradata software, we are narrowing the focus of our consulting resources to engagements that drive customer value and increase consumption of our software.

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. Based on currency rates as of January 31, 2020, Teradata is expecting one percentage point negative impact from currency translation on our 2020 full year projected revenue growth rate.

Included below are financial and performance growth metrics for 2019:

- ARR was $1.427 billion at the end of 2019, a 9% increase from $1.308 billion at the end of 2018
- 88% of our bookings mix in 2019 were subscription-based
- Total backlog grew 7% to $2.732 billion

Our ARR is composed of three main categories: (1) subscription and cloud-related ARR, (2) ARR related to our legacy perpetual maintenance and software upgrade rights, and (3) ARR related to subscription-based managed services. At December 31, 2019, our ARR consisted of:

- $700 million of subscription and cloud-related ARR, up 42%;
- $615 million of perpetual license maintenance and software upgrade rights-related ARR, down 14%; and
- $112 million of managed services-related ARR, which grew 13%.

The slower rate of decline in our maintenance and software upgrade-related ARR, compared to 2018, is by design and results from changes in compensation for sales personnel that removed incentives to convert existing perpetual licenses to subscription without also growing subscription licenses. Over time, we continue to expect our subscription business to continue to show healthy growth, while perpetual maintenance and software upgrade rights-related ARR is likely to decline low double digits.

The rate of our transition to a recurring revenue model has been significantly faster than expected, and we believe it is reflective of the value our customers see in our subscription model and cloud offerings. Because we expect little to no perpetual software licenses and hardware revenue in 2020, we do not intend to continue providing the bookings mix as a key financial and performance metric going forward.

Total backlog grew 7% year-over-year, despite significantly shorter average contract durations compared to 2018. We believe this shows the strength and commitment of our customer relationships and continued adoption of our core product platform. In 2019, we changed our compensation structure for sales personnel to only compensate on transactions with contract durations of up to three years versus five years in 2018. This drove a meaningful reduction in our contract durations from well over four years in 2018 to closer to three years in 2019. We expect contract durations to remain stable in 2020.

Gross Profit

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

- **Revenue Mix** - The proportion of recurring, consulting, and perpetual software licenses and hardware that generates the total revenue of the Company. Changes in revenue mix can have an impact on gross profit even if total revenue remains unchanged.
- **Recurring Revenue Mix** - The proportion of various recurring revenue offerings that comprise the total of recurring revenue. For example, a higher mix of subscriptions including hardware rentals could have a negative impact on total recurring gross profit.
- **Deal Mix** - Refers to the type of transactions closed within the period that generate the total perpetual software license and hardware revenue. For example, a higher mix of hardware versus software or the mix of Teradata versus third-party products can impact profitability.

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

in millions	**2019**	**% of Revenue**	2018	% of Revenue
Gross profit				
Recurring	**$920**	**67.5%**	$ 880	70.2%
Perpetual software licenses and hardware	**22**	**20.8%**	118	34.7%
Consulting Services	**13**	**3.0%**	28	4.9%
Total gross profit	**$955**	**50.3%**	$1,026	47.4%

The decrease in recurring revenue gross profit as a percent of revenue was driven by a higher mix of subscription-based revenue as compared to the prior-year period. Subscription-based transactions are typically lower margin as compared to the recurring revenue from legacy software maintenance and software upgrade rights on perpetual software, due to the higher mix of hardware in subscription-based transactions. In 2020, we expect subscription-based margins to be in line with 2019.

The decrease in perpetual software licenses and hardware gross profit as a percent of revenue was driven by a higher mix of hardware revenue as some customers continue to purchase their hardware upfront while buying the software on a subscription basis, which is recorded in recurring revenue. In addition, our hardware gross margin was negatively impacted by deal mix and currency swings on inter-company transactions in regions where we cannot hedge currency fluctuations.

Consulting services gross profit as a percentage of revenue decreased due to a faster-than-expected decrease in revenue as compared to the prior-year as the Company refocused our consulting organization on Vantage-oriented offerings and dramatically reduced our footprint in non-core consulting engagements. As a result of these actions, we expect profitable consulting growth longer term.

In 2020, we expect overall gross profit as a percent of revenue to increase as we continue to expect the revenue mix to shift from lower-margin consulting and perpetual revenue to higher-margin recurring revenue.

Operating Expenses

in millions	**2019**	**% of Revenue**	2018	% of Revenue
Operating expenses				
Selling, general and administrative expenses	**$618**	**32.5%**	$666	30.8%
Research and development expenses	**327**	**17.2%**	317	14.6%
Total operating expenses	**$945**	**49.8%**	$983	45.4%

The SG&A expense decrease was mostly driven by a restructuring of our sales organization designed to focus on our enterprise customers, and at the same time, creating a more efficient go-to-market coverage model for our commercial customers. In addition, expenses were also down due to lower payments related to the Company's annual variable incentive plan as compared to the prior year.

R&D expenses increased due to strategic investments in our Vantage analytics platform and our cloud offerings as we increase the reach of Teradata to multiple public cloud platforms.

Other Expense, net

in millions	**2019**	2018
Interest income	**$ 12**	$ 14
Interest expense	**(26)**	(22)
Other	**(9)**	(8)
Total Other Expense, net	**$(23)**	$(16)

In 2019, other expense, net was comprised primarily of interest expense on long-term debt and finance leases, partially offset by interest income earned on our cash and cash equivalents. Other expense, net increased compared to the prior year due to a lower cash balance, decreases in interest rates on investments and additional interest expense on finance leases.

Provision for Income Taxes

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

	2019	2018
Effective Tax Rate	**(53.8%)**	(11.1%)

The 2019 effective tax rate was impacted by $3 million tax expense related to equity compensation and $3 million of incremental global intangible low-taxed income ("GILTI") tax, which resulted in full-year income tax expense in 2019 of $7 million, on a pre-tax net loss of $13 million, causing a negative tax rate of 53.8%.

The 2018 effective tax rate was impacted by the Tax Cuts and Jobs Act of 2017 ("Tax Act"), which was signed into law on December 22, 2017, making significant changes to the United States Internal Revenue Code. Changes include, but are not limited to:

- A corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017,
- The transition of United States international taxation from a worldwide tax system to a modified territorial tax system, and
- A one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017.

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

For the year ended December 31, 2018, the Company recorded $6 million of tax benefit in accordance with SAB 118 as an adjustment to the provisional estimates resulting from additional regulatory guidance and changes in interpretations and assumptions the Company initially made because of the Tax Act. This resulted in an overall income tax benefit for 2018.

The Company's first quarter and full-year 2020 effective tax rate is expected to include approximately $152 million of discrete tax benefit related to an intra-entity asset transfer of certain of its intellectual property ("IP") to one of its Irish subsidiaries, which occurred on January 1, 2020. The tax benefit for this intra-entity asset transfer will be recorded as a deferred tax asset in the first quarter of 2020 and represents the book and tax basis difference on the transferred assets measured based on the applicable Irish statutory tax rate. The tax deductions for amortization of the IP asset will be recognized in the future, and any amortization not deducted for tax purposes will be carried forward indefinitely under Irish tax laws. The Company expects to be able to realize the deferred tax assets resulting from these intra-entity asset transfers.

The Company is expecting its full-year effective tax rate for 2020 to be approximately (600)%, which takes into consideration, among other things, the forecasted earnings mix by jurisdiction and the estimated discrete items to be recognized in 2020, including the discrete tax benefit related to the intra-entity asset transfer discussed above. The forecasted tax rate is based on the overseas profits being taxed at an overall effective tax rate of approximately 33%, as compared to the federal statutory tax rate of 21% in the U.S.

REVENUE AND GROSS PROFIT BY OPERATING SEGMENT

Effective January 1, 2019, Teradata implemented an organizational change in which Teradata now manages its business under three geographic regions, which are also the Company's operating segments: (1) Americas region (North America and Latin America); (2) EMEA region (Europe, Middle East, and Africa) and (3) APAC region (Asia Pacific and Japan). 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, who is our Interim President and Chief Executive Officer, evaluates the performance of the segments based on revenue and multiple profit measures, including segment gross profit. For management reporting purposes, assets are not allocated to the segments. Our segment results are reconciled to total company results reported under GAAP in Note 14 of Notes to Consolidated Financial Statements. Prior-period results have been restated to conform to the current year presentation.

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

in millions	**2019**	**% of Revenue**	2018	% of Revenue	2017	% of Revenue
Segment revenue						
Americas	**$1,057**	**55.7%**	$1,126	52.0%	$1,195	55.3%
EMEA	**492**	**25.9%**	587	27.1%	567	26.3%
APAC	**350**	**18.4%**	451	20.8%	394	18.3%
Total segment revenue	**$1,899**	**100%**	$2,164	100%	$2,156	100%
Segment gross profit						
Americas	**$ 626**	**59.2%**	$ 621	55.2%	$ 675	56.5%
EMEA	**239**	**48.6%**	275	46.8%	276	48.7%
APAC	**148**	**42.3%**	199	44.1%	161	40.9%
Total segment gross profit	**$1,013**	**53.3%**	$1,095	50.6%	$1,112	51.6%

2019 compared to 2018

Americas

Revenue decreased 6%, which included a 1% unfavorable impact from foreign currency fluctuations. An increase in recurring revenue was offset by a decrease in perpetual software licenses and hardware revenue and decrease in consulting revenue. The increase in recurring revenue and decline in perpetual revenue were driven by the shift to subscription-based transactions. Segment gross profit as a percentage of revenues was higher primarily due to a higher mix of recurring revenue.

EMEA

EMEA revenue decreased 16%, which includes a 3% unfavorable impact from foreign currency fluctuations. An increase in recurring revenue was offset by a decrease in perpetual software licenses and hardware revenue and decrease in consulting revenue. Segment gross profit as a percentage of revenues was higher primarily due to a higher mix of recurring revenue.

APAC

APAC revenue decreased 22%, which included a 2% unfavorable impact from foreign currency fluctuations. An increase in recurring revenue was offset by a decrease in perpetual software licenses and hardware revenue and a decrease in consulting revenue. Segment gross profit as a percentage of revenues was lower primarily due to a decline in consulting margins and decline in perpetual software licenses and hardware margins as a result of a higher mix of hardware, partially offset by a higher mix of recurring revenue.

2018 compared to 2017

Americas

Revenue decreased 6%, which included a 1% unfavorable impact from foreign currency fluctuations. An increase in recurring revenue was offset by a decrease in perpetual software licenses and hardware revenue and consulting revenue. The increase in recurring revenue and decline in perpetual revenue were driven by the shift to subscription-based transactions. Segment gross profit as a percentage of revenues was lower primarily due to lower perpetual revenue margin from a higher mix of hardware as some customers continued to purchase hardware upfront while buying software on a subscription basis.

EMEA

EMEA revenue increased 4%, which included a 3% favorable impact from foreign currency fluctuations. An increase in recurring revenue and consulting revenue was partially offset by a decrease in perpetual software licenses and hardware revenue. Segment gross profit as a percentage of revenues was lower primarily due to due to a decline in perpetual software and hardware margins, which more than offset a favorable higher mix of recurring revenue.

APAC

APAC revenue increased 14%, which included a 1% unfavorable impact from foreign currency fluctuations. An increase in recurring revenue and consulting revenue was partially offset by a decrease in perpetual software licenses and hardware revenue. Segment gross profit as a percentage of revenues was higher primarily due to growth in higher margin recurring revenue and an increase in consulting services gross margin as the Company continued to focus on making operational improvements in its consulting business.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Teradata ended 2019 with $494 million in cash and cash equivalents, a $221 million decrease from the December 31, 2018 balance, after using approximately $300 million for repurchases of Company common stock during the year. Cash provided by operating activities decreased by $216 million to $148 million in 2019 compared to 2018. The decrease in cash provided by operating activities was driven by a faster transition to a subscription model, higher cash payments in 2019 related to 2018 variable compensation, lower upfront multi-year cash payments from subscription-based transactions, and higher cash used for reorganizing and restructuring our operations and go-to-market functions to align to our strategy.

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

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

in millions	**2019**	2018
Net cash provided by operating activities	**$148**	$ 364
Less:		
Expenditures for property and equipment	**(54)**	(153)
Additions to capitalized software	**(5)**	(7)
Free cash flow	**$ 89**	$ 204

Financing activities and certain other investing activities are not included in our calculation of free cash flow. There were no other investing activities in 2019 and $3 million in other investing activities in 2018 for a release of hold-back amounts from a prior year acquisition.

Teradata's financing activities for the years ended December 31, 2019 primarily consisted of cash outflows of $300 million for share repurchases, repayment of existing term loan of $19 million, $33 million of payments on finance leases, partially offset by $44 million net inflows from other financing activities.

Teradata's financing activities for the years ended December 31, 2018 primarily consisted of cash outflows of $300 million for share repurchases, repayments of credit facility borrowings of $240 million, repayment of existing term loan of $40 million, $5 million of payments on finance leases, partially offset by $31 million net inflows from other financing activities.

The Company purchased 8.5 million shares of its common stock at an average price per share of $35.38 in 2019 and 7.9 million shares of its common stock at an average price per share of $37.89 in 2018.

Share repurchases were made under two share repurchase programs initially authorized by our Board of Directors in 2008. The first of these programs (the "dilution offset program") authorizes the Company to repurchase Teradata common stock to the extent of cash received from the exercise of stock options and the Teradata Employee Stock Purchase Plan ("ESPP") to offset dilution from shares issued pursuant to these plans. As of December 31, 2019, under the Company's second share repurchase program (the "general share repurchase program"), the Company had approximately $503 million of authorization remaining to repurchase outstanding shares of Teradata common stock. Share repurchases made by the Company are reported on a trade date basis.

Proceeds from the ESPP and the exercise of stock options, net of tax paid for shares withheld upon equity award settlement, were $44 million in 2019 and $33 million in 2018. 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 $344 million as of December 31, 2019 and $364 million as of December 31, 2018. The remaining balance held in the United States was $150 million as of December 31, 2019 and $351 million as of December 31, 2018. Prior to the enactment of the 2017 Tax Act, the Company either reinvested or intended to reinvest its earnings outside of the United States. As a result of the 2017 Tax Act, the Company has changed its indefinite reinvestment assertion related to foreign earnings that have been taxed in the United States and now considers a majority of these earnings no longer indefinitely reinvested. Effective January 1, 2018, the United States moved to a territorial system of international taxation, and as such will generally not subject future foreign earnings to United States taxation upon repatriation in future years.

Management believes current cash, cash generated from operations and the $400 million available under the Credit Facility will be sufficient to satisfy future working capital, research and development activities, capital expenditures, pension contributions, 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.

Long-term Debt. In June 2018, Teradata replaced its former five-year, $400 million revolving credit facility with a new $400 million revolving credit facility (the "Credit Facility"). The Credit Facility ends in June 2023 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. In addition, under the terms of the Credit Facility, Teradata from time to time and subject to certain conditions may increase the lending commitments under the Credit Facility in an aggregate principal amount up to an additional $200 million, to the extent that existing or new lenders agree to provide such additional commitments. The outstanding principal amount of the Credit Facility bears interest at a floating rate based upon, at Teradata's option, a negotiated base rate or a Eurodollar rate plus, in each case,

a margin based on Teradata's leverage ratio. In the near term, Teradata would anticipate choosing a floating rate based on London Interbank Offered Rate ("LIBOR"). The Credit Facility is unsecured but is guaranteed by certain of Teradata's material domestic subsidiaries and contains certain representations and warranties, conditions, affirmative, negative and financial covenants, and events of default customary for such facilities. As of December 31, 2019, the Company had no borrowings outstanding under the Credit Facility, with $400 million in borrowing capacity available under the Credit Facility. Unamortized deferred costs on the original credit facility and new lender fees of approximately $1 million were being amortized over the five-year term of the credit facility. The Company was in compliance with all covenants under the Credit Facility as of December 31, 2019.

Also, in June 2018, Teradata closed on a new senior unsecured $500 million five-year term loan, the proceeds of which plus additional cash-on-hand were used to pay off the remaining $525 million of principal on its previous term loan. The term loan is payable in quarterly installments, which commenced on June 30, 2019 with 1.25% of the initial principal amount due on each of the first eight payment dates; 2.50% of the initial principal amount due on each of the next four payment dates; 5.0% of the initial principal amount due on each of the next three payment dates; and all remaining principal due in June 2023. The outstanding principal amount of the term loan 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, 2019, the term loan principal outstanding was $482 million. Unamortized deferred issuance costs of approximately $2 million are being amortized over the five-year term of the loan. The Company was in compliance with all covenants under the term loan as of December 31, 2019.

In addition, in June 2018, Teradata executed a five-year interest rate swap with a $500 million initial notional amount in order to hedge the floating interest rate on the above-described term loan. The notional amount of the hedge will step-down according to the amortization schedule of the term loan. The notional amount of the hedge was $482 million as of December 31, 2019. As a result of the swap, Teradata's fixed rate on the term loan equals 2.86% plus the applicable leverage-based margin as defined in the Term Loan agreement. As of December 31, 2019, the all-in fixed rate was 4.36%.

Leases. In the normal course of business, the Company enters into operating and finance leases that impact, or could impact, our liquidity. Leases are described in detail in Note 13 of Notes to Consolidated Financial Statements. See Contractual and Other Commercial Commitments below for minimum lease obligations as of December 31, 2019.

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 outline our material obligations at December 31, 2019, with projected cash payments in the periods shown:

in millions	Total Amounts	2020	2021-2022	2023-2024	2025 and Thereafter
Principal payments on long-term debt	$482	$ 25	$ 132	$325	$ -
Interest payments on long-term debt	47	15	27	5	-
Principal payments on finance leases	130	55	75	-	-
Interest payments on finance leases	7	5	2	-	-
Operating lease obligations	65	24	28	11	2
Transition tax	92	-	19	43	30
Purchase obligations	159	43	85	31	-
Total debt, lease and purchase obligations	$982	$167	$368	$415	$32

Our principal payments on long-term debt represent the expected cash payments on our $482 million term loan balance and do not include any fair value adjustments or discounts and premiums. Our interest payments on long-term debt represent the estimated cash interest payments based on the prevailing interest rate as of December 31, 2019. Our principal payments on finance leases represent the expected cash payment on our finance leases obligation, which was $130 million as of December 31, 2019. Our interest payments on finance leases represent the estimated cash interest payments based on the interest rates per finance lease agreements as of December 31, 2019. Our operating lease obligations in the above table includes Company facilities in various domestic and international locations as well as automobile leases in certain countries. Transition tax is the remaining payable balance as of December 31, 2019 of the one-time tax on accumulated foreign earnings

resulting from the Tax Act. The payments associated with this deemed repatriation will be paid over seven years ending in 2025. 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 had $37 million in total uncertain tax positions recorded on its balance sheet as of December 31, 2019, of which $19 million is recorded in non-current liabilities and $18 million is reflected as an offset to deferred tax assets related to certain tax attribute carryforwards. These items are not included in the table of obligations shown above. The settlement period for the non-current income tax liabilities cannot be reasonably estimated as the timing and the amount of the payments, if any, will depend on possible future tax examinations with the various tax authorities. However, it is not expected that any payments will be due within the next 12 months.

We also have product warranties and guarantees to third parties, as well as postemployment and international pension obligations that may affect future cash flow. These items are not included in the table of obligations shown above. The Company is also potentially subject to concentration of supplier risk. Our hardware components are assembled exclusively by Flex Ltd. ("Flex"). Flex procures a wide variety of components used in the manufacturing process on our behalf. Although many of these components are available from multiple sources, Teradata utilizes preferred supplier relationships to better ensure more consistent quality, cost, and delivery. Typically, these preferred suppliers maintain alternative processes and/or facilities to ensure continuity of supply. Given the Company's strategy to outsource its manufacturing activities to Flex and to source certain components from single suppliers, a disruption in production at Flex or at a supplier could impact the timing of customer shipments and/or Teradata's operating results. In addition, a significant change in the forecasts to any of these preferred suppliers could result in purchase obligations or components that may be in excess of demand. Product warranties and third-party guarantees are described in detail in "Note 10—Commitments and Contingencies" in the Notes to Consolidated Financial Statements. Postemployment and pension obligations are described in detail in "Note 8—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

On January 1, 2018, we adopted ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"). This standard replaced existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. Refer to Notes 1 and 3, of our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for discussion of our revenue recognition policies.

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 performance obligations in the contract and in determining the standalone selling price of each performance obligation, considering the price charged for each product when sold on a standalone basis and applicable renewal rates for services and subscriptions. Changes in judgments about these factors could impact the timing and amount of revenue recognized between periods.

The Company reviews the standalone 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, 2019 there was no material impact to revenue resulting from changes in the standalone selling price, nor does the Company expect a material impact from such changes in the near term.

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 made an accounting policy election in 2018 related to the Tax Act to provide for the tax expense related to GILTI in the year the tax is incurred.

Prior to the enactment of the Tax Act in December 2017, the Company had not provided for taxes on the undistributed earnings of its foreign subsidiaries as the Company either reinvested or intended to reinvest those earnings outside of the United States. Because of the Tax Act, the Company has changed its indefinite reinvestment assertion related to foreign earnings that have been taxed in the United States and now considers a majority of these earnings no longer indefinitely reinvested. The Company has recorded $1 million of deferred foreign and state tax expense with respect to certain earnings that are not considered permanently reinvested. Deferred taxes have not been provided on earnings considered indefinitely reinvested.

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, 2019, the Company has a total of $37 million of unrecognized tax benefits, of which $19 million is included in the other liabilities section of the Company's consolidated balance sheet as a non-current liability. The remaining balance of $18 million of uncertain tax positions relates to certain tax attributes generated by the Company which are netted against the underlying deferred tax assets recorded on the balance sheet.

We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. We have recorded $45 million in 2019 and $39 million in 2018 for valuation allowances, a majority of which offset our California R&D tax credit carryforward, as the Company expects to continue to generate excess California R&D tax credits into the foreseeable future.

Stock-based Compensation

We measure compensation cost for stock awards at fair value and recognize compensation expense over the service period. We utilize pricing models, including the Black-Scholes option pricing model and Monte Carlo simulation model, to estimate the fair value of stock-based compensation at the date of grant. These valuation models require the input of subjective assumptions, including expected volatility and expected term. In addition, we issue performance-based awards that vest only if specific performance conditions are satisfied. The number of shares that will be earned can vary based on actual performance. No shares will vest if the threshold objectives are not met. In the event the objectives are exceeded, additional shares will vest up to a maximum payout. The cost of these awards is expensed over the performance period based upon management's estimate and analysis of the probability of meeting the performance criteria. Because the actual number of shares to be awarded is not known until the end of the performance period, the actual compensation expense related to these awards could differ from our current expectations. Since the adoption of the FASB Accounting Standards Update - Improvements to Employee Share-Based Payment Accounting, effective January 1, 2016, we account for forfeitures as they occur instead of estimating forfeitures at the time of grant and revising those estimates in subsequent periods if actual forfeitures differ from our estimates.

Goodwill and Acquired Intangible Assets

The Company reviews goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. For 2019, the Company performed a quantitative impairment test. In this test, the Company compares the fair value of each reporting unit to its carrying value. The Company typically determines the fair value of its reporting units using a weighting of fair values derived from the income and market approaches. Under the income approach, the Company calculates the fair value of a reporting unit based on the present value of estimated future cash flows. The market approach estimates fair value based on market multiples of revenue and earnings derived from comparable companies with similar operating and investment characteristics as the reporting unit. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the company records an impairment loss equal to the difference. In the fourth quarter of 2019, the Company performed its annual impairment test of goodwill and determined that no impairment to the carrying value of goodwill was necessary.

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.

Leases

On January 1, 2019, the Company adopted ASU No. 2016-02, "Leases (Topic 842)", which requires leases with durations greater than twelve months to be recognized on the balance sheet. We determine if a contract contains a lease at inception. Our material operating leases consist of automobiles in certain countries and real estate, including office, storage and parking space. Our operating leases generally have remaining terms of 2-10 years. Our finance leases primarily consist of equipment financed for the purpose of delivering services to our customers and generally have terms of 3 years.

Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, when available, the we use the rate implicit in the lease. However, real estate leases do not typically provide a readily determinable implicit rate. Therefore, we estimate the incremental borrowing rate to discount the lease payments based on information available at lease commencement. The incremental borrowing rate used in the calculation of the lease liability is based on the secured rate associated with financed lease obligations for each location of leased property. Many of our leases

include variable rental escalation clauses which are recognized when incurred. Some of our leases also include renewal options and/or termination options that are factored into the determination of lease payments and lease terms when it is reasonably certain that the Company will exercise these options. Lease agreements do not contain any material residual value guarantees or material restrictive covenants. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Changes in judgments and estimates, such as the likelihood of renewal options, impairments, or the incremental borrowing rate could impact the amounts of assets or liabilities recorded or could impact the amount of cost or expense recognized between periods.

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, 2019, a one-half percent increase/decrease in the discount rate would change the projected benefit obligation of our pension plans by approximately $12 million, and a one-half percent increase/decrease in our involuntary turnover assumption would change our postemployment benefit obligation by approximately $10 million.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company employs a foreign currency hedging strategy to limit potential losses in earnings or cash flows from adverse foreign currency exchange rate movements. Foreign currency exposures arise from transactions denominated in a currency other than the Company’s functional currency and from foreign denominated revenue and profit translated into U.S. dollars. The primary currencies to which the Company is exposed include the euro, the British pound, the Japanese yen, the Australian dollar, the Canadian dollar and other Asian and South American currencies. Exposures are hedged with foreign currency forward contracts with maturity dates of twelve months or less. The potential loss in fair value at December 31, 2019, for such contracts resulting from a hypothetical 10% adverse change in all foreign currency exchange rates is approximately $4 million. This loss would be mitigated by corresponding gains on the underlying exposures.

In June 2018, Teradata executed a five-year interest rate swap with a $500 million initial notional amount to hedge the floating interest rate of its Term Loan, as more fully described in “Note 12 - Debt” in the Notes to Consolidated Financial Statements elsewhere in this Annual Report. The Company uses interest rate swaps to manage interest rate risks on future interest payments caused by interest rate changes on its variable rate term loan facility. The notional amount of the hedge will step-down according to the amortization schedule of the term loan. The fair value of these contracts and swaps are measured at the end of each reporting period using observable inputs other than quoted prices, specifically market spot and forward exchange rates. The fair value of interest rate swaps recorded in other liabilities at December 31, 2019 was $19 million. A hypothetical 50 basis point increase/decrease in interest rates would result in an increase/decrease to the fair value of the hedge of approximately $7 million.

For additional information regarding the Company’s foreign currency hedging strategy and interest rate swaps, see “Note 9 - Derivative Instruments and Hedging Activities” in the Notes to Consolidated Financial Statements elsewhere in this Annual Report.

REPORTS OF MANAGEMENT

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, 2019.

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, 2019, which appears in this Annual Report.

Vic Lund
Interim, President and Chief Executive Officer

Mark A. Culhane
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF TERADATA CORPORATION

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Teradata Corporation and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of (loss) income, of comprehensive (loss) income, of changes in stockholders' equity, and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2019 listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Changes in Accounting Principles
As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019 and the manner in which it accounts for revenues from contracts with customers in 2018.

Basis for Opinions
The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

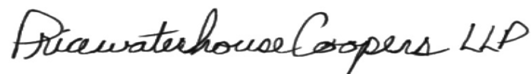
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree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

Critical Audit Matters
The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition - evaluation of nonstandard terms and conditions with customers
As described in Notes 1 and 3 to the consolidated financial statements, the Company has $1,899 million of total revenue for the year ended December 31, 2019, of which a significant portion is generated from revenue with contracts which contain multiple performance obligations. When the Company enters into contracts with multiple performance obligations, management allocates the contract's transaction price to each performance obligation using the relative standalone selling price of each distinct good or service in the contract. As disclosed by management, revenue recognition for complex contractual arrangements requires judgment, including a review of specific contracts and other factors. Specifically, complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting, including the determination whether promised goods or services are capable of being distinct and distinct within the context of the contract. If these criteria are not met, the promised goods or services are combined with other goods or services and accounted for as a combined performance obligation.

The principal considerations for our determination that performing procedures relating to revenue recognition, specifically related to the evaluation of nonstandard terms and conditions with customers, is a critical audit matter are there was significant judgment by management in evaluating the nonstandard terms and conditions with customers that impact revenue recognition and determining the appropriate revenue recognition. This in turn led to significant auditor judgment and effort in performing procedures to evaluate the nonstandard terms and conditions and the impact on revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the evaluation of nonstandard terms and conditions with customers that impact revenue recognition. These procedures also included, among others, evaluating and testing management's process for determining whether the criteria for revenue recognition have been met based on the specific terms and performance under the arrangement. We examined revenue arrangements on a test basis, which included evaluating nonstandard terms and conditions with customers that impact revenue recognition.



/s/ PricewaterhouseCoopers LLP
Atlanta, GA
February 28, 2020

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

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

For the Years Ended December 31	2019	2018	2017
in millions, except per share amounts			
Revenue			
Recurring	**$1,362**	$1,254	$1,145
Perpetual software licenses and hardware	**106**	340	429
Consulting services	**431**	570	582
Total revenue	**1,899**	2,164	2,156
Cost of revenue			
Recurring	**442**	374	304
Perpetual software license and hardware	**84**	222	259
Consulting services	**418**	542	569
Total cost of revenue	**944**	1,138	1,132
Gross profit	**955**	1,026	1,024
Operating expenses			
Selling, general and administrative expenses	**618**	666	651
Research and development expenses	**327**	317	305
Total operating expenses	**945**	983	956
Income from operations	**10**	43	68
Other expense, net			
Interest expense	**(26)**	(22)	(15)
Interest income	**12**	14	11
Other expense	**(9)**	(8)	(6)
Total other expense, net	**(23)**	(16)	(10)
(Loss) income before income taxes	**(13)**	27	58
Income tax expense (benefit)	**7**	(3)	125
Net (loss) income	**$ (20)**	$ 30	$ (67)
Net (loss) income per weighted average common share			
Basic	**$ (0.18)**	$ 0.25	$(0.53)
Diluted	**$ (0.18)**	$ 0.25	$(0.53)
Weighted average common shares outstanding			
Basic	**114.2**	119.2	125.8
Diluted	**114.2**	121.2	125.8

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

For the Years Ended December 31	2019	2018	2017
in millions			
Net (loss) income	**$(20)**	$ 30	$(67)
Other comprehensive (loss) income:			
Foreign currency translation adjustments	**(10)**	(13)	16
Derivatives:			
Unrealized loss on derivatives, before tax	**(12)**	(7)	-
Unrealized loss on derivatives, tax portion	**3**	1	-
Unrealized loss on derivatives, net of tax	**(9)**	(6)	-
Defined benefit plans:			
Reclassification of loss to net (loss) income	**6**	5	4
Defined benefit plan adjustment, before tax	**(37)**	(14)	(6)
Defined benefit plan adjustment, tax portion	**10**	1	1
Defined benefit plan adjustment, net of tax	**(21)**	(8)	(1)
Other comprehensive (loss) income	**(40)**	(27)	15
Comprehensive (loss) income	**$(60)**	$ 3	$(52)

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

CONSOLIDATED BALANCE SHEETS

At December 31	2019	2018
in millions, except per share amounts		
Assets		
Current assets		
Cash and cash equivalents	**$ 494**	$ 715
Accounts receivable, net	**398**	588
Inventories	**31**	28
Other current assets	**91**	97
Total current assets	**1,014**	1,428
Property and equipment, net	**350**	295
Capitalized software, net	**36**	72
Right of use assets - operating lease, net	**51**	-
Goodwill	**396**	395
Capitalized contract costs	**91**	54
Deferred income taxes	**87**	67
Other assets	**32**	49
Total assets	**$ 2,057**	$ 2,360
Liabilities and stockholders' equity		
Current liabilities		
Current portion of long-term debt	**$ 25**	$ 19
Current portion of finance lease liability	**55**	17
Current portion of operating lease liability	**20**	-
Accounts payable	**66**	141
Payroll and benefits liabilities	**157**	224
Deferred revenue	**472**	490
Other current liabilities	**91**	118
Total current liabilities	**886**	1,009
Long-term debt	**454**	478
Finance lease liability	**75**	30
Operating lease liability	**38**	-
Pension and other postemployment plan liabilities	**137**	113
Long-term deferred revenue	**61**	105
Deferred tax liabilities	**6**	3
Other liabilities	**138**	127
Total liabilities	**1,795**	1,865
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock: par value $0.01 per share, 100.0 shares authorized, no shares issued and outstanding at December 31, 2019 and 2018, respectively	**-**	-
Common stock: par value $0.01 per share, 500.0 shares authorized, 110.9 and 116.8 shares issued and outstanding at December 31, 2019 and 2018, respectively	**1**	1
Paid-in capital	**1,545**	1,418
Accumulated deficit	**(1,143)**	(823)
Accumulated other comprehensive loss	**(141)**	(101)
Total stockholders' equity	**262**	495
Total liabilities and stockholders' equity	**$ 2,057**	$ 2,360

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2019	2018	2017
in millions			
Operating activities			
Net (loss) income	**$ (20)**	$ 30	$ (67)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	**150**	130	138
Stock-based compensation expense	**83**	65	68
Deferred income taxes	**(3)**	(18)	(34)
Changes in assets and liabilities, net of acquisitions:			
Receivables	**190**	(34)	(6)
Inventories	**(3)**	2	3
Account payables and accrued expenses	**(153)**	108	12
Deferred revenue	**(62)**	115	115
Other assets and liabilities	**(34)**	(34)	95
Net cash provided by operating activities	**148**	364	324
Investing activities			
Expenditures for property and equipment	**(54)**	(153)	(78)
Additions to capitalized software	**(5)**	(7)	(9)
Business acquisitions and other investing activities, net	**-**	(3)	(21)
Net cash used in investing activities	**(59)**	(163)	(108)
Financing activities			
Repayments of long-term borrowings	**(19)**	(40)	(30)
Proceeds from credit facility borrowings	**-**	-	420
Repayments of credit-facility borrowings	**-**	(240)	(180)
Repurchases of common stock	**(300)**	(300)	(351)
Payments of finance leases	**(33)**	(5)	-
Other financing activities, net	**44**	31	32
Net cash used in financing activities	**(308)**	(554)	(109)
Effect of exchange rate changes on cash and cash equivalents	**(1)**	(20)	8
(Decrease) increase in cash, cash equivalents and restricted cash	**(220)**	(373)	115
Cash, cash equivalents and restricted cash at beginning of year	**716**	1,089	974
Cash, cash equivalents and restricted cash at end of year	**$ 496**	$ 716	$1,089
Reconciliation of cash, cash equivalents and restricted cash to the Consolidated Balance Sheets			
Cash and cash equivalents	**$ 494**	$ 715	$1,089
Restricted cash	**2**	1	-
Total cash, cash equivalents and restricted cash	**$ 496**	$ 716	$1,089
Non-cash investing and financing activities:			
Assets acquired by finance lease	**$ 115**	$ 52	$ -
Assets acquired by operating lease	**$ 6**	$ -	$ -
Cash paid during the year for:			
Income taxes	**$ 33**	$ 33	$ 25
Interest	**$ 26**	$ 23	$ 14

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Paid-in	Retained Earnings (Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficit)	(Loss) Income	Total
in millions						
December 31, 2016	**131**	**$1**	**$1,220**	**$ (161)**	**$ (89)**	**$ 971**
Net loss				(67)		(67)
Employee stock compensation, employee stock purchase programs and option exercises, net of tax	2		100			100
Repurchases of common stock, retired	(11)			(351)		(351)
Pension and postemployment benefit plans, net of tax					(1)	(1)
Currency translation adjustment					16	16
December 31, 2017	**122**	**$1**	**$1,320**	**$ (579)**	**$ (74)**	**$ 668**
Net income				30		30
Employee stock compensation, employee stock purchase programs and option exercises, net of tax	2		98			98
Repurchases of common stock, retired	(7)			(300)		(300)
Pension and postemployment benefit plans, net of tax					(8)	(8)
Unrealized loss on derivatives, net of tax					(6)	(6)
Adoption of Topic 606 (See Note 1)				26		26
Currency translation adjustment					(13)	(13)
December 31, 2018	**117**	**$1**	**$1,418**	**$ (823)**	**$(101)**	**$ 495**
Net loss				(20)		(20)
Employee stock compensation, employee stock purchase programs and option exercises, net of tax	2		127			127
Repurchases of common stock, retired	(8)			(300)		(300)
Pension and postemployment benefit plans, net of tax					(21)	(21)
Unrealized loss on derivatives, net of tax					(9)	(9)
Currency translation adjustment					(10)	(10)
December 31, 2019	**111**	**$1**	**$1,545**	**$(1,143)**	**$(141)**	**$ 262**

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 ("we," "us," "Teradata," or the "Company") is a leading hybrid cloud analytics software provider focused on helping customers leverage all of their data across an enterprise to uncover real-time intelligence, at scale. We help customers integrate and simplify their analytics ecosystem, access and manage data, and use analytics to extract answers and derive business value from data. Our solutions are comprised of software, hardware, and related business consulting and support services to deliver analytics across a company's entire analytical ecosystem.

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

Recurring revenue consists of our on-premises and off-premises subscriptions, which have varying term lengths from one month to five years. Recurring revenue is intended to depict the revenue recognition model for these subscription transactions. The recurrence of these revenue streams in future periods depends on several factors, including contractual periods and customers' renewal decisions. Perpetual software licenses and hardware revenue consists of hardware, perpetual software licenses, and subscription/term licenses recognized upfront. Consulting services revenue consists of consulting, implementation and installation services.

Certain prior period balances have been reclassified to conform to the current year presentation. Such reclassifications did not affect total revenues, operating income or net income.

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, leases, 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. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606") 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. Topic 606 supersedes the revenue recognition requirements of the prior revenue recognition guidance used prior to January 1, 2018. The Company adopted Topic 606 as of January 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption. The reported results for 2019 and 2018 reflect the application of Topic 606 while the reported results for 2017 were prepared under the guidance of Accounting Standards Codification 605, *Revenue Recognition*, which is also referred to herein as the "previous guidance." As a result, 2017 has not been restated and continues to be reported under the previous guidance. The cumulative effect of applying Topic 606 was recorded as an adjustment to accumulated deficit as of the adoption date (January 1, 2018). The following adjustments were made to accounts on the consolidated balance sheets as of January 1, 2018:

- The Company reduced current deferred revenue and accumulated deficit by $19 million for contracts that were not complete as of the date of adoption and would have been recognized in a prior period under Topic 606. The revenue adjustment primarily relates to term licenses that are recognized upfront under Topic 606 but were recognized ratably under the previous guidance.
- Prior to the adoption of Topic 606, the Company expensed sales commissions on long-term contracts. Under Topic 606, the Company capitalizes these incremental costs of obtaining customer contracts. The impact of this change resulted in an increase of other assets and a reduction in accumulated deficit of $17 million on January 1, 2018.

- The tax impact of these items was $10 million, which was recorded as a deferred tax liability, resulting in a net $26 million reduction in accumulated deficit on January 1, 2018.
- In addition, the Company reclassified $20 million of contract assets from accounts receivable to other current assets on January 1, 2018.

See Note 3 for the required disclosures related to this standard. See Note 4 for costs to obtain and fulfill a customer contract.

Revenue Recognition under Topic 606

The Company adopted Topic 606 as of January 1, 2018 for all contracts not completed as of the date of adoption. The core principle of Topic 606 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 Company expects to be entitled in exchange for those goods or services. To achieve that core principle, the Company performs the following five steps:

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 Company satisfies a performance obligation.

The Company only applies the above five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for goods or services it transfers to the customer. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience, published credit, and financial information pertaining to the customer.

Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales, value add, and other taxes the Company collects concurrent with revenue-producing activities. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a good or service to a customer. Estimates of variable consideration are included in revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur once the uncertainty is resolved. The Company uses the expected value method or the most likely amount method depending on the nature of the variable consideration. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us. If actual results in the future vary from the Company's estimates, the Company adjusts these estimates in the period such variances become known. Typically, the amount of variable consideration is not material.

For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation using the relative standalone selling price of each distinct good or service in the contract. The Company must apply judgment to determine whether promised goods or services are capable of being distinct and distinct within the context of the contract. If these criteria are not met, the promised goods or services are combined with other goods or services and accounted for as a combined performance obligation. Revenue is then recognized either at a point in time or over time depending on our evaluation of when the customer obtains control of the promised goods or services. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue recorded in a given period. In addition, the Company has developed assumptions that require judgment to determine the standalone selling price for each performance obligation identified in the contract. The Company determines the standalone selling price for a good or service by considering multiple factors including, geographies, market conditions, product life cycles, competitive landscape, internal costs, gross margin objectives, purchase volumes and pricing practices.

The Company reviews the standalone selling price for each of its performance obligations 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.

Teradata delivers its solutions primarily through direct sales channels, as well as through other independent software vendors and distributors and value-added resellers. Standard payment terms may vary based on the country in which the contract is executed, but are generally between 30 days and 90 days. The following is a description of the principal activities and performance obligations from which the Company generates its revenue:

- **Subscriptions -** The Company sells on and off-premises subscriptions to our customers through our subscription licenses, cloud, service model, and hardware rental offerings. Teradata's subscription licenses include a right-to-use license and revenue is recognized upfront at a point in time unless the customer has a contractual right to cancel, where revenue is recognized on a month-to-month basis and is included within the recurring revenue caption. Subscription licenses recognized upfront are reported within the perpetual software licenses and hardware caption. Cloud and service model arrangements include a right-to-access software license on Teradata owned or third party owned hardware such as the public cloud. Revenue is recognized ratably over the contract term and included within the recurring revenue caption. Service models typically include a minimum fixed amount that is recognized ratably over the contract term and may include an elastic amount for usage above the minimum, which is recognized monthly based on actual utilization. For our hardware rental offering, the Company owns the hardware and may or may not provide managed services. The revenue for these arrangements is generally recognized straight-line over the term of the contract and is included within the recurring revenue caption. Hardware rentals are generally accounted for as operating leases and considered outside the scope of Topic 606.
- **Maintenance and software upgrade rights -** Revenue for maintenance and unspecified software upgrade rights on a when-and-if-available basis are recognized straight-line over the term of the contract.
- **Perpetual software licenses and hardware -** Revenue for software is generally recognized when the customer has the ability to use and benefit from its right to use the license. Hardware is typically recognized upon delivery once title and risk of loss have been transferred (when control has passed).
- **Consulting services -** The Company accounts for individual services as separate performance obligations if a service is separately identifiable from other items in a combined arrangement and if a customer can benefit from it on its own or with other resources that are readily available to the customer. Revenue for consulting, implementation and installation services is recognized as services are provided by measuring progress toward the complete satisfaction of the Company's obligation. Progress for services that are contracted for at a fixed price is generally measured based on hours incurred as a portion of total estimated hours. Progress for services that are contracted for on a time and materials basis is generally based on hours expended. These input methods (e.g. hours incurred or expended) of revenue recognition are considered a faithful depiction of our efforts to satisfy services contracts and therefore reflect the transfer of services to a customer under such contracts.

Significant Accounting Policies and Practical Expedients under Topic 606

The following are the Company's significant accounting policies not already disclosed elsewhere and practical expedients relating to revenue from contracts with customers:

- Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.
- Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment cost and are included in cost of revenues.
- The Company does not adjust for the effects of a significant financing component if the period between performance and customer payment is one year or less.
- The Company expenses the costs to obtain a contract as incurred when the expected amortization period is one year or less.

Revenue Recognition under Topic 605 (periods prior to January 1, 2018)

Teradata records revenue when it is realized, or realizable, and earned. Teradata considers these requirements met when:

- Persuasive evidence of an arrangement exists
- The offerings or services have been delivered to the customer
- The sales price is fixed or determinable and free of contingencies or significant uncertainties
- Collectability is reasonably assured

Teradata reports revenue net of any taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions. The Company assesses whether fees are fixed or determinable at the time of sale. Standard payment terms may vary based on the country in which the agreement is executed, but are generally between 30 days and 90 days. Payments that are due within six months are generally deemed to be fixed or determinable based on a successful collection history on such arrangements, and thereby satisfy the required criteria for revenue recognition.

The Company's deliverables often involve delivery or performance at different periods of time. The Company's deliverables include the following:

- Subscription license - revenue for these arrangements is typically recognized ratably over the contract term.
- Cloud and service model - revenue for these arrangements are recognized outside the software rules and revenue is recognized ratably over the contract term.
- Rentals - revenue for these arrangements is generally recognized straight-line over the term of the contract and are generally accounted for as operating leases.
- Perpetual software and hardware - revenue is generally recognized upon delivery once title and risk of loss have been transferred.
- Unspecified software upgrades - revenue is recognized straight-line over the term of the arrangement.
- Maintenance support services - revenue is recognized on a straight-line basis over the term of the contract.
- Consulting, implementation and installation services - revenue 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.

Shipping and Handling. Product shipping and handling are included in cost in the Consolidated Statements of (Loss) Income.

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

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

Inventories. Inventories are stated at the lower of cost or market. Cost of service parts is determined using the average cost method. Finished goods inventory is determined using actual cost.

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. Our estimate of depreciation expense incorporates management assumptions regarding the useful economic lives and residual values of our assets. Equipment is depreciated

over 3 to 5 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	**2019**	2018	2017
Depreciation expense	**$104**	$67	$55

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

Costs incurred for the development of analytic database software that will be sold, leased or otherwise marketed are expensed as incurred based on the frequency and agile nature of development. The Company uses agile development methodologies to help respond to new technologies and trends and rapidly changing customer needs. Agile development methodologies are characterized by a more dynamic development process with more frequent and iterative revisions to a product release features and functions as the software is being developed. Due to the shorter development cycle and focus on rapid production associated with agile development, the Company did not capitalize any amounts for external-use software development costs in 2019, 2018 and 2017 due to the relatively short duration between the completion of the working model and the point at which a product is ready for general release. Prior capitalized costs will continue to be amortized under the greater of revenue-based or straight-line method over the estimated useful life.

The following table identifies the activity relating to capitalized software for the following periods:

	Internal-use Software			External-use Software		
in millions	**2019**	2018	2017	**2019**	2018	2017
Beginning balance at January 1	**$15**	$16	$13	**$57**	$105	$ 174
Capitalized	**5**	6	9	**-**	**-**	-
Amortization	**(7)**	(7)	(6)	**(34)**	(48)	(69)
Ending balance at December 31	**$13**	$15	$16	**$23**	$ 57	$105

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

	Actual	For the years ended (estimated)				
in millions	**2019**	2020	2021	2022	2023	2024
Internal-use software amortization expense	**$ 7**	$ 7	$6	$6	$6	$6
External-use software amortization expense	**$34**	$23	$ -	$-	$ -	$ -

Estimated expense, which is recorded to cost of sales for external use software, is based on capitalized software at December 31, 2019 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 is calculated based on the present value of future cash flows and an impairment loss would be recognized when estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount. No impairment was recognized during 2019.

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 5 for additional information.

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

Research and Development Costs. Research and development costs are expensed as incurred. Research and development costs primarily include labor-related costs, contractor fees, and overhead expenses directly related to research and development support.

Leases. In February 2016, the FASB issued new guidance, which requires a lessee to account for leases as finance or operating leases. Both types of leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement and cash flow recognition. For lessors, the standard modifies the classification criteria and the accounting for sales-type and direct financing leases. Entities will classify leases to determine how to recognize lease-related revenue and expense. The Company adopted the new standard as of January 1, 2019 using the modified retrospective adoption approach utilizing the optional transition method with prior periods not recast and have elected certain of the practical expedients allowed under the standard. The Consolidated Financial Statements for the year ended December 31, 2019 are presented under the new standard, while comparative years presented are not adjusted and continue to be reported in accordance with our historical accounting policy. See Note 13 for more information.

Pension and Postemployment Benefits. The Company accounts for its pension benefit and its non-U.S. postemployment benefit obligations using actuarial models. The measurement of plan obligations was made as of December 31, 2019. 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 non-U.S. postemployment plan obligations in its consolidated balance sheet and records, in other comprehensive income, certain gains and losses that arise during the period, but are deferred under pension and postemployment accounting rules. See Note 8 for additional information.

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. The Company made an accounting policy election in 2018 related to the Tax Act to provide for the tax expense related to global intangible low-taxed income ("GILTI") in the year the tax is incurred. 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 the deferred income tax assets will not be realized. See Note 6 for additional information.

Stock-based Compensation. Stock-based payments to employees, including grants of stock options, restricted shares and restricted share units, are recognized in the financial statements based on their fair value. The fair value of each stock option award on the grant date is estimated using the Black-Scholes option-pricing model with the following assumptions: expected dividend yield, expected stock price volatility, weighted-average risk-free interest rate and weighted average expected term of the options. The Company's expected volatility assumption used in the Black-Scholes option-pricing model is based on Teradata's historical volatility. The expected term for

options granted is based upon historical observation of actual time elapsed between date of grant and exercise of options for all employees. The risk-free interest rate used in the Black-Scholes model is based on the implied yield curve available on U.S. Treasury issues at the date of grant with a remaining term equal to the Company's expected term assumption. The Company has never declared or paid a cash dividend. See Note 7 for additional information.

(Loss) Earnings Per Share. Basic (loss) earnings per share is calculated by dividing net (loss) 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 7 for share information on the Company's stock compensation plans.

The components of basic and diluted earnings (loss) per share for the years ended December 31 are as follows:

in millions, except earnings (loss) per share	**2019**	2018	2017
Net (loss) income attributable to common stockholders	**$ (20)**	$ 30	$ (67)
Weighted average outstanding shares of common stock	**114.2**	119.2	125.8
Dilutive effect of employee stock options, restricted shares and other stock awards	**-**	2.0	-
Common stock and common stock equivalents	**114.2**	121.2	125.8
(Loss) earnings per share:			
Basic	**$ (0.18)**	$ 0.25	$ (0.53)
Diluted	**$ (0.18)**	$ 0.25	$ (0.53)

For 2019 and 2017, due to the net loss attributable to Teradata common stockholders, 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 2019 and 2017, the fully diluted shares would have been 115.5 million in 2019 and 127.8 million in 2017.

Options to purchase 2.0 million shares in 2019, 2.6 million shares in 2018 and 2.7 million shares in 2017 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

Accounting for Income Taxes. In December 2019, the FASB issued new guidance to simplify the accounting for income taxes. The new guidance changes various subtopics of accounting for income taxes including, but not limited to, accounting for "hybrid" tax regimes, tax basis step-up in goodwill obtained in a transaction that is not a business combination, intraperiod tax allocation exception to incremental approach, ownership changes in investments, interim-period accounting for enacted changes in tax law, and year-to-date loss limitation in interim-period tax accounting. The guidance is effective for fiscal years beginning after December 15, 2020 with early adoption permitted, including interim periods within those years. The company is currently evaluating this new guidance to determine the impact it may have on our financial position, results of operations or cash flows.

Fair Value Measurement. In August 2018, the FASB issued new guidance that modifies disclosure requirements related to fair value measurement. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Implementation on a prospective or retrospective basis varies by specific disclosure requirement. Early adoption is permitted. The standard also allows for early adoption of any removed or modified disclosures upon issuance of this update while delaying adoption of the additional disclosures until their effective date. The Company is currently evaluating this guidance to determine the impact it may have on its disclosures.

Compensation-Retirement Benefits-Defined Benefit Plans-General. In August 2018, the FASB issued new guidance that modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. For public companies, the amendments in this update are effective for fiscal years beginning after December 15, 2020, with early adoption permitted, and is to be applied on a retrospective basis to all periods presented. The Company is currently evaluating this guidance to determine the impact it may have on its disclosures.

Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. In August 2018, the FASB issued new guidance that reduces complexity for the accounting for costs of implementing a cloud computing service arrangement and aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). For public companies, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. Implementation should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The effects of this standard on our financial position, results of operations or cash flows are not expected to be material.

Codification Improvements to Financial Instruments-Credit Losses, Derivatives and Hedging, and Financial Instruments. In June 2016, the FASB issued Accounting Standards, Measurement of Credit Losses on Financial Instruments, which introduced the expected credit losses methodology for the measurement of credit losses on financial assets measured at amortized cost basis, replacing the previous incurred loss methodology. Since the issuance of this accounting standard, the FASB has identified certain areas that require clarification and improvement. In May 2019, the FASB issued guidance that allows entities to make an irrevocable one-time election upon adoption of the new credit losses standard to measure financial assets measured at amortized cost (except held-to-maturity securities) using the fair value option. The election is to be applied on an instrument-by-instrument basis. For public companies, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The company is currently evaluating this new guidance to determine the impact it may have on our financial position, results of operations or cash flows.

Recently Adopted Guidance

Comprehensive Income. In February 2018, the FASB issued new guidance for Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASU 2018-02), which allows companies to reclassify stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") from accumulated other comprehensive income to retained earnings. The Company adopted this guidance on January 1, 2019, which did not have a material impact on our consolidated financial statements.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. In June 2018, the FASB issued new guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments are intended to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional. The Company adopted this guidance on January 1, 2019, which did not have a material impact on our consolidated financial statements.

NOTE 2: Supplemental Financial Information

At December 31	2019	2018
in millions		
Accounts receivable		
Trade	**$ 407**	$ 590
Other	**8**	12
Accounts receivable, gross	**415**	602
Less: allowance for doubtful accounts	**(17)**	(14)
Total accounts receivable, net	**$ 398**	$ 588
Inventories		
Finished goods	**$ 19**	$ 16
Service parts	**12**	12
Total inventories	**$ 31**	$ 28
Property and equipment		
Land	**$ 8**	$ 8
Buildings and improvements	**100**	84
Finance lease assets	**167**	52
Machinery and other equipment	**515**	495
Property and equipment, gross	**790**	639
Less: accumulated depreciation	**(440)**	(344)
Total property and equipment, net	**$ 350**	$ 295
Other current liabilities		
Sales and value-added taxes	**$ 31**	$ 34
Pension and other postemployment plan liabilities	**11**	10
Other	**49**	74
Total other current liabilities	**$ 91**	$ 118
Deferred revenue		
Deferred revenue, current	**$ 472**	$ 490
Long-term deferred revenue	**61**	105
Total deferred revenue	**$ 533**	$ 595
Other long-term liabilities		
Transition tax	**$ 92**	$ 102
Uncertain tax positions	**19**	17
Other	**27**	8
Total other long-term liabilities	**$ 138**	$ 127

NOTE 3: Revenue from Contracts with Customers

Disaggregation of Revenue from Contracts with Customers

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

in millions	**2019**	2018	2017*
Americas			
Recurring	**$ 873**	$ 801	$ 739
Perpetual software licenses and hardware	**38**	127	234
Consulting services	**146**	198	222
Total Americas	**1,057**	1,126	1,195
EMEA			
Recurring	**305**	282	248
Perpetual software licenses and hardware	**43**	112	133
Consulting services	**144**	193	186
Total EMEA	**492**	587	567
APAC			
Recurring	**185**	171	158
Perpetual software licenses and hardware	**25**	101	62
Consulting services	**140**	179	174
Total APAC	**350**	451	394
Total Revenue	**$1,899**	$2,164	$2,156

* As discussed in Note 1, periods prior to 2018 have not been adjusted under the modified retrospective adoption method of Topic 606

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, contract assets, and customer advances and deposits (deferred revenue or contract liabilities) on the consolidated balance sheet. Accounts receivable include amounts due from customers that are unconditional. Contract assets relate to the Company's rights to consideration for goods delivered or services completed and recognized as revenue but billing and the right to receive payment is conditional upon the completion of other performance obligations. Contract assets are included in other current assets on the balance sheet and are transferred to accounts receivable when the rights become unconditional. Deferred revenue consists of advance payments and billings in excess of revenue recognized. Deferred revenue is classified as either current or noncurrent based on the timing of when the Company expects to recognize revenue. These assets and liabilities are reported on a contract-by-contract basis at the end of each reporting period. The following table provides information about receivables, contract assets and deferred revenue from contracts with customers:

in millions	**December 31, 2019**	December 31, 2018
Accounts receivable, net	**$398**	$ 588
Contract assets	**$ 8**	$ 14
Current deferred revenue	**$472**	$ 490
Long-term deferred revenue	**$ 61**	$ 105

Revenue recognized during the year ended December 31, 2019 from amounts included in deferred revenue at the beginning of the period was approximately $470 million.

Transaction Price Allocated to Unsatisfied Obligations

The following table includes estimated revenue expected to be recognized in the future related to the Company's unsatisfied (or partially satisfied) obligations at December 31, 2019:

in millions	**Total at December 31, 2019**	Year 1	Year 2 and Thereafter
Remaining unsatisfied obligations	**$2,732**	$1,377	$1,355

The amounts above represent the price of firm orders for which work has not been performed or goods have not been delivered and exclude unexercised contract options outside the stated contractual term that do not represent material rights to the customer. Although the Company believes that the contract value in the above table is firm, approximately $1,923 million of the amount includes customer-only general cancellation for convenience terms that the Company is contractually obligated to perform unless the customer notifies us. The Company expects to recognize revenue of approximately $312 million in the next year from contracts that are non-cancelable. Customers typically do not cancel before the end of the contractual term and historically the Company has not seen significant churn in its customer base. The Company believes the inclusion of this information is important to understanding the obligations that the Company is contractually required to perform and provides useful information regarding remaining obligations related to these executed contracts.

NOTE 4: Contract Costs

The Company capitalizes sales commissions and other contract costs that are incremental direct costs of obtaining customer contracts if the expected amortization period of the asset is greater than one year. These costs are recorded in Capitalized contract costs on the Company's balance sheet. The capitalized amounts are calculated based on the sales commissions for individual multi-term contracts. The judgments made in determining the amount of costs incurred include whether the commissions are in fact incremental and would not have occurred absent the customer contract. Costs to obtain a contract are amortized as selling, general and administrative expenses on a straight-line basis over the expected period of benefit, which is typically four years. These costs are periodically reviewed for impairment. The following table identifies the activity relating to capitalized contract costs:

in millions	December 31, 2018	Capitalized	Amortization	**December 31, 2019**
Capitalized contract costs	$54	$57	$(20)	**$91**

in millions	January 1, 2018	Capitalized	Amortization	December 31, 2018
Capitalized contract costs	$17	$44	$(7)	$54

NOTE 5: Goodwill

Effective January 1, 2019, the Company implemented an organizational change to its operating segments and will report future results under the separate segments: Americas, EMEA and APAC. The following table identifies the activity relating to goodwill by operating segment.

in millions	Balance at December 31, 2018	Reassignment of Goodwill	Currency Translation Adjustments	**Balance at December 31, 2019**
Goodwill				
Americas	$253	$ -	$-	**$253**
International	142	(142)	-	**-**
EMEA	-	88	-	**88**
APAC	-	54	1	**55**
Total goodwill	$395	$ -	$1	**$396**

In the fourth quarter of 2019, the Company performed its annual impairment test, utilizing the quantitative method, of goodwill and determined that no impairment to the carrying value of goodwill was necessary as each reporting units fair value was above it carrying value. The Company reviewed three reporting units in its 2019 goodwill impairment assessment, as each of the geographic operating segments were considered separate reporting units for purposes of testing.

NOTE 6: Income Taxes

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

in millions	**2019**	2018	2017
(Loss) income before income taxes			
United States	**$ (85)**	$ (79)	$ (26)
Foreign	**72**	106	84
Total (loss) income before income taxes	**$ (13)**	$ 27	$ 58

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

in millions	**2019**	2018	2017
Income tax expense (benefit)			
Current			
Federal	**$ (3)**	$ (10)	$ 132
State and local	**-**	6	2
Foreign	**13**	19	25
Deferred			
Federal	**(10)**	(20)	(22)
State and local	**(1)**	(4)	(4)
Foreign	**8**	6	(8)
Total income tax expense (benefit)	**$ 7**	$ (3)	$ 125
Effective income tax rate	**(53.8%)**	(11.1%)	215.5%

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

percent of income before taxes	**2019**	2018	2017
Income tax expense at the U.S. federal tax rate	**21.0%**	21.0%	35.0%
Foreign income tax differential	**(49.2%)**	2.1%	(22.6%)
U.S. tax on foreign earnings	**(8.4%)**	2.0%	4.3%
State and local income taxes	**58.2%**	(25.0%)	(11.0%)
U.S. permanent book/tax differences	**(17.0%)**	(2.7%)	(1.5%)
U.S. research and development tax credits	**68.5%**	(29.5%)	(11.2%)
Change in valuation allowance	**(49.1%)**	27.7%	10.0%
U.S. manufacturing deduction permanent difference	**-%**	-%	(8.0%)
Tax impact of equity compensation	**(49.3 %)**	(1.4 %)	0.7%
Deferred tax impact from U.S. rate change from Tax Reform	**-%**	- %	(27.0%)
Tax impact of U.S. Tax Reform/Transition Tax	**-%**	(23.9%)	250.0%
Tax Impact of uncertain tax positions	**(24.6 %)**	20.2 %	(3.6%)
Other, net	**(3.9 %)**	(1.6%)	0.4 %
Effective income tax rate	**(53.8%)**	(11.1%)	215.5%

The 2019 effective tax rate was impacted by $3 million tax expense related to equity compensation and $3 million of incremental global intangible low-taxed income ("GILTI") tax, which resulted in full-year income tax expense in 2019 of $7 million, on a pre-tax net loss of $13 million, causing a negative tax rate of 53.8%.

The 2018 and 2017 effective tax rates were impacted by the Tax Cuts and Jobs Act of 2017 ("Tax Act"), which was signed into law on December 22, 2017, making significant changes to the United States Internal Revenue Code. Changes include, but are not limited to:

- A corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017,
- The transition of United States international taxation from a worldwide tax system to a modified territorial tax system, and
- A one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017.

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

In accordance with SAB 118, the Company completed its analysis of the impact of the Tax Act during the fourth quarter of 2018 in accordance with its understanding of the Tax Act and guidance available as of the date of this filing. For the year ended December 31, 2018, the Company recorded a $6 million tax benefit as an adjustment to the 2017 provisional estimate in accordance with SAB 118 because of additional regulatory guidance and changes in interpretations and assumptions the Company initially made as a result of the Tax Act. Effective in 2018, the Tax Act subjects United States shareholders to a tax on GILTI earned by certain foreign subsidiaries. The Company has elected to provide for the tax expense related to GILTI in the year the tax is incurred. The Company recorded tax expense of $3 million in 2019 and $1 million in 2018 for GILTI.

In the fourth quarter of 2017, the Company recorded $126 million as additional income tax expense as its provisional estimate of the impact of the Tax Act. The amount included $145 million of tax expense for the one-time transition tax on cumulative foreign earnings of $1.3 billion, which the Company will pay over an 8-year period ending in 2025. In addition, a tax benefit of $19 million was recorded, a majority of which related to the re-measurement of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future.

Subsequent to the year ended December 31, 2019 and effective January 1, 2020, the Company completed an intra-entity asset transfer of certain of its intellectual property to one of its Irish subsidiaries. The intra-entity asset transfer will result in a material deferred tax asset recorded during the first quarter of 2020.

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

in millions	**2019**	2018
Deferred income tax assets		
Employee pensions and other liabilities	**$ 63**	$ 49
Other balance sheet reserves and allowances	**18**	18
Operating lease liabilities	**14**	-
Tax loss and credit carryforwards	**80**	63
Deferred revenue	**12**	20
Total deferred income tax assets	**187**	150
Valuation allowance	**(45)**	(39)
Net deferred income tax assets	**142**	111
Deferred income tax liabilities		
Intangibles and capitalized software	**8**	17
Right of use assets - operating lease	**13**	-
Property and equipment	**12**	11
Other	**28**	19
Total deferred income tax liabilities	**61**	47
Total net deferred income tax assets	**$ 81**	$ 64

As of December 31, 2019, Teradata has net operating loss ("NOL") and tax credit carryforwards totaling $80 million (tax effected and before any valuation allowance offset and application of recognition criteria for uncertain tax positions). Of the total tax carryforwards, $11 million are NOL's in the United States and certain foreign jurisdictions, a small portion of which will begin to expire in 2021; $3 million are United States foreign tax credit carryforwards which expire in 2028, which have a full valuation allowance offset; $10 million are federal R&D credits, which will begin to expire in 2038; and $56 million are California R&D tax credits that have an indefinite carryforward period, which have a $41 million valuation allowance offset and $15 million of FIN 48 reserve recorded.

Prior to the enactment of the Tax Act, the Company had not provided for taxes on the undistributed earnings of its foreign subsidiaries as the Company either reinvested or intended to reinvest those earnings outside of the United States. Because of the Tax Act, the Company has changed its indefinite reinvestment assertion related to foreign earnings that have been taxed in the United States and now considers a majority of these earnings no longer indefinitely reinvested. Because of United States tax reform legislation, distributions of profits from non-U.S. subsidiaries are not expected to cause a significant United States tax impact in the future. However, these distributions may be subject to non-U.S. withholding taxes if profits are distributed from certain jurisdictions. The Company has recorded $1 million of deferred foreign withholding tax expense with respect to certain earnings which are not considered permanently reinvested as they would be taxable upon remittance. Deferred taxes have not been provided on earnings considered indefinitely reinvested.

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, 2019, the Company's uncertain tax positions totaled approximately $37 million, of which $19 million is reflected in the other liabilities section of the Company's balance sheet as a non-current liability. The remaining balance of $18 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 $37 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, 2019.

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

in millions	**2019**	2018
Balance at January 1	**$ 34**	$ 28
Gross increases for prior period tax positions	**4**	3
Gross increases for current period tax positions	**5**	8
Decreases due to the lapse of applicable statute of limitations	**(6)**	(1)
Decreases relating to settlements with taxing authorities	**-**	(4)
Balance at December 31	**$ 37**	$ 34

The Company recorded $4 million of discrete tax expense in the second quarter of 2019 related to the reversal of the United States Tax Court's decision in the Altera Corp. v. Commissioner case by the Ninth Circuit Court of Appeals on June 7, 2019. The Altera case focused on whether current U.S. Treasury Regulations requiring the inclusion of stock-based compensation expense in a taxpayer's cost-sharing calculations are valid.

The Company and its subsidiaries file income tax returns in the United States and various state jurisdictions, as well as numerous foreign jurisdictions. As of December 31, 2019, the Company has ongoing tax audits in a limited number of state and foreign jurisdictions. However, no material adjustments have been proposed or made in any of these examinations to date, which would result in any incremental income tax expense in future periods to the Company. The Company's tax returns for years 2016-2019 are still open for assessment by tax authorities in its major jurisdictions.

NOTE 7: Employee Stock-based Compensation Plans

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

in millions	**2019**	2018	2017
Stock options	**$ 3**	$ 6	$ 9
Restricted shares	**77**	56	56
Employee share repurchase program	**3**	3	3
Total stock-based compensation before income taxes	**83**	65	68
Tax benefit	**(10)**	(11)	(21)
Total stock-based compensation, net of tax	**$ 73**	$ 54	$ 47

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

As of December 31, 2019, 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.

No options were granted in 2019 and 2018. The weighted-average fair value of options granted for Teradata equity awards was $11.08 in in 2017. The fair value of each option award on the grant date was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2017
Dividend yield	- %
Risk-free interest rate	1.99%
Expected volatility	35.0%
Expected term (years)	6.3

The following table summarizes the Company's stock option activity for the year ended December 31, 2019:

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, 2019	**4,148**	**$ 40.34**	**3.8**	**$15**
Granted	**-**	**-**		
Exercised	**(916)**	**$ 35.50**		
Canceled	**(660)**	**$ 47.71**		
Forfeited	**(68)**	**$ 28.78**		
Outstanding at December 31, 2019	**2,504**	**$ 40.49**	**3.7**	**$ -**
Fully vested and expected to vest at December 31, 2019	**2,504**	**$ 40.49**	**3.7**	**$ -**
Exercisable at December 31, 2019	**2,352**	**$ 41.28**	**3.5**	**$ -**

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	**2019**	2018	2017
Intrinsic value of options exercised	**$ 9**	$15	$ 6
Cash received from option exercises	**$32**	$21	$19
Tax benefit realized from option exercises	**$ 2**	$ 3	$ 2

As of December 31, 2019, there was $2 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 0.5 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 three-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, 2019:

shares in thousands	**Number of Shares**	**Weighted-Average Grant Date Fair Value per Share**
Unvested shares at January 1, 2019	**3,231**	**$34.27**
Granted	**3,634**	**$44.13**
Vested	**(1,218)**	**$33.52**
Forfeited/canceled	**(478)**	**$38.57**
Unvested shares at December 31, 2019	**5,169**	**$40.95**

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.

	2019	2018	2017
Weighted-average fair value of restricted share units granted	**$44.13**	$37.98	$34.88
Total fair value of shares vested (in millions)	**$ 41**	$ 53	$ 50

As of December 31, 2019, there was $137 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 1.1 years.

The following table represents the composition of Teradata restricted share unit grants in 2019:

shares in thousands	**Number of Shares**	**Weighted-Average Grant Date Fair Value per Share**
Service-based shares	**3,103**	**$44.21**
Performance-based shares	**531**	**$43.65**
Total stock grants	**3,634**	**$44.13**

In 2017, performance-based share units granted as part of our long-term incentive program for certain corporate officers and key executives will be earned based on Teradata's total shareholder return ("TSR") over a three-year performance period relative to the other companies in the S&P 1500 Information Technology Index. The number of shares issued, as a percentage of the amount subject to the performance share award, could range from 0% to 200%. The grant date fair value of the non-vested performance-based awards was determined using a Monte Carlo simulation model, which utilized multiple input variables that determined the probability of satisfying the market condition requirements applicable to each award. The compensation expense for the award will be recognized if the requisite service is rendered, regardless of whether the market conditions are achieved.

Employee Stock Purchase Program

The Company's ESPP, effective on October 1, 2007, and as amended effective as of January 1, 2013, provides eligible employees of Teradata and its designated subsidiaries an opportunity to purchase the Company's common stock at a discount to the average of the highest and lowest sale prices on the last trading day of each month. The ESPP discount is 15% of the average market price and is considered compensatory.

Employees may authorize payroll deductions of up to 10% of eligible compensation for common stock purchases. A total of 7 million shares were authorized to be issued under the ESPP, with approximately 2.1 million shares remaining under that authorization at December 31, 2019. 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	**2019**	2018	2017
Employee share purchases	**0.6**	0.5	0.6
Aggregate cost	**$20**	$17	$15

NOTE 8: Employee Benefit Plans

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

Postemployment obligations relate to benefits provided to involuntarily terminated employees and certain inactive employees after employment but before retirement. These benefits are paid in accordance with various foreign statutory laws and regulations, and Teradata's established postemployment benefit practices and policies. Postemployment benefits may include disability benefits, supplemental unemployment benefits, severance, workers' compensation benefits, continuation of health care benefits and life insurance coverage, and are funded on a pay-as-you-go basis.

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

	2019		2018		2017	
in millions	**Pension**	**Postemployment**	Pension	Postemployment	Pension	Postemployment
Service cost	**$ 7**	**$11**	$ 8	$ 8	$ 9	$ 7
Interest cost	**3**	**1**	3	1	3	1
Expected return on plan assets	**(2)**	**-**	(2)	-	(2)	-
Curtailment charge	**-**	**-**	(1)	-	-	-
Amortization of actuarial loss	**1**	**5**	1	4	1	2
Amortization of prior service (credit) cost	**-**	**-**	-	-	(1)	1
Total costs	**$ 9**	**$17**	$ 9	$13	$10	$11

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	**2019**	2018	**2019**	2018
Change in benefit obligation				
Benefit obligation at January 1	**$132**	$136	**$ 54**	$ 47
Service cost	**7**	8	**11**	8
Interest cost	**3**	3	**1**	1
Plan participant contributions	**1**	1	**-**	-
Actuarial loss (gain)	**24**	(5)	**21**	12
Benefits paid	**(10)**	(2)	**(26)**	(14)
Curtailment	**(1)**	(1)	**-**	-
Settlement	**(6)**	(4)	**-**	-
Currency translation adjustments	**(1)**	(4)	**-**	-
Benefit obligation at December 31	**$149**	$132	**$ 61**	$ 54
Change in plan assets				
Fair value of plan assets at January 1	**$ 68**	$ 75	**$ -**	$ -
Actual return on plan assets	**10**	(2)	**-**	-
Company contributions	**6**	5	**-**	-
Benefits paid	**(10)**	(2)	**-**	-
Currency translation adjustments	**-**	(1)	**-**	-
Plan participant contribution	**1**	1	**-**	-
Settlements	**(6)**	(4)	**-**	-
Other	**-**	(4)	**-**	-
Fair value of plan assets at December 31	**69**	68	**-**	-
Funded status (underfunded)	**$ (80)**	$ (64)	**$ (61)**	$ (54)
Amounts Recognized in the Consolidated Balance Sheet				
Non-current assets	**$ 6**	$ 5	**$ -**	$ -
Current liabilities	**(1)**	(1)	**(10)**	(9)
Non-current liabilities	**(85)**	(68)	**(51)**	(45)
Net amounts recognized	**$ (80)**	$ (64)	**$ (61)**	$ (54)
Amounts Recognized in Accumulated Other Comprehensive (Loss) Income				
Unrecognized Net actuarial loss	**$ 30**	$ 16	**$ 61**	$ 44
Unrecognized Prior service cost	**-**	-	**2**	3
Total	**$ 30**	$ 16	**$ 63**	$ 47

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

in millions	**2019**	2018
Accumulated pension benefit obligation	**$ 137**	$ 122

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

in millions	**2019**	2018
Projected benefit obligation	**$ 119**	$ 68
Accumulated benefit obligation	**$ 109**	$ 61
Fair value of plan assets	**$ 33**	$ -

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

	Pension		Postemployment	
in millions	**2019**	2018	**2019**	2018
Actuarial loss (gain) arising during the year	**$15**	$(2)	**$21**	$12
Amortization of loss included in net periodic benefit cost	**(1)**	(1)	**(5)**	(4)
Recognition of gain due to curtailment	**-**	1	**-**	-
Foreign currency exchange	**-**	(1)	**-**	-
Total recognized in other comprehensive (loss) income	**$14**	$(3)	**$16**	$ 8

The following table presents the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost during 2020:

in millions	Pension	Postemployment
Net loss to be recognized in other comprehensive income	$3	$7

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		
	2019	2018	**2019**	2018	2017
Discount rate	**1.2%**	2.2%	**2.2%**	2.1%	2.0%
Rate of compensation increase	**3.0%**	3.4%	**3.4%**	3.3%	3.3%
Expected return on plan assets	**N/A**	N/A	**3.0%**	2.8%	2.9%

	Postemployment Benefit Obligations		Postemployment Benefit Cost		
	2019	2018	**2019**	2018	2017
Discount rate	**1.8%**	2.5%	**2.5%**	2.6%	3.4%
Rate of compensation increase	**3.0%**	3.0%	**3.0%**	3.0%	3.0%
Involuntary turnover rate	**3.0%**	2.5%	**2.5%**	2.3%	2.0%

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.

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

Gains and losses have resulted from changes in actuarial assumptions and from differences between assumed and actual experience, including, among other items, changes in discount rates and differences between actual and assumed asset returns. These gains and losses (except those differences being amortized to the market-related value) are only amortized to the extent that they exceed 10% of the higher of the market-related value of plan assets or the projected benefit obligation of each respective plan.

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

	Actual Asset Allocation as of December, 31		Target Asset Allocation
	2019	2018	
Equity securities	**34%**	32%	32%
Debt securities	**43%**	51%	49%
Insurance (annuity) contracts	**12%**	12%	12%
Real estate	**10%**	3%	4%
Other	**1%**	2%	3%
Total	**100%**	100%	100%

Investment Strategy. Teradata employs several investment strategies across its various international pension plans. In some countries, particularly where Teradata does not have a large employee base, the Company may use insurance (annuity) contracts to satisfy its future pension payment obligations, whereby the Company makes pension plan contributions to an insurance company in exchange for which the pension plan benefits will be paid when the members reach a specified retirement age or on earlier exit of members from the plan. In other countries, the Company may employ local asset managers to manage investment portfolios according to the investment policies and guidelines established by the Company, and with consideration to individual plan liability structure and local market environment and risk tolerances. The Company's investment policies and guidelines primarily emphasize diversification across and within asset classes to maximize long-term returns subject to prudent levels of risk, with the overall objective of enabling the plans to meet their future obligations. The investment portfolios contain a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across domestic and international stocks, small and large capitalization stocks, and growth and value stocks. Fixed-income assets are diversified across government and corporate bonds. Where applicable, real estate investments are made through real estate securities, partnership interests or direct investment, and are diversified by property type and location.

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 11.

The following is a description of the valuation methodologies used for pension assets as of December 31, 2019.

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, 2019:

in millions	**December 31, 2019**	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	**$ 1**	$-	$ 1	$-
Equity funds	**23**	-	23	-
Bond/fixed-income funds	**30**	-	30	-
Real estate indirect investments	**7**	-	7	-
Insurance contracts	**8**	-	-	8
Total assets at fair value	**$69**	$-	$61	$8

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, 2019:

in millions	Insurance Contracts
Balance as of January 1, 2019	$8
Purchases, sales and settlements, net	-
Balance as of December 31, 2019	**$8**

The following table sets forth by level, within the fair value hierarchy, the pension plan assets at fair value as of December 31, 2018:

in millions	December 31, 2018	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 1	$-	$ 1	$-
Equity funds	22	-	22	-
Bond/fixed-income funds	35	-	35	-
Real estate indirect investments	2	-	2	-
Insurance contracts	8	-	-	8
Total assets at fair value	$68	$-	$60	$8

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, 2018:

in millions	Insurance Contracts
Balance as of January 1, 2018	$12
Purchases, sales and settlements, net	(4)
December 31, 2018	$ 8

Cash Flows Related to Employee Benefit Plans

Cash Contributions. In 2020, the Company expects to contribute approximately $3 million to the international pension plans.

Estimated Future Benefit Payments. The Company expects to make the following benefit payments, estimated based on the assumptions used to measure the company's benefit obligation at the end of the year, reflecting past and future service from its pension and postemployment plans:

in millions	Pension Benefits	Postemployment Benefits
Year		
2020	$ 4	$10
2021	$ 6	$10
2022	$ 6	$10
2023	$ 6	$10
2024	$ 7	$ 9
2025 - 2029	$39	$49

Savings Plans. United States 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 United States and International subsidiary savings plans for the years ended December 31:

in millions	**2019**	2018	2017
U.S. savings plan	**$21**	$22	$21
International subsidiary savings plans	**$16**	$17	$17

NOTE 9: Derivative Instruments and Hedging Activities

As a portion of Teradata's operations is conducted 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 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. 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.

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 revenues or in other income (expense), depending on the nature of the related hedged item.

In June 2018, Teradata executed a five-year interest rate swap with a $500 million initial notional amount to hedge the floating interest rate of its Term Loan, as more fully described in Note 12. The Company uses interest rate swaps to manage interest rate risks on future interest payments caused by interest rate changes on its variable rate term loan. The notional amount of the hedge will step-down according to the amortization schedule of the term loan. The notional amount of the hedge was $482 million as of December 31, 2019.

The Company performed an initial effectiveness assessment in the third quarter of 2018 on the interest rate swap, and the hedge was determined to be effective. The hedge is being evaluated qualitatively on a quarterly basis for effectiveness. Changes in fair value are recorded in Accumulated Other Comprehensive Loss and periodic settlements of the swap will be recorded in interest expense along with the interest on amounts outstanding under the term loan.

The following table identifies the contract notional amount of the Company's hedging instruments at December 31:

in millions	**2019**	2018
Contract notional amount of foreign exchange forward contracts	**$150**	$256
Net contract notional amount of foreign exchange forward contracts	**$ 41**	$ 35
Contract notional amount of interest rate swap	**$482**	$500

All derivatives are recognized in the consolidated balance sheets at their fair value. 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. Refer to Note 11 for disclosures related to the fair value of all derivative assets and liabilities.

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 foreign exchange and interest 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.

NOTE 10: Commitments and Contingencies

In the ordinary 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. We are not currently a party to any litigation, nor are we aware of any pending or threatened litigation against us that we believe would materially affect our business, operating results, financial condition or cash flows.

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, 2019, the maximum future payment obligation of this guaranteed value and the associated liability balance was $3 million.

For customers that purchase hardware, the Company provides a standard manufacturer's warranty and records, at the time of the sale, a corresponding estimated liability for potential warranty costs. The estimated liabilities for warranty costs are not material, given that most customers do not purchase hardware under the subscription model. The Company also offers extended and/or enhanced coverage to its customers in the form of maintenance contracts. Teradata 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.

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 offerings. 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 typically not readily determinable due to the conditional nature of the Company's potential obligations and the specific facts and circumstances involved with each particular agreement. As such, the Company has generally not recorded a liability in connection with these indemnification arrangements. Historically, payments made by the Company under these types of agreements have not had a material effect on the Company's consolidated financial condition, results of operations or cash flows.

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, 2019 and December 31, 2018.

The Company is also potentially subject to concentrations of supplier risk. Our hardware components are assembled exclusively by Flex Ltd. ("Flex"). Flex procures a wide variety of components used in the manufacturing process on behalf of the Company. Although many of these components are available from multiple sources, Teradata utilizes preferred supplier relationships to provide more consistent and optimal quality, cost and delivery. Typically, these preferred suppliers maintain alternative processes and/or facilities to ensure continuity of supply. Given the Company's strategy to outsource its manufacturing activities to Flex and to source certain components from single suppliers, a disruption in production at Flex or at a supplier could impact the timing of customer shipments and/or Teradata's operating results. In addition, a significant change in the forecasts to any of these preferred suppliers could result in purchase obligations for components that may be in excess of demand.

NOTE 11: 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, interest rate swaps and foreign currency exchange contracts. A portion of the Company's excess cash reserves are held in money market funds which generate interest income based on the prevailing market rates. Money market funds are included in cash and cash equivalents in the Company's balance sheet. Money market fund holdings are measured at fair value using quoted market prices and are classified within Level 1 of the valuation hierarchy.

When deemed appropriate, the Company minimizes its exposure to changes in foreign currency exchange rates using derivative financial instruments, specifically, foreign exchange forward contracts. Additionally, in June 2018, Teradata executed a five-year interest rate swap with a $500 million initial notional amount to hedge the floating interest rate on its term-loan. The fair value of these contracts and swaps 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 of unrealized gains for open contracts are recorded in other assets and the fair value of unrealized losses are recorded in other liabilities in the Company's balance sheet. The fair value of foreign exchange forward contracts recorded in other assets and other liabilities at December 31, 2019 and 2018 were not material. Realized gains and losses from the Company's fair value hedges net of corresponding gains or losses on the underlying exposures were immaterial for years ended December 31, 2019, 2018 and 2017.

The Company's assets and liabilities measured at fair value on a recurring basis and subject to fair value disclosure requirements at December 31, 2019 and December 31, 2018 were as follows:

		Fair Value Measurements at Reporting Date Using		
in millions	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds at December 31, 2019	**$141**	**$141**	**$ -**	**$-**
Money market funds at December 31, 2018	$246	$246	$ -	$-
Liabilities				
Interest rate swap at December 31, 2019	**$ 19**	**$ -**	**$19**	**$-**
Interest rate swap at December 31, 2018	$ 7	$ -	$ 7	$-

NOTE 12: Debt

In June 2018, Teradata replaced its existing five-year, $400 million revolving credit facility with a new $400 million revolving credit facility (the "Credit Facility"). The Credit Facility ends in June 2023, 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. In addition, under the terms of the Credit Facility, Teradata from time to time and subject to certain conditions may increase the lending commitments under the Credit Facility in an aggregate principal amount up to an additional $200 million, to the extent that existing or new lenders agree to provide such additional commitments. The outstanding principal amount of the Credit Facility bears interest at a floating rate based upon, at Teradata's option, a negotiated base rate or a Eurodollar rate plus, in each case, a margin based on Teradata's leverage ratio. In the near term, Teradata would anticipate choosing a floating rate based on London Interbank Offered Rate ("LIBOR"). The Credit Facility is unsecured but is guaranteed by certain of Teradata's material domestic subsidiaries and contains certain representations and warranties, conditions, affirmative, negative and financial covenants, and events of default customary for such facilities. As of December 31, 2019 and 2018, the Company had no borrowings outstanding under the Credit Facility, leaving $400 million in additional borrowing capacity available under the Credit Facility. Unamortized deferred costs on the original credit facility and new lender fees of approximately $1 million were being amortized over the five-year term of the credit facility. The Company was in compliance with all covenants as of December 31, 2019 and 2018.

Also, on June 2018, Teradata closed on a new senior unsecured $500 million five-year term loan, the proceeds of which plus additional cash-on-hand were used to pay off the remaining $525 million of principal on its previous term loan. The term loan is payable in quarterly installments, which commenced on June 30, 2019, with 1.25% of the initial principal amount due on each of the first eight payment dates; 2.50% of the initial principal amount due on each of the next four payment dates; 5.0% of the initial principal amount due on each of the next three

payment dates; and all remaining principal due on June 11, 2023. The outstanding principal amount of the term loan 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. The term loan principal outstanding was $482 million at December 31, 2019 and $500 million at December 31, 2018. As disclosed in Note 9, Teradata entered into an interest rate swap to hedge the floating interest rate of the Term Loan. As a result of the swap, Teradata's fixed rate on the term loan equals 2.86% plus the applicable leverage-based margin as defined in the term loan agreement. As of December 31, 2019 and 2018, the all-in fixed rate is 4.36%. Unamortized deferred issuance costs of approximately $2 million were being amortized over the five-year term of the loan. The Company was in compliance with all covenants as of December 31, 2019 and 2018.

Annual contractual maturities of outstanding principal on the term loan at December 31, 2019, are as follows:

in millions	
2020	$ 25
2021	44
2022	88
2023	325
Total	**$482**

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 13: Leases

Lessee

The Company adopted ASU No. 2016-02, "Leases (Topic 842)," on January 1, 2019, which requires leases with durations greater than twelve months to be recognized on the balance sheet. The Company adopted the standard using the modified retrospective approach utilizing the optional transition method. Prior year financial statements were not recast using this approach. The Company elected the package of practical expedients available for expired or existing contracts, which allowed us to carryforward our historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. Adoption of the new standard resulted in the recording of additional net lease assets and lease liabilities of approximately $68 million and $66 million, respectively, as of January 1, 2019. The standard did not materially impact our consolidated net earnings or cash flows.

The Company leases property and equipment under finance and operating leases. The Company's operating leases consist of automobiles in certain countries and real estate, including office, storage and parking spaces. The duration of these leases range from 2 to 10 years. The Company's finance leases primarily consist of equipment financed for the purpose of delivering services to our customers. For leases with terms greater than 12 months, the Company recorded the related asset and obligation at the present value of lease payments over the term. Many of our leases include variable rental escalation clauses which are recognized when incurred. Some of our leases also include renewal options and/or termination options that are factored into the determination of lease payments and lease terms when it is reasonably certain that the Company will exercise these options. Lease agreements do not contain any material residual value guarantees or material restrictive covenants. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. For real estate leases beginning in 2019 and later, we account for lease components (*e.g.*, fixed payments including rent, real estate taxes and insurance costs) separately from the non-lease components (*e.g.*, common-area maintenance costs). For automobile leases we account for lease and non-lease components together.

When available, the Company uses the rate implicit in the lease to discount lease payments to present value. However, real estate leases do not typically provide a readily determinable implicit rate. Therefore, the Company must estimate the incremental borrowing rate to discount the lease payments based on information available at lease commencement. The incremental borrowing rate used in the calculation of the lease liability is based on the secured rate associated with financed lease obligations for each location of leased property.

The table below presents the lease-related assets and liabilities recorded on the balance sheet at December 31:

Assets	**Classification on the Balance Sheet**	**2019**
in millions, except weighted average calculations		
Operating lease assets	Right of use assets - operating lease, net	**$ 51**
Finance lease assets	Property and equipment, net	**$141**
Total lease assets		**$192**
Liabilities		
Current		
Operating	Current portion of operating lease liability	**$ 20**
Finance	Current portion of finance lease liability	**55**
Noncurrent		
Operating	Operating lease liability	**38**
Finance	Finance lease liability	**75**
Total lease liabilities		**$188**
Weighted-average remaining lease term		
Operating leases		**3.49 years**
Finance leases		**2.44 years**
Weighted-average discount rate		
Operating leases[1]		**5.00%**
Finance leases		**4.58%**

[1] Upon adoption of the new lease standard, discount rates used for existing leases were established based on the Company's incremental borrowing rate at January 1, 2019. For new leases entered after January 1, 2019, the discount rate was determined based on the Company's incremental borrowing rate at lease commencement.

Lessee Costs

The table below presents certain information related to the lease costs for finance and operating leases recognized in the Company's consolidated statements of (loss) income for the year ended December 31, 2019:

in millions	**2019**
Finance lease cost	
Depreciation of leased assets	**$ 25**
Interest of lease liabilities	**4**
Operating lease cost	**31**
Sub-lease income from real estate properties owned and leased	**(6)**
Total lease cost	**$ 54**

Other Information

The table below presents supplemental cash flow information related to cash paid for amounts included in the measurement of lease liabilities for the year ended December 31:

in millions	**2019**
Operating cash flows for operating leases	**$22**
Operating cash flows for finance leases	**$ 4**
Financing cash flows for finance leases	**$33**

Undiscounted Cash Flows

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the finance lease liabilities and operating lease liabilities recorded on the balance sheet at December 31, 2019:

in millions	Operating Leases	Finance Leases
2020	$ 24	$ 60
2021	16	54
2022	12	23
2023	7	-
2024	4	-
Thereafter	2	-
Total minimum lease payments	65	137
Less: amount of lease payments representing interest	(7)	(7)
Present value of future minimum lease payments	58	130
Less: current obligations under leases	(20)	(55)
Long-term lease obligations	**$ 38**	**$ 75**

The table below provides the undiscounted cash flows for the Company's finance lease liabilities and operating lease obligations as of December 31, 2018.

in millions	Operating Leases	Finance Leases
2019	$24	$19
2020	20	31
2021	12	-
2022	11	-
2023	6	-
Thereafter	2	-
Total minimum lease payments	**$75**	**$50**

Lessor

The Company receives rental revenue for leasing hardware offerings to its customers. For our hardware rental offering, the Company owns or leases the hardware and may or may not provide managed services. Leases sometimes include options to renew but typically do not include lessee purchase options. The revenue for these operating leases is generally recognized straight-line over the term of the contract and is included within the recurring revenue caption on the consolidated statements of (loss) income. Equipment used for this revenue is reported within Property and equipment, net on the consolidated balance sheet.

The following table includes rental revenue for the years ended December 31:

in millions	**2019**	2018	2017
Rental revenue*	**$76**	$32	$17

* Rental revenue includes hardware maintenance.

The following table includes estimated rental revenue expected to be recognized in the future based on executed contracts at December 31, 2019:

In millions	Rental Revenue
2020	$ 80
2021	75
2022	52
Total	**$207**

NOTE 14: Segment, Other Supplemental Information and Concentrations

Effective January 1, 2019, Teradata implemented an organizational change in which Teradata now manages its business under three geographic regions, which are also the Company's operating segments: (1) Americas region (North America and Latin America); (2) EMEA region (Europe, Middle East and Africa) and (3) APAC region (Asia Pacific and Japan). 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, who is our Interim President and Chief Executive Officer, evaluates the performance of the segments based on revenue and multiple profit measures, including segment gross profit. For management reporting purposes assets are not allocated to the segments. Prior periods have been restated to conform to the current year presentation.

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

in millions	**2019**	2018	2017
Segment revenue			
Americas	**$1,057**	$1,126	$1,195
EMEA	**492**	587	567
APAC	**350**	451	394
Total revenue	**1,899**	2,164	2,156

in millions	**2019**	2018	2017
Segment gross profit			
Americas	**626**	621	675
EMEA	**239**	275	276
APAC	**148**	199	161
Total segment gross profit	**1,013**	1,095	1,112
Stock-based compensation expense	**14**	15	13
Acquisition, integration and reorganization-related costs	**11**	5	4
Amortization of capitalized software costs	**33**	49	71
Total gross profit	**955**	1,026	1,024
Selling, general and administrative expenses	**618**	666	651
Research and development expenses	**327**	317	305
Total income from operations	**$ 10**	$ 43	$ 68

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

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

in millions	**2019**	2018	2017
United States	**$ 953**	$1,018	$1,089
Americas (excluding United States)	**104**	108	106
EMEA	**492**	587	567
APAC	**350**	451	394
Total revenue	**$1,899**	$2,164	$2,156

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

in millions	**2019**	2018
United States	**$261**	$226
Americas (excluding United States)	**19**	18
EMEA	**36**	26
APAC	**34**	25
Property and equipment, net	**$350**	$295

Concentrations. No single customer accounts for more than 10% of the Company's revenue. As of December 31, 2019, the Company is not aware of any significant concentration of business transacted with a particular customer that could, if suddenly eliminated, have a material adverse effect on the Company's operations. The Company's hardware components are assembled exclusively by Flex. In addition, the Company utilizes preferred supplier relationships to better ensure more consistent quality, cost, and delivery. There can be no assurances that a disruption in production at Flex or at a supplier would not have a material adverse effect on the Company's operations. In addition, a significant change in the forecasts to any of these preferred suppliers could result in purchase obligations or components that may be in excess of demand.

NOTE 15: Accumulated Other Comprehensive (Loss) Income

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

in millions	Derivatives	Defined benefit plans	Foreign currency translation adjustments	Total AOCI
Balance as of December 31, 2016	$ -	$(35)	$(54)	$ (89)
Other comprehensive (loss) income before reclassifications	-	(5)	16	11
Amounts reclassified from AOCI	-	4	-	4
Net other comprehensive (loss) income	-	(1)	16	15
Balance as of December 31, 2017	$ -	$(36)	$(38)	$ (74)
Other comprehensive loss before reclassifications	(6)	(13)	(13)	(32)
Amounts reclassified from AOCI	-	5	-	5
Net other comprehensive loss	(6)	(8)	(13)	(27)
Balance as of December 31, 2018	$ (6)	$(44)	$(51)	$(101)
Other comprehensive loss before reclassifications	**(9)**	**(27)**	**(10)**	**(46)**
Amounts reclassified from AOCI	**-**	**6**	**-**	**6**
Net other comprehensive loss	**(9)**	**(21)**	**(10)**	**(40)**
Balance as of December 31, 2019	**$(15)**	**$(65)**	**$(61)**	**$(141)**

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

AOCI Component	Location	2019	2018	2017
in millions				
Other Expense	Other Expense	**$(7)**	$ (6)	$(5)
Tax portion	Income tax benefit	**1**	1	1
Total reclassifications	Net (loss) income	**$(6)**	$ (5)	$(4)

Further information on the Company's defined benefit plans is included in Note 8.

NOTE 16: Reorganization and Business Transformation

In 2015, the Company announced a plan to realign Teradata's business by reducing its cost structure and focusing on the Company's core data and analytics business. This business transformation included exiting the marketing applications business, rationalizing costs, and modifying the Company's go-to-market approach. No costs were incurred related to this business transformation plan in 2019 and 2018. In 2017, the Company incurred $26 million in costs under this plan.

In June 2018, the Company approved a plan to consolidate certain of its operations, including transitioning its corporate headquarters to San Diego, California from its location in Dayton, Ohio. This plan, which is being executed in connection with Teradata's comprehensive business transformation from a data warehouse company to a data analytics platform company, is intended to better align the Company's skills and resources to effectively pursue opportunities in the marketplace. The Company recognized costs of $23 million in 2018 and $14 million in 2019 for employee separation benefits, transition support, facilities lease related costs, outside service, legal and other exit-related costs. The employee separation benefit costs are being expensed over the time period that the employees have to work to earn them. As of December 31, 2019, the Company incurred costs and charges of

approximately $37 million related to the plan. The majority of the costs were attributable to the Americas reporting unit and recorded as selling, general and administrative expenses with no impact on our segment gross profit. The Company expects the remainder of the actions to be completed by the first half of 2020.

Cash paid in 2018 related to the plan listed above was $11 million. The 2019 activity and the reserves related to the plan are as follows:

in millions	**Balance at December 31, 2018**	**Expense accruals**	**Cash payments**	**Balance at December 31, 2019**
Employee separation benefits costs related to headquarter transition and business transformation	$11	$ 5	$ (15)	**$ 1**
Transition support and other exit related costs for the headquarter transition and business transformation	1	3	(4)	**-**
Total	**$12**	**$ 8**	**$(19)**	**$ 1**

In addition, the Company incurred $6 million of accelerated amortization in 2019 for right-of-use assets associated with the lease on its prior corporate headquarters. The remaining lease liability is included in our operating lease obligations as of December 31, 2019 and is not included in the table above.

NOTE 17: Quarterly Information (unaudited)

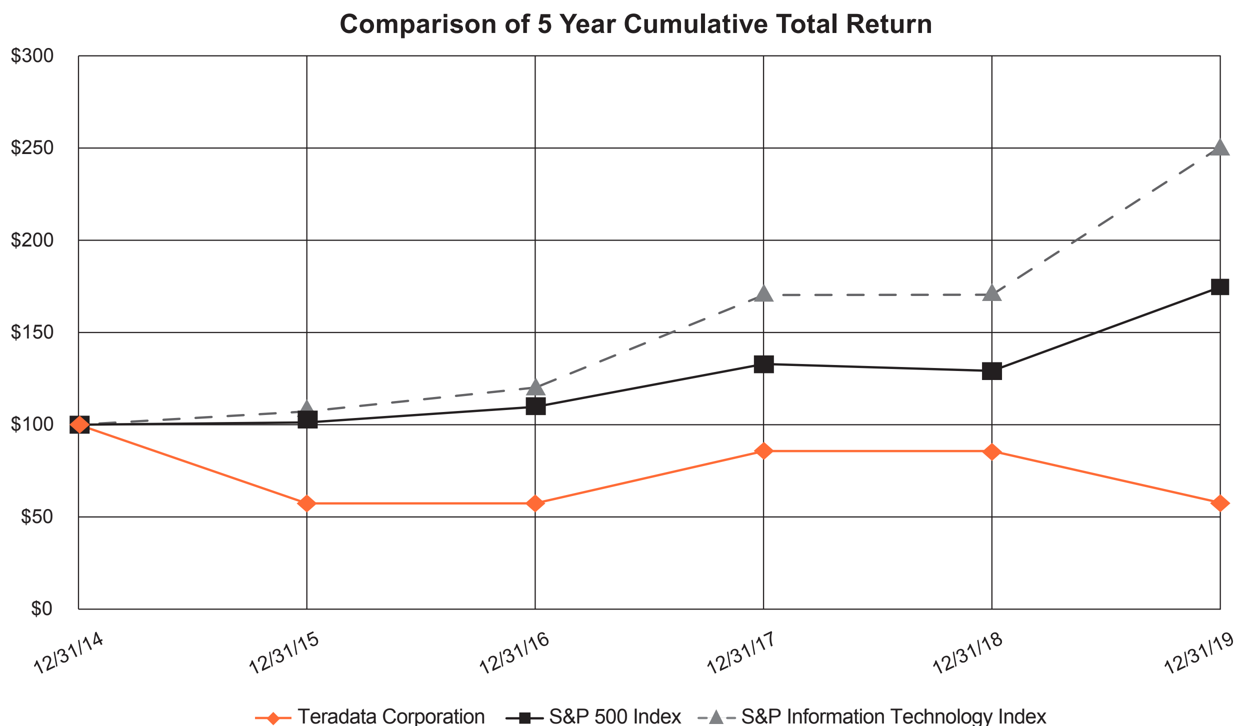
The following tables present certain unaudited quarterly financial information for fiscal 2019 and 2018. This supplemental quarterly financial information reflects all normal recurring adjustments, in the opinion of management, necessary to fairly state our results of operations for the periods presented when read in conjunction with the accompanying Consolidated Financial Statements and related Notes.

in millions, except per share amounts	**First**	**Second**	**Third**	**Fourth**
2019				
Total revenues	**$ 468**	**$ 478**	**$ 459**	**$ 494**
Gross profit	**$ 224**	**$ 236**	**$ 247**	**$ 248**
Operating (loss) income	**$ (5)**	**$ 10**	**$ 10**	**$ (5)**
Net (loss) income	**$ (10)**	**$ (1)**	**$ 10**	**$ (19)**
Net (loss) income per share:				
Basic	**$(0.09)**	**$(0.01)**	**$ 0.09**	**$(0.17)**
Diluted	**$(0.09)**	**$(0.01)**	**$ 0.09**	**$(0.17)**
2018				
Total revenues	$ 506	$ 544	$ 526	$ 588
Gross profit	$ 223	$ 250	$ 264	$ 289
Operating (loss) income	$ (4)	$ 10	$ 14	$ 23
Net (loss) income	$ (7)	$ 4	$ 18	$ 15
Net (loss) income per share:				
Basic	$(0.06)	$ 0.03	$ 0.15	$ 0.13
Diluted	$(0.06)	$ 0.03	$ 0.15	$ 0.13

TOTAL RETURN TO SHAREHOLDERS

Teradata common stock trades on the New York Stock Exchange under the symbol "TDC." There were approximately 30,551 registered holders of Teradata common stock as of February 6, 2020.

The following graph compares the relative performance of Teradata stock, the Standard & Poor's ("S&P") 500 Stock Index and the S&P Information Technology Index. This graph covers the five-year period from December 31, 2014 to December 31, 2019. In each case, assumes a $100 investment on December 31, 2014, and reinvestment of all dividends, if any.



Company/Index	As of December 31, 2014	2015	2016	2017	2018	2019
Teradata Corporation	$100	$ 60	$ 62	$ 88	$ 88	**$ 61**
S&P 500 Index	$100	$101	$114	$138	$132	**$174**
S&P Information Technology Index	$100	$106	$121	$167	$167	**$251**

SELECTED FINANCIAL DATA

in millions, except per share and employee amounts	For the Years Ended December 31				
	2019	2018	2017[1]	2016[2]	2015[3]
Revenue[4]	**$1,899**	$ 2,164	$ 2,156	$ 2,322	$ 2,530
Income (loss) from operations	**$ 10**	$ 43	$ 68	$ 235	$ (189)
Other (expense) income, net	**$ (23)**	$ (16)	$ (10)	$ (14)	$ 45
Income tax expense (benefit)	**$ 7**	$ (3)	$ 125	$ 96	$ 70
Net (loss) income	**$ (20)**	$ 30	$ (67)	$ 125	$ (214)
Net (loss) income per common share					
Basic	**$ (0.18)**	$ 0.25	$ (0.53)	$ 0.96	$ (1.53)
Diluted	**$ (0.18)**	$ 0.25	$ (0.53)	$ 0.95	$ (1.53)

	At December 31				
	2019	2018	2017	2016	2015
Total assets	**$2,057**	$ 2,360	$ 2,556	$ 2,413	$ 2,527
Debt and finance leases, including current portion	**$ 612**	$ 547	$ 780	$ 570	$ 780
Total stockholders' equity	**$ 262**	$ 495	$ 668	$ 971	$ 849
Number of employees	**8,535**	10,152	10,615	10,093	11,300

(1) Includes $126 million tax impact related to the Tax Cuts and Job Act of 2017.
(2) Includes $76 million ($70 million after-tax) for impairment of goodwill and acquired intangibles.
(3) Includes $478 million ($457 million after-tax) for impairment of goodwill and acquired intangibles.
(4) Periods prior to 2018 have not been adjusted under the modified retrospective adoption method of Topic 606.

CORPORATE INFORMATION

Annual Meeting of Stockholders

Stockholders are invited to attend Teradata's Annual Meeting of Stockholders at 8:00 a.m. local time on Tuesday, May 5, 2020, to be held at:

InterContinental San Diego*
901 Bayfront Court
San Diego, CA 92101

* See the Proxy Statement for Teradata's 2020 Annual Meeting of Stockholders filed with the SEC for additional information.

Stockholder Account Inquiries

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

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

E-mail: web.queries@computershare.com

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

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

Company Information

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

Teradata Investor Relations
17095 Via Del Campo
San Diego, CA 92127
Phone: 858-485-2088
E-mail: investor.relations@teradata.com

CEO and CFO Certifications

In 2019, 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 2019 periodic reports.

Board of Directors

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

Lisa R. Bacus
Retired EVP and
Chief Marketing Officer
Cigna Corporation

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

Daniel R. Fishback
Co-Chief Executive Officer and Chairman of the Board
UserZoom Inc.

Cary T. Fu
Co-Founder and retired Chairman and Chief Executive Officer
Benchmark Electronics, Inc.

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

Victor L. Lund
Interim President and Chief Executive Officer
Teradata Corporation

Kimberly K. Nelson
EVP and Chief Financial Officer
SPS Commerce, Inc.

Joanne B. Olsen
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James M. Ringler
Former Chairman of the Board
Teradata Corporation

John G. Schwarz
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Visier Inc.

William S. Stavropoulos
Chairman Emeritus
The Dow Chemical Company

Leadership

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Interim President and Chief Executive Officer

Hillary H. Ashton
EVP, Product Management

Stephen A. Brobst
Chief Technology Officer

Scott A. Brown
Chief Revenue Officer

Mark A. Culhane
Chief Financial Officer

Kathleen R. Cullen-Cote
Chief Human Resources Officer

Martyn B. Etherington
Chief Marketing Officer

Daniel L. Harrington
Chief Services Officer

Laura K. Nyquist
General Counsel

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