

GOODYEAR TIRE & RUBBER CO /OH/
Form 10-Q
October 28, 2016

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended September 30, 2016

Commission File Number: 1-1927

THE GOODYEAR TIRE & RUBBER COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Ohio	34-0253240
(State or Other Jurisdiction of	(I.R.S. Employer
Incorporation or Organization)	Identification No.)

200 Innovation Way, Akron, Ohio	44316-0001
(Address of Principal Executive Offices)	(Zip Code)
(330) 796-2121	
(Registrant's Telephone Number, Including Area Code)	

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Number of Shares of Common Stock,	261,052,522
Without Par Value, Outstanding at September 30, 2016:	

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share amounts)	2016	2015	2016	2015
Net Sales	\$3,847	\$4,184	\$11,417	\$12,380
Cost of Goods Sold	2,736	3,000	8,250	9,093
Selling, Administrative and General Expense	599	633	1,807	1,889
Rationalizations (Note 2)	135	20	194	82
Interest Expense	90	105	285	322
Other (Income) Expense (Note 3)	(23)	(5)	3	(124)
Income before Income Taxes	310	431	878	1,118
United States and Foreign Taxes (Benefit) Expense (Note 4)	(10)	126	161	369
Net Income	320	305	717	749
Less: Minority Shareholders' Net Income	3	34	14	62
Goodyear Net Income	\$317	\$271	\$703	\$687
Goodyear Net Income — Per Share of Common Stock				
Basic	\$1.21	\$1.01	\$2.66	\$2.55
Weighted Average Shares Outstanding (Note 5)	262	269	264	270
Diluted	\$1.19	\$0.99	\$2.62	\$2.51
Weighted Average Shares Outstanding (Note 5)	266	274	268	274
Cash Dividends Declared Per Common Share	\$0.17	\$0.06	\$0.31	\$0.18

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

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
(In millions)	2016	2015	2016	2015
Net Income	\$320	\$305	\$717	\$749
Other Comprehensive Income (Loss):				
Foreign currency translation, net of tax of \$3 and \$17 in 2016 ((\$18) and (\$42) in 2015)	(12)	(100)	(5)	(205)
Reclassification adjustment for amounts recognized in income, net of tax of \$0 and \$0 in 2016 and 2015	—	1	—	2
Defined benefit plans:				
Amortization of prior service cost and unrecognized gains and losses included in total benefit cost, net of tax of \$8 and \$24 in 2016 (\$9 and \$27 in 2015)	17	19	49	56
Decrease in net actuarial losses, net of tax of \$0 and \$0 in 2016 (\$0 and \$11 in 2015)	1	—	2	24
Immediate recognition of prior service cost and unrecognized gains and losses due to curtailments, settlements, and divestitures, net of tax of \$0 and \$0 in 2016 and 2015	—	—	15	2
Deferred derivative gains (losses), net of tax of \$0 and \$0 in 2016 (\$1 and \$3 in 2015)	(1)	6	(1)	16
Reclassification adjustment for amounts recognized in income, net of tax of \$0 and \$(1) in 2016 (\$0 and (\$2) in 2015)	—	(8)	(5)	(21)
Unrealized investment (losses) gains, net of tax of \$0 and \$0 in 2016 (\$0 and \$1 in 2015)	—	(4)	—	(3)
Other Comprehensive Income (Loss)	5	(86)	55	(129)
Comprehensive Income	325	219	772	620
Less: Comprehensive Income Attributable to Minority Shareholders	3	15	16	—
Goodyear Comprehensive Income	\$322	\$204	\$756	\$620

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

THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2016	December 31, 2015
(In millions)		
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 975	\$ 1,476
Accounts Receivable, less Allowance — \$110 (\$105 in 2015)	2,649	2,033
Inventories:		
Raw Materials	464	419
Work in Process	143	138
Finished Products	2,147	1,907
	2,754	2,464
Prepaid Expenses and Other Current Assets	193	153
Total Current Assets	6,571	6,126
Goodwill	564	555
Intangible Assets	138	138
Deferred Income Taxes (Note 4)	2,129	2,141
Other Assets	702	654
Property, Plant and Equipment, less Accumulated Depreciation — \$9,206 (\$8,637 in 2015)	5,039	6,777
Total Assets	\$ 17,143	\$ 16,391
Liabilities:		
Current Liabilities:		
Accounts Payable-Trade	\$ 2,600	\$ 2,769
Compensation and Benefits (Notes 9 and 10)	625	666
Other Current Liabilities	993	886
Notes Payable and Overdrafts (Note 7)	179	49
Long Term Debt and Capital Leases due Within One Year (Note 7)	403	585
Total Current Liabilities	4,800	4,955
Long Term Debt and Capital Leases (Note 7)	5,446	5,074
Compensation and Benefits (Notes 9 and 10)	1,388	1,468
Deferred Income Taxes (Note 4)	89	91
Other Long Term Liabilities	716	661
Total Liabilities	12,439	12,249
Commitments and Contingent Liabilities (Note 11)		
Shareholders' Equity:		
Goodyear Shareholders' Equity:		
Common Stock, no par value:		
Authorized, 450 million shares, Outstanding shares — 261 million (267 million in 2015)	261	267
after deducting 17 million treasury shares (11 million in 2015)		
Capital Surplus	2,926	3,093
Retained Earnings	5,247	4,570
Accumulated Other Comprehensive Loss	(3,957)	(4,010)
Goodyear Shareholders' Equity	4,477	3,920
Minority Shareholders' Equity — Nonredeemable	227	222
Total Shareholders' Equity	4,704	4,142
Total Liabilities and Shareholders' Equity	\$ 17,143	\$ 16,391

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

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THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2016 2015	
(In millions)		
Cash Flows from Operating Activities:		
Net Income	\$717	\$749
Adjustments to Reconcile Net Income to Cash Flows from Operating Activities:		
Depreciation and Amortization	536	522
Amortization and Write-Off of Debt Issuance Costs	24	6
Provision for Deferred Income Taxes	31	265
Net Pension Curtailments and Settlements	13	2
Net Rationalization Charges (Note 2)	194	82
Rationalization Payments	(68)	(105)
Net (Gains) Losses on Asset Sales (Note 3)	(28)	9
Pension Contributions and Direct Payments	(71)	(77)
Gain on Recognition of Deferred Royalty Income (Note 3)	—	(155)
Changes in Operating Assets and Liabilities, Net of Asset Acquisitions and Dispositions:		
Accounts Receivable	(570)	(644)
Inventories	(236)	(97)
Accounts Payable — Trade	(144)	33
Compensation and Benefits	(68)	29
Other Current Liabilities	11	(29)
Other Assets and Liabilities	(104)	45
Total Cash Flows from Operating Activities	237	635
Cash Flows from Investing Activities:		
Capital Expenditures	(711)	(656)
Asset Dispositions (Note 3)	13	13
Decrease (Increase) in Restricted Cash	1	(11)
Short Term Securities Acquired	(46)	(50)
Short Term Securities Redeemed	34	25
Other Transactions	2	5
Total Cash Flows from Investing Activities	(707)	(674)
Cash Flows from Financing Activities:		
Short Term Debt and Overdrafts Incurred	219	72
Short Term Debt and Overdrafts Paid	(99)	(59)
Long Term Debt Incurred	4,129	1,265
Long Term Debt Paid	(4,025)	(1,469)
Common Stock Issued	9	33
Common Stock Repurchased (Note 12)	(200)	(82)
Common Stock Dividends Paid (Note 12)	(56)	(49)
Transactions with Minority Interests in Subsidiaries	(9)	(5)
Debt Related Costs and Other Transactions	(24)	(12)
Total Cash Flows from Financing Activities	(56)	(306)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	25	(102)
Net Change in Cash and Cash Equivalents	(501)	(447)
Cash and Cash Equivalents at Beginning of the Period	1,476	2,161

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Less: Cash Held for Sale	—	(24)
Cash and Cash Equivalents at End of the Period	\$975	\$1,690

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

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THE GOODYEAR TIRE & RUBBER COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by The Goodyear Tire & Rubber Company (the "Company," "Goodyear," "we," "us" or "our") in accordance with Securities and Exchange Commission rules and regulations and generally accepted accounting principles in the United States of America ("US GAAP") and in the opinion of management contain all adjustments (including normal recurring adjustments) necessary to fairly state the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015 (the "2015 Form 10-K").

Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results expected in subsequent quarters or for the year ending December 31, 2016.

Effective January 1, 2016, we combined our previous North America and Latin America strategic business units ("SBUs") into one Americas SBU. Accordingly, we have also combined the North America and Latin America reportable segments effective on that date to align with the new organizational structure and the basis used for reporting to our Chief Executive Officer. Prior periods have been restated to reflect this change.

Recently Adopted Accounting Standards

In March 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standards update with new guidance on employee share-based payment accounting. This update involves several aspects of the accounting for share-based payment transactions, including income tax effects, forfeitures and classifications on the statement of cash flows. The standards update is effective for fiscal years and interim periods beginning after December 15, 2016. Early adoption is permitted in an interim or annual period effective as of the beginning of the year of adoption; however, all amendments must be adopted at the same time. The new standard eliminates the accounting for excess tax benefits recognized in additional paid-in capital and tax deficiencies recognized either in the income tax provision or in additional paid-in capital, and instead requires all tax effects related to share-based payments to be recorded as a discrete adjustment through the income statement and recognized regardless of whether the benefit reduces taxes payable in the current period. We have elected early adoption of the standard in the third quarter of 2016 which will be applied using a modified retrospective approach. As a result of the adoption, a cumulative effect adjustment to increase retained earnings by \$56 million as of January 1, 2016 has been reflected in the financial statements to include all tax benefits that were not previously recognized. Also, for the nine months ended September 30, 2016, we have recognized an income tax benefit of approximately \$4 million in the quarterly period ended September 30, 2016. The treatment of forfeitures has not changed as we are electing to continue our current process of estimating the number of forfeitures. All tax related cash flows resulting from share-based payments will be reported as operating activities in the statement of cash flows.

Effective January 1, 2016, we adopted an accounting standards update providing new guidance on the presentation of debt issuance costs that requires costs incurred to issue debt to be presented on the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Debt issuance costs incurred in connection with line-of-credit arrangements will be presented as an asset. The new guidance also requires the amortization of such costs be reported in Interest Expense in the Statement of Operations. The adoption of this standards update resulted in reclassifications of \$15 million from Prepaid Expenses and Other Current Assets and \$33 million from Other Assets which decreased Long Term Debt and Capital Leases Due Within One Year by \$2 million and Long Term Debt and Capital Leases by \$46 million at December 31, 2015. The adoption of this standards update also resulted in a reclassification of \$3 million and \$11 million of expense from Other (Income) Expense to Interest Expense in the Statement of Operations for the three and nine months ended September 30, 2015,

respectively.

Recently Issued Accounting Standards

In October 2016, the FASB issued an accounting standards update with new guidance on the accounting for the income tax consequences of intra-entity transfers of assets other than inventory, including the elimination of the prohibition on recognition of current and deferred income taxes on such transfers. The standards update is effective using the modified retrospective approach for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted. We are currently assessing the impact of this standards update on our consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In August 2016, the FASB issued an accounting standards update with new guidance on how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in the standards update provide guidance on eight specific cash flow issues. The standards update is effective retrospectively for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted. We are currently assessing the impact of this standards update on our consolidated financial statements.

In March 2016, the FASB issued an accounting standards update with new guidance on the transition to the equity method of accounting. This update eliminates the requirement that an investor retrospectively apply equity method accounting when an investment that it had accounted for by another method initially qualifies for the equity method. Instead, the investor is required to apply the equity method prospectively from the date the investment qualifies for the equity method. In addition, an entity that has an available-for-sale equity security that becomes qualified for the equity method must recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment qualifies for the equity method. The standards update is effective prospectively for fiscal years and interim periods beginning after December 15, 2016, with early adoption permitted. The adoption of this standards update is not expected to impact our consolidated financial statements.

In February 2016, the FASB issued an accounting standards update with new guidance intended to increase transparency and comparability among organizations relating to leases. Lessees will be required to recognize a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the lease term. The FASB retained a dual model for lease classification, requiring leases to be classified as finance or operating leases to determine recognition in the statements of operations and cash flows; however, almost all leases will be required to be recognized on the balance sheet. Lessor accounting is largely unchanged from the current accounting model. The standards update will also require quantitative and qualitative disclosures regarding key information about leasing arrangements. The standards update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. It must be adopted using a modified retrospective approach, and provides for certain practical expedients. The transition will require application at the beginning of the earliest comparative period presented at the time of adoption. We are currently assessing the impact of this standards update on our consolidated financial statements.

In July 2015, the FASB issued an accounting standards update with new guidance on the measurement of inventory. Inventory within the scope of this update is required to be measured at the lower of its cost or net realizable value, with net realizable value being the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The standards update is effective prospectively for fiscal years and interim periods beginning after December 15, 2016, with early adoption permitted. We are currently assessing the impact of adopting this standards update on our consolidated financial statements.

In August 2014, the FASB issued an accounting standards update with new guidance on management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management must evaluate whether it is probable that known conditions or events, considered in the aggregate, would raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. If such conditions or events are identified, the standard requires management's mitigation plans to alleviate the doubt or a statement of the substantial doubt about the entity's ability to continue as a going concern to be disclosed in the financial statements. The standards update is effective for the first annual period ending after December 15, 2016, with early adoption permitted. The adoption of this standards update is not expected to impact our consolidated financial statements.

In May 2014, the FASB issued an accounting standards update with new guidance on recognizing revenue from contracts with customers. The standards update outlines a single comprehensive model for entities to utilize to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that will be received in exchange for the goods and services. Additional disclosures will also be required to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with

customers. In 2016, the FASB issued accounting standards updates to address implementation issues and to clarify the guidance for identifying performance obligations, licenses and determining if a company is the principal or agent in a revenue arrangement. In August 2015, the FASB deferred the effective date of this standards update to fiscal years beginning after December 15, 2017, with early adoption permitted on the original effective date of fiscal years beginning after December 15, 2016. The standard permits the use of either a retrospective or modified retrospective application. We are currently evaluating our significant contracts and assessing any impact of adopting this standards update on our consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Principles of Consolidation

The consolidated financial statements include the accounts of all legal entities in which we hold a controlling financial interest. A controlling financial interest generally arises from our ownership of a majority of the voting shares of our subsidiaries. We would also hold a controlling financial interest in variable interest entities if we are considered to be the primary beneficiary. Investments in companies in which we do not own a majority interest and we have the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. Investments in other companies are carried at cost. All intercompany balances and transactions have been eliminated in consolidation.

Effective December 31, 2015, we concluded that we did not meet the accounting criteria for control over our Venezuelan subsidiary and began reporting the results of our Venezuelan subsidiary using the cost method of accounting. We have determined the fair value of our investment in, and receivables from, our Venezuelan subsidiary to be insignificant based on our expectations of dividend payments and settlements of such receivables in future periods. Beginning January 1, 2016, our financial results do not include the operating results of our Venezuelan subsidiary although that subsidiary has continued operations. We will record income from sales of inventory and raw materials or from dividends or royalties to the extent cash is received from our Venezuelan subsidiary. Our exposure to future losses resulting from our Venezuelan subsidiary is limited to the extent that we decide to provide raw materials or finished goods to, or make future investments in, our Venezuelan subsidiary.

Dissolution of Global Alliance with Sumitomo Rubber Industries, Ltd. ("SRI")

On October 1, 2015, the Company completed the dissolution of its global alliance with SRI in accordance with the terms and conditions set forth in the Framework Agreement, dated as of June 4, 2015, by and between the Company and SRI.

Prior to the dissolution, the Company owned 75% and SRI owned 25% of two companies, Goodyear Dunlop Tires Europe B.V. ("GDTE") and Goodyear Dunlop Tires North America, Ltd. ("GDTNA"). GDTE owns and operates substantially all of the Company's tire businesses in Western Europe. GDTNA had rights to the Dunlop brand and operated certain related businesses in North America. In Japan, the Company owned 25%, and SRI owned 75%, of two companies, one, Nippon Goodyear Ltd. ("NGY"), for the sale of Goodyear-brand passenger and truck tires for replacement in Japan and the other, Dunlop Goodyear Tires Ltd. ("DGT"), for the sale of Goodyear-brand and Dunlop-brand tires to vehicle manufacturers in Japan.

Pursuant to the Framework Agreement, the Company has sold to SRI its 75% interest in GDTNA, 25% interest in DGT and the Huntsville, Alabama test track used by GDTNA. Accordingly, the Company no longer has any remaining ownership interests in GDTNA, DGT or the Huntsville, Alabama test track. With the sale of GDTNA, SRI obtained full ownership of the Dunlop motorcycle tire business in North America and the rights to sell Dunlop-brand tires to Japanese vehicle manufacturers in the United States, Canada and Mexico. The Company retained exclusive rights to sell Dunlop-brand tires in both the consumer and commercial replacement markets of the United States, Canada and Mexico as well as to non-Japanese vehicle manufacturers in those countries.

The Company also has acquired from SRI its 75% interest in NGY and 25% interest in GDTE. Accordingly, the Company now has full ownership interests in NGY and GDTE. In addition, SRI obtained exclusive rights to sell Dunlop-brand tires in those countries that were previously non-exclusive under the global alliance, including Russia, Turkey and certain countries in Africa.

Prior to October 1, 2015, GDTE's assets and liabilities were included in our consolidated balance sheets and GDTE's results of operations were included in our consolidated statements of operations, which also reflected SRI's minority interest in GDTE. Subsequent to October 1, 2015, we continue to include GDTE in our consolidated balance sheets and consolidated statements of operations; however, there is no minority interest impact to our results of operations related to GDTE. Additionally, prior to October 1, 2015, we accounted for NGY under the equity method as we did not have a controlling financial interest in NGY. Subsequent to October 1, 2015, we have a controlling interest in NGY and, accordingly, NGY's assets and liabilities are included in our consolidated balance sheets and NGY's results

of operations are included in our consolidated statements of operations.

Reclassifications and Adjustments

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current presentation. Additionally, in the second quarter of 2016, we recorded an out of period adjustment of \$24 million of expense related to the elimination of intracompany profit in Americas. The adjustment primarily relates to the years, and interim periods therein, of 2012 to 2015, with the majority attributable to 2012. The adjustment did not have a material effect on any of the periods impacted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 2. COSTS ASSOCIATED WITH RATIONALIZATION PROGRAMS

In order to maintain our global competitiveness, we have implemented rationalization actions over the past several years to reduce high-cost and excess manufacturing capacity and associate headcount.

The following table shows the roll-forward of our liability between periods:

(In millions)	Associate- Related Costs	Other Exit and Non-cancelable	
		Lease Costs	Total
Balance at December 31, 2015	\$ 96	\$ 7	\$ 103
2016 Charges	183	13	196
Reversed to the Statements of Operations	(2)	—	(2)
Incurred, Net of Foreign Currency Translation of \$3 million and \$0 million, respectively	(52)	(14)	(66)
Balance at September 30, 2016	\$ 225	\$ 6	\$ 231

On October 24, 2016, we announced a plan to close our tire manufacturing facility in Philippsburg, Germany. The plan is in furtherance of our strategy to capture the growing demand for premium, large-rim diameter tires in part by reducing excess capacity in declining, less profitable segments of the tire market. The plan, which remains subject to consultation with relevant employee representative bodies, would result in approximately 890 job reductions. We accrued \$116 million in charges related to the plan in the third quarter of 2016, which are expected to be paid through 2018.

The remainder of the accrual balance at September 30, 2016 is expected to be substantially utilized within the next 12 months and includes \$25 million related to manufacturing headcount reductions in certain countries in Europe, Middle East and Africa ("EMEA"), \$20 million related to the plan to close our Wolverhampton, U.K. mixing and retreading facility and the plan to transfer consumer tire production from our manufacturing facility in Wittlich, Germany to other manufacturing facilities in EMEA, \$19 million related to our global plan to reduce selling, administrative and general ("SAG") headcount and \$16 million related to the closure of one of our manufacturing facilities in Amiens, France.

The following table shows net rationalization charges included in Income before Income Taxes:

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2016	2015	September 30, 2016	2015
Current Year Plans				
Associate Severance and Other Related Costs	\$ 128	\$ 11	\$ 171	\$ 46
Other Exit and Non-Cancelable Lease Costs	—	3	—	4
Current Year Plans - Net Charges	\$ 128	\$ 14	\$ 171	\$ 50
Prior Year Plans				
Associate Severance and Other Related Costs	\$ —	\$ 2	\$ 10	\$ 18
Benefit Plan Curtailment Loss (Gain)	1	—	—	(1)
Other Exit and Non-Cancelable Lease Costs	6	4	13	15
Prior Year Plans - Net Charges	7	6	23	32
Total Net Charges	\$ 135	\$ 20	\$ 194	\$ 82
Asset Write-off and Accelerated Depreciation Charges	\$ 3	\$ 3	\$ 10	\$ 5

Substantially all of the new charges for the three and nine months ended September 30, 2016 related to future cash outflows. Net current year plan charges for the three months ended September 30, 2016 include charges of \$116 million related to the announced plan to close our manufacturing facility in Philippsburg, Germany and \$8 million related to a plan to reduce global SAG headcount. Net current year plan charges for the nine months ended September 30, 2016 include charges of \$116 million related to the announced plan to close our manufacturing facility in Philippsburg, Germany, \$26 million related to manufacturing headcount reductions in EMEA to improve operating efficiency and \$20 million related to a plan to reduce global SAG headcount.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Net prior year plan charges for the three and nine months ended September 30, 2016 include charges of \$2 million and \$11 million, respectively, for associate severance and idle plant costs related to the closure of one of our manufacturing facilities in Amiens, France. Net prior year plan charges for the three and nine months ended September 30, 2015 include charges of \$2 million and \$21 million, respectively, for associate severance and idle plant costs related to the closure of one of our manufacturing facilities in Amiens, France and our exit from the farm tire business in EMEA.

Net charges for the nine months ended September 30, 2016 included reversals of \$2 million for actions no longer needed for their originally intended purposes. Ongoing rationalization plans had approximately \$375 million in charges incurred prior to 2016 and approximately \$67 million is expected to be incurred in future periods.

Approximately 1,200 associates will be released under new plans initiated in 2016. In the first nine months of 2016, approximately 500 associates were released under plans initiated in prior years. In total, approximately 1,400 associates remain to be released under all ongoing rationalization plans.

At September 30, 2016, approximately 800 former associates of the closed Amiens, France manufacturing facility have asserted wrongful termination or other claims against us. Refer to Note to the Consolidated Financial Statements No. 11, Commitments and Contingent Liabilities, in this Form 10-Q.

Accelerated depreciation charges for the three and nine months ended September 30, 2016 and 2015 primarily related to the plan to close our Wolverhampton, U.K. mixing and retreading facility. Accelerated depreciation charges for all periods were recorded in cost of goods sold ("CGS").

NOTE 3. OTHER (INCOME) EXPENSE

(In millions)	Three Months		Nine Months	
	Ended September 30, 2016	Ended September 30, 2015	Ended September 30, 2016	Ended September 30, 2015
Financing fees and financial instruments	\$ 7	\$ 11	\$ 75	\$ 34
Net (gains) losses on asset sales	(27)	10	(28)	9
Royalty income	(4)	(12)	(18)	(187)
General and product liability expense (income) — discontinued products	2	(43)	(14)	(34)
Interest income	(4)	(7)	(12)	(16)
Net foreign currency exchange (gains) losses	(1)	33	(4)	62
Miscellaneous expense	4	3	4	8
	\$ (23)	\$ (5)	\$ 3	\$ (124)

Financing fees and financial instruments consists of commitment fees and charges incurred in connection with financing transactions. Financing fees and financial instruments expense for the nine months ended September 30, 2016 includes a \$44 million redemption premium related to the redemption of certain notes as further described in Note to the Consolidated Financial Statements No. 7, Financing Arrangements and Derivative Financial Instruments, in this Form 10-Q.

Net (gains) losses on asset sales for the three and nine months ended September 30, 2016 includes a \$16 million gain related to the sale of a former wire plant site in Luxembourg and a \$9 million gain related to the sale of our interest in a supply chain logistics company.

Royalty income includes licensing arrangements related to divested businesses as well as other licensing arrangements. Royalty income for the nine months ended September 30, 2015 includes a one-time pre-tax gain of \$155 million on the recognition of deferred income resulting from the termination of a licensing agreement associated with the sale of our former Engineered Products business ("Veyance"). The licensing agreement was terminated following the acquisition of Veyance by Continental AG in January 2015.

General and product liability expense (income) — discontinued products consists of charges for claims against us related primarily to asbestos personal injury claims, net of probable insurance recoveries. General and product liability

expense (income) — discontinued products for the nine months ended September 30, 2016 includes a benefit of \$4 million for the recovery of past costs from one of our asbestos insurers and a benefit of \$10 million related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods. General and product liability expense (income) — discontinued products for the three and nine months ended September 30, 2015 included a benefit of \$25 million for the recovery of past costs from one of our

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asbestos insurers and a benefit of \$21 million related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods.

Also included in Other (Income) Expense is interest income, which primarily consists of amounts earned on cash deposits, and net foreign currency exchange (gains) and losses.

NOTE 4. INCOME TAXES

In the third quarter of 2016, we recorded a net tax benefit of \$10 million on income before income taxes of \$310 million. For the first nine months of 2016, we recorded tax expense of \$161 million on income before income taxes of \$878 million. The income tax benefit for the three months ended September 30, 2016 included \$118 million of various discrete tax adjustments, primarily comprised of a \$163 million tax benefit resulting from changing our election for our 2009, 2010 and 2012 U.S. tax years from deducting foreign taxes to crediting foreign taxes, a \$41 million tax charge related to establishing a valuation allowance in Americas and a \$7 million tax charge related to the settlement of various tax years in EMEA. Income tax expense for the nine months ended September 30, 2016 was favorably impacted by \$127 million of various discrete tax adjustments primarily related to the third quarter discrete tax items noted above and an additional \$7 million tax benefit resulting from the release of a valuation allowance in Americas. In the third quarter of 2015, we recorded tax expense of \$126 million on income before income taxes of \$431 million. For the first nine months of 2015, we recorded tax expense of \$369 million on income before income taxes of \$1,118 million. Income tax expense for the three months ended September 30, 2015 was favorably impacted by \$8 million of various discrete tax adjustments primarily related to the settlement of an audit in EMEA.

We record taxes based on overall estimated annual effective tax rates. In 2016, the difference between our effective tax rate and the U.S. statutory rate was primarily attributable to the discrete items noted above.

Our losses in various foreign taxing jurisdictions in recent periods represented sufficient negative evidence to require us to maintain a full valuation allowance against certain of our net foreign deferred tax assets. However, it is reasonably possible that sufficient positive evidence required to release all, or a portion, of certain valuation allowances, primarily in EMEA, will exist during 2016. This may result in a reduction of the valuation allowance by up to \$340 million.

At January 1, 2016, we had unrecognized tax benefits of \$54 million that if recognized, would have a favorable impact on our tax expense of \$40 million. We had accrued interest of \$5 million as of January 1, 2016. If not favorably settled, \$9 million of the unrecognized tax benefits and all of the accrued interest would require the use of our cash. We do not expect any changes to our unrecognized tax benefits to have a significant impact on our financial position or results of operations.

Generally, years from 2011 onward are still open to examination by foreign taxing authorities. We are open to examination in Germany from 2011 onward and in the United States for 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 5. EARNINGS PER SHARE

Basic earnings per share are computed based on the weighted average number of common shares outstanding. Diluted earnings per share are calculated to reflect the potential dilution that could occur if securities or other contracts were exercised or converted into common stock.

Basic and diluted earnings per common share are calculated as follows:

(In millions, except per share amounts)	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Earnings per share — basic:				
Goodyear net income available to common shareholders	\$ 317	\$ 271	\$ 703	\$ 687
Weighted average shares outstanding	262	269	264	270
Earnings per common share — basic	\$ 1.21	\$ 1.01	\$ 2.66	\$ 2.55

Earnings per share — diluted:

Goodyear net income available to common shareholders	\$ 317	\$ 271	\$ 703	\$ 687
Weighted average shares outstanding	262	269	264	270
Dilutive effect of stock options and other dilutive securities	4	5	4	4
Weighted average shares outstanding — diluted	266	274	268	274
Earnings per common share — diluted	\$ 1.19	\$ 0.99	\$ 2.62	\$ 2.51

Weighted average shares outstanding - diluted for the nine months ended September 30, 2016 exclude approximately 1 million equivalent shares related to options with exercise prices greater than the average market price of our common shares (i.e., "underwater" options). There were no equivalent shares related to options with exercise prices greater than the average market price of our common shares for the three months ended September 30, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 6. BUSINESS SEGMENTS

Effective January 1, 2016, we combined our previous North America and Latin America SBUs into one Americas SBU. Accordingly, we have also combined the North America and Latin America reportable segments effective on this date to align with the new organizational structure and the basis used for reporting to our Chief Executive Officer. As a result, we now operate our business through three operating segments: Americas; EMEA; and Asia Pacific. The prior year Americas operating income has been adjusted to reflect the elimination of intercompany profit between the former North America and Latin America SBUs, whereas the elimination had previously been reflected in Corporate CGS. In addition, certain start-up costs related to the construction of our new manufacturing facility in San Luis Potosi, Mexico were reclassified from Corporate Other (Income) Expense to Americas segment operating income to align with the new organizational structure beginning in 2016.

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Sales:				
Americas	\$2,070	\$2,398	\$6,111	\$7,057
Europe, Middle East and Africa	1,236	1,328	3,748	3,924
Asia Pacific	541	458	1,558	1,399
Net Sales	\$3,847	\$4,184	\$11,417	\$12,380
Segment Operating Income:				
Americas	\$305	\$376	\$856	\$982
Europe, Middle East and Africa	152	154	380	335
Asia Pacific	99	72	270	223
Total Segment Operating Income	\$556	\$602	\$1,506	\$1,540
Less:				
Rationalizations	135	20	194	82
Interest expense	90	105	285	322
Other (income) expense (Note 3)	(23)	(5)	3	(124)
Asset write-offs and accelerated depreciation	3	3	10	5
Corporate incentive compensation plans	20	26	60	61
Pension curtailments/settlements	—	—	14	—
Intercompany profit elimination	2	(8)	7	6
Retained expenses of divested operations	2	2	12	6
Other	17	28	43	64
Income before Income Taxes	\$310	\$431	\$878	\$1,118

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Rationalizations, as described in Note to the Consolidated Financial Statements No. 2, Costs Associated with Rationalization Programs, Net (gains) losses on asset sales and Asset write-offs and accelerated depreciation were not charged (credited) to the SBUs for performance evaluation purposes but were attributable to the SBUs as follows:

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Rationalizations:				
Americas	\$ 6	\$ 7	\$ 10	\$ 12
Europe, Middle East and Africa	126	12	179	66
Asia Pacific	—	1	1	4
Total Segment Rationalizations	\$ 132	\$ 20	\$ 190	\$ 82
Corporate	3	—	4	—
	\$ 135	\$ 20	\$ 194	\$ 82

Net (Gains) Losses on Asset Sales:

Americas	\$ —	\$ (1)	\$ —	\$ (2)
Europe, Middle East and Africa	(18)	11	(18)	16
Asia Pacific	—	—	(1)	(6)
Total Segment Asset Sales	\$ (18)	\$ 10	\$ (19)	\$ 8
Corporate	(9)	—	(9)	1
	\$ (27)	\$ 10	\$ (28)	\$ 9

Asset Write-offs and Accelerated Depreciation:

Americas	\$1	\$—	\$1	\$—
Europe, Middle East and Africa	\$2	\$3	\$9	\$5
Total Segment Asset Write-offs and Accelerated Depreciation	\$3	\$3	\$10	\$5

NOTE 7. FINANCING ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

At September 30, 2016, we had total credit arrangements of \$9,074 million, of which \$3,005 million were unused. At that date, 40% of our debt was at variable interest rates averaging 5.66%.

Notes Payable and Overdrafts, Long Term Debt and Capital Leases due Within One Year and Short Term Financing Arrangements

At September 30, 2016, we had short term committed and uncommitted credit arrangements totaling \$622 million of which \$443 million were unused. These arrangements are available primarily to certain of our foreign subsidiaries through various banks at quoted market interest rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents amounts due within one year:

(In millions)	September 30, 2016	December 31, 2015
Notes payable and overdrafts	\$ 179	\$ 49
Weighted average interest rate	10.92 %	9.42 %
Long term debt and capital leases due within one year		
Other domestic and foreign debt (including capital leases) ⁽¹⁾	\$ 403	\$ 587
Unamortized deferred financing fees	\$ —	(2)
Total long term debt and capital leases due within one year	\$ 403	\$ 585
Weighted average interest rate	9.17 %	6.68 %
Total obligations due within one year	\$ 582	\$ 634

The decrease in long term debt and capital leases due within one year was due primarily to the redemption of the (1)€250 million 6.75% senior notes due 2019 in January 2016. The notes were classified as current at December 31,

2015 in connection with the irrevocable call for their redemption issued in December 2015.

Long Term Debt and Capital Leases and Financing Arrangements

At September 30, 2016, we had long term credit arrangements totaling \$8,452 million, of which \$2,562 million were unused.

The following table presents long term debt and capital leases, net of unamortized discounts, and interest rates:

(In millions)	September 30, 2016	Interest Amount Rate	December 31, 2015	Interest Amount Rate
Notes:				
6.75% Euro Notes due 2019	\$—		\$272	
8.75% due 2020	273		271	
6.5% due 2021	—		900	
7% due 2022	700		700	
5.125% due 2023	1,000		1,000	
3.75% Euro Notes due 2023	280		272	
5% due 2026	900		—	
7% due 2028	150		150	
Credit Facilities:				
\$2.0 billion first lien revolving credit facility due 2021	310	1.72 %	—	—
Second lien term loan facility due 2019	598	3.86 %	598	3.75 %
€550 million revolving credit facility due 2020	140	1.75 %	—	—
Pan-European accounts receivable facility	266	1.02 %	125	1.35 %
Chinese credit facilities	361	4.65 %	465	5.22 %
Other foreign and domestic debt ⁽¹⁾	872	9.79 %	906	9.42 %
Unamortized deferred financing fees	(45)		(48)	
	5,805		5,611	
Capital lease obligations	44		48	
	5,849		5,659	
Less portion due within one year	(403)		(585)	
	\$5,446		\$5,074	

(1)

Interest rates are weighted average interest rates related to various foreign credit facilities with customary terms and conditions and domestic debt related to our Global and Americas Headquarters.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTES

\$900 million 5% Senior Notes due 2026

In May 2016, we issued \$900 million in aggregate principal amount of 5% senior notes due 2026. These notes were sold at 100% of the principal amount and will mature on May 31, 2026. These notes are unsecured senior obligations and are guaranteed by our U.S. and Canadian subsidiaries that also guarantee our obligations under our U.S. senior secured credit facilities described below.

In June 2016, we used the proceeds from this offering, together with cash and cash equivalents, to redeem in full our \$900 million 6.5% senior notes due 2021 including a \$44 million redemption premium plus accrued and unpaid interest to the redemption date. We also recorded \$9 million of expense for the write-off of deferred financing fees as a result of the redemption.

CREDIT FACILITIES

\$2.0 billion Amended and Restated First Lien Revolving Credit Facility due 2021

On April 7, 2016, we amended and restated our \$2.0 billion first lien revolving credit facility. Changes to the facility include extending the maturity to 2021 and reducing the interest rate for loans under the facility by 25 basis points to LIBOR plus 125 basis points, based on our current liquidity. In addition, the borrowing base was increased to include (i) the value of our principal trademarks and (ii) certain cash in an amount not to exceed \$200 million.

Our amended and restated first lien revolving credit facility is available in the form of loans or letters of credit, with letter of credit availability limited to \$800 million. Subject to the consent of the lenders whose commitments are to be increased, we may request that the facility be increased by up to \$250 million. Our obligations under the facility are guaranteed by most of our wholly-owned U.S. and Canadian subsidiaries. Our obligations under the facility and our subsidiaries' obligations under the related guarantees are secured by first priority security interests in a variety of collateral.

Availability under the facility is subject to a borrowing base, which is based primarily on (i) eligible accounts receivable and inventory of The Goodyear Tire & Rubber Company and certain of its U.S. and Canadian subsidiaries, (ii) the value of our principal trademarks, and (iii) certain cash in an amount not to exceed \$200 million. To the extent that our eligible accounts receivable and inventory and other components of the borrowing base decline in value, our borrowing base will decrease and the availability under the facility may decrease below \$2.0 billion. As of September 30, 2016, our borrowing base, and therefore our availability, under this facility was \$205 million below the facility's stated amount of \$2.0 billion.

The facility has customary representations and warranties including, as a condition to borrowing, that all such representations and warranties are true and correct, in all material respects, on the date of the borrowing, including representations as to no material adverse change in our business or financial condition since December 31, 2015. The facility also has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

At September 30, 2016, we had \$310 million of borrowings and \$40 million of letters of credit issued under the revolving credit facility. At December 31, 2015, we had no borrowings and \$315 million of letters of credit issued under the revolving credit facility.

During 2016, we began entering into bilateral letter of credit agreements. At September 30, 2016, we had \$272 million in letters of credit issued under these new agreements.

Amended and Restated Second Lien Term Loan Facility due 2019

Our obligations under our second lien term loan facility are guaranteed by most of our wholly-owned U.S. and Canadian subsidiaries and are secured by second priority security interests in the same collateral securing the \$2.0 billion first lien revolving credit facility. This facility may be increased by up to \$300 million at our request, subject to the consent of the lenders making such additional term loans. The term loan bears interest at LIBOR plus 300 basis points, subject to a minimum LIBOR rate of 75 basis points.

At both September 30, 2016 and December 31, 2015, the amount outstanding under this facility was \$598 million.

€550 million Amended and Restated Senior Secured European Revolving Credit Facility due 2020

Our amended and restated €550 million European revolving credit facility consists of (i) a €125 million German tranche that is available only to Goodyear Dunlop Tires Germany GmbH (“GDTG”) and (ii) a €425 million all-borrower tranche that is available to GDTE, GDTG and Goodyear Dunlop Tires Operations S.A. Up to €150 million of swingline loans and €50 million in letters of credit are available for issuance under the all-borrower tranche. Amounts drawn under this facility will bear interest at LIBOR plus 175 basis points for loans denominated in U.S. dollars or pounds sterling and EURIBOR plus 175 basis points for loans denominated in euros.

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GDTE and certain of its subsidiaries in the United Kingdom, Luxembourg, France and Germany provide guarantees to support the facility. The German guarantors secure the German tranche on a first-lien basis and the all-borrower tranche on a second-lien basis. GDTE and its other subsidiaries that provide guarantees secure the all-borrower tranche on a first-lien basis and generally do not provide collateral support for the German tranche. The Company and its U.S. subsidiaries and primary Canadian subsidiary that guarantee our U.S. senior secured credit facilities described above also provide unsecured guarantees in support of the facility.

The facility has customary representations and warranties including, as a condition to borrowing, that all such representations and warranties are true and correct, in all material respects, on the date of the borrowing, including representations as to no material adverse change in our business or financial condition since December 31, 2014. The facility also has customary defaults, including a cross-default to material indebtedness of Goodyear and our subsidiaries.

At September 30, 2016, there were \$140 million (€125 million) of borrowings outstanding under the German tranche and there were no borrowings outstanding under the all-borrower tranche. At December 31, 2015, there were no borrowings outstanding under the European revolving credit facility. There were no letters of credit issued at September 30, 2016 and December 31, 2015.

Accounts Receivable Securitization Facilities (On-Balance Sheet)

GDTE and certain other of our European subsidiaries are parties to a pan-European accounts receivable securitization facility that expires in 2019. The terms of the facility provide the flexibility to designate annually the maximum amount of funding available under the facility in an amount of not less than €45 million and not more than €450 million. For the period beginning October 16, 2015 to October 15, 2016, the designated maximum amount of the facility was €340 million. Effective October 16, 2016, the designated maximum amount of the facility was reduced to €320 million. The facility involves an ongoing daily sale of substantially all of the trade accounts receivable of certain GDTE subsidiaries to a bankruptcy-remote French company controlled by one of the liquidity banks in the facility. These subsidiaries retain servicing responsibilities. Utilization under this facility is based on eligible receivable balances. The funding commitments under the facility will expire upon the earliest to occur of: (a) September 25, 2019, (b) the non-renewal and expiration (without substitution) of all of the back-up liquidity commitments, (c) the early termination of the facility according to its terms (generally upon an Early Amortisation Event (as defined in the facility), which includes, among other things, events similar to the events of default under our senior secured credit facilities; certain tax law changes; or certain changes to law, regulation or accounting standards), or (d) our request for early termination of the facility. The facility's current back-up liquidity commitments will expire on October 15, 2017. At September 30, 2016, the amounts available and utilized under this program totaled \$266 million (€238 million). At December 31, 2015, the amounts available and utilized under this program totaled \$276 million (€254 million) and \$125 million (€115 million), respectively. The program does not qualify for sale accounting, and accordingly, these amounts are included in Long Term Debt and Capital Leases.

In addition to the pan-European accounts receivable securitization facility discussed above, subsidiaries in Australia have an accounts receivable securitization program that provides flexibility to designate semi-annually the maximum amount of funding available under the facility in an amount of not less than 60 million Australian dollars and not more than 85 million Australian dollars. For the period January 1, 2016 to June 30, 2016, the designated maximum amount of the facility was 70 million Australian dollars. Effective July 1, 2016, the designated maximum amount of the facility was reduced to 60 million Australian dollars. At September 30, 2016, the amounts available and utilized under this program were \$32 million (AUD42 million) and \$14 million (AUD18 million), respectively. At December 31, 2015, the amounts available and utilized under this program were \$34 million (AUD47 million) and \$19 million (AUD26 million), respectively. The receivables sold under this program also serve as collateral for the related facility. We retain the risk of loss related to these receivables in the event of non-payment. These amounts are included in Long Term Debt and Capital Leases.

For a description of the collateral securing the credit facilities described above as well as the covenants applicable to them, refer to Note to the Consolidated Financial Statements No. 15, Financing Arrangements and Derivative Financial Instruments, in our 2015 Form 10-K.

Accounts Receivable Factoring Facilities (Off-Balance Sheet)

We have sold certain of our trade receivables under off-balance sheet programs. For these programs, we have concluded that there is generally no risk of loss to us from non-payment of the sold receivables. At September 30, 2016, the gross amount of receivables sold was \$260 million, compared to \$299 million at December 31, 2015.

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Other Foreign Credit Facilities

A Chinese subsidiary has several financing arrangements in China. At September 30, 2016, these non-revolving credit facilities had total unused availability of \$244 million and can only be used to finance the expansion of our manufacturing facility in China. At September 30, 2016 and December 31, 2015, the amounts outstanding under these facilities were \$361 million and \$465 million, respectively. The facilities ultimately mature in 2024 and principal amortization began in 2015. The facilities contain covenants relating to the Chinese subsidiary and have customary representations and warranties and defaults relating to the Chinese subsidiary's ability to perform its obligations under the facilities. At September 30, 2016 and December 31, 2015, restricted cash related to funds obtained under these credit facilities was \$13 million and \$11 million, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS

We utilize derivative financial instrument contracts and nonderivative instruments to manage interest rate, foreign exchange and commodity price risks. We have established a control environment that includes policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. We do not hold or issue derivative financial instruments for trading purposes.

Foreign Currency Contracts

We enter into foreign currency contracts in order to manage the impact of changes in foreign exchange rates on our consolidated results of operations and future foreign currency-denominated cash flows. These contracts may be used to reduce exposure to currency movements affecting existing foreign currency-denominated assets, liabilities, firm commitments and forecasted transactions resulting primarily from trade purchases and sales, equipment acquisitions, intercompany loans and royalty agreements. Contracts hedging short term trade receivables and payables normally have no hedging designation.

The following table presents the fair values for foreign currency contracts not designated as hedging instruments:

	September 30, December 31,	
(In millions)	2016	2015
Fair Values — asset (liability):		
Accounts receivable	\$ 7	\$ 10
Other current liabilities	(14)	(10)

At September 30, 2016 and December 31, 2015, these outstanding foreign currency derivatives had notional amounts of \$1,474 million and \$1,094 million, respectively, and were primarily related to intercompany loans. Other (Income) Expense included net transaction losses on derivatives of \$15 million and \$33 million for the three and nine months ended September 30, 2016, respectively, and net transaction gains on derivatives of \$16 million and \$46 million for the three and nine months ended September 30, 2015, respectively.

The following table presents fair values for foreign currency contracts designated as cash flow hedging instruments:

	September 30, December 31,	
(In millions)	2016	2015
Fair Values — asset (liability):		
Accounts receivable	\$ 3	\$ 5
Other current liabilities	(2)	(1)

At September 30, 2016 and December 31, 2015, these outstanding foreign currency derivatives had notional amounts of \$144 million and \$168 million, respectively, and primarily related to U.S. dollar denominated intercompany transactions.

We enter into master netting agreements with counterparties. The amounts eligible for offset under the master netting agreements are not material and we have elected a gross presentation of foreign currency contracts in the Consolidated Balance Sheets.

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(Unaudited)

The following table presents information related to foreign currency contracts designated as cash flow hedging instruments (before tax and minority):

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
(In millions) (Income) Expense	2016	2015	2016	2015
Amounts deferred to Accumulated Other Comprehensive Loss ("AOCL")	\$ —	\$ (7)	\$ 1	\$ (19)
Amount of deferred (gain) loss reclassified from AOCL into CGS	—	(7)	(6)	(23)
Amounts excluded from effectiveness testing	(1)	—	(1)	1

There is no estimated net amount of deferred gains at September 30, 2016 that are expected to be reclassified to earnings within the next twelve months.

The counterparties to our foreign currency contracts were considered by us to be substantial and creditworthy financial institutions that are recognized market makers at the time we entered into those contracts. We seek to control our credit exposure to these counterparties by diversifying across multiple counterparties, by setting counterparty credit limits based on long term credit ratings and other indicators of counterparty credit risk such as credit default swap spreads, and by monitoring the financial strength of these counterparties on a regular basis. We also enter into master netting agreements with counterparties when possible. By controlling and monitoring exposure to counterparties in this manner, we believe that we effectively manage the risk of loss due to nonperformance by a counterparty.

However, the inability of a counterparty to fulfill its contractual obligations to us could have a material adverse effect on our liquidity, financial position or results of operations in the period in which it occurs.

NOTE 8. FAIR VALUE MEASUREMENTS

The following table presents information about assets and liabilities recorded at fair value on the Consolidated Balance Sheets at September 30, 2016 and December 31, 2015:

	Total Carrying Value in the Consolidated Balance Sheet		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
(In millions)	2016	2015	2016	2015	2016	2015	2016	2015
Assets:								
Investments	\$ 9	\$ 7	\$ 9	\$ 7	\$ —	\$ —	\$ —	\$ —
Foreign Exchange Contracts	10	15	—	—	10	15	—	—
Total Assets at Fair Value	\$ 19	\$ 22	\$ 9	\$ 7	\$ 10	\$ 15	\$ —	\$ —
Liabilities:								
Foreign Exchange Contracts	\$ 16	\$ 11	\$ —	\$ —	\$ 16	\$ 11	\$ —	\$ —
Total Liabilities at Fair Value	\$ 16	\$ 11	\$ —	\$ —	\$ 16	\$ 11	\$ —	\$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents supplemental fair value information about long term fixed rate and variable rate debt, excluding capital leases, at September 30, 2016 and December 31, 2015. Long term debt with a fair value of \$4,058 million and \$4,291 million at September 30, 2016 and December 31, 2015, respectively, was estimated using quoted Level 1 market prices. The carrying value of the remaining long term debt approximates fair value since the terms of the financing arrangements are similar to terms that could be obtained under current lending market conditions.

	September 30, December 31,	
(In millions)	2016	2015
Fixed Rate Debt:		
Carrying amount — liability	\$ 3,540	\$ 3,844
Fair value — liability	3,737	4,018

Variable Rate Debt:

Carrying amount — liability	\$ 2,265	\$ 1,767
Fair value — liability	2,255	1,765

NOTE 9. PENSION, SAVINGS AND OTHER POSTRETIREMENT BENEFIT PLANS

We provide employees with defined benefit pension or defined contribution savings plans.

Defined benefit pension cost follows:

	U.S.		U.S.	
	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
(In millions)	2016	2015	2016	2015
Service cost — benefits earned during the period	\$ 1	\$ 1	\$ 3	\$ 3
Interest cost on projected benefit obligation	41	61	123	182
Expected return on plan assets	(64)	(75)	(191)	(225)
Amortization of net losses	28	27	82	81
Net periodic pension cost	\$ 6	\$ 14	\$ 17	\$ 41
	Non-U.S.		Non-U.S.	
	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
(In millions)	2016	2015	2016	2015
Service cost — benefits earned during the period	\$ 7	\$ 11	\$ 22	\$ 33
Interest cost on projected benefit obligation	20	28	61	85
Expected return on plan assets	(21)	(26)	(67)	(79)
Amortization of net losses	7	9	21	28
Net periodic pension cost	13	22	37	67
Net curtailments/settlements/termination benefits	—	—	13	1
Total defined benefit pension cost	\$ 13	\$ 22	\$ 50	\$ 68

Effective January 1, 2016, we changed the method of estimating the service and interest components of net periodic cost for pension and other postretirement benefits for plans that utilize a yield curve approach. We elected to utilize a full yield curve approach in the measurement of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows, as opposed to using a single weighted average discount rate. We believe this approach provides a more precise measurement of service and interest costs by aligning the timing of projected benefit cash flows to the corresponding spot rates on the yield curve.

This change is expected to reduce our 2016 annual net periodic pension cost by approximately \$60 million to \$70 million compared to the previous method and does not affect the measurement of our plan benefit obligations. We have accounted for this change as a change in accounting estimate.

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During the second quarter of 2016, annuities were purchased from existing plan assets to settle \$41 million in obligations of one of our U.K. pension plans which resulted in a settlement charge of \$14 million.

We expect to contribute approximately \$50 million to \$75 million to our funded non-U.S. pension plans in 2016. For the three and nine months ended September 30, 2016, we contributed \$14 million and \$45 million, respectively, to our non-U.S. plans.

The expense recognized for our contributions to defined contribution savings plans for the three months ended September 30, 2016 and 2015 was \$30 million in both periods, and \$93 million and \$94 million, respectively, for the nine months ended September 30, 2016 and 2015.

We also provide certain U.S. employees and employees at certain non-U.S. subsidiaries with health care benefits or life insurance benefits upon retirement. Other postretirement benefits credit for the three months ended September 30, 2016 and 2015 was \$(4) million and \$(5) million, respectively, and \$(17) million and \$(15) million for the nine months ended September 30, 2016 and 2015, respectively.

NOTE 10. STOCK COMPENSATION PLANS

Our Board of Directors granted 0.7 million stock options, 0.3 million restricted stock units and 0.2 million performance share units during the nine months ended September 30, 2016 under our stock compensation plans. The weighted average exercise price per share and weighted average fair value per share of the stock option grants during the nine months ended September 30, 2016 were \$29.88 and \$11.91, respectively. We estimated the fair value of the stock options using the following assumptions in our Black-Scholes model:

Expected term: 7.2 years

Interest rate: 1.45%

Volatility: 40.78%

Dividend yield: 0.94%

We measure the fair value of grants of restricted stock units and performance share units based primarily on the closing market price of a share of our common stock on the date of the grant, modified as appropriate to take into account the features of such grants. The weighted average fair value per share was \$29.78 for restricted stock units and \$30.95 for performance share units granted during the nine months ended September 30, 2016.

We recognized stock-based compensation expense of \$7 million and \$18 million during the three and nine months ended September 30, 2016, respectively. At September 30, 2016, unearned compensation cost related to the unvested portion of all stock-based awards was approximately \$36 million and is expected to be recognized over the remaining vesting period of the respective grants, through March 2021. We recognized stock-based compensation expense of \$5 million and \$15 million during the three and nine months ended September 30, 2015, respectively.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Environmental Matters

We have recorded liabilities totaling \$53 million and \$50 million at September 30, 2016 and December 31, 2015, respectively, for anticipated costs related to various environmental matters, primarily the remediation of numerous waste disposal sites and certain properties sold by us. Of these amounts, \$15 million and \$12 million were included in Other Current Liabilities at September 30, 2016 and December 31, 2015, respectively. The costs include legal and consulting fees, site studies, the design and implementation of remediation plans, post-remediation monitoring and related activities, and will be paid over several years. The amount of our ultimate liability in respect of these matters may be affected by several uncertainties, primarily the ultimate cost of required remediation and the extent to which other responsible parties contribute. We have limited potential insurance coverage for future environmental claims. Since many of the remediation activities related to environmental matters vary substantially in duration and cost from site to site and the associated costs for each vary depending on the mix of unique site characteristics, in some cases we cannot reasonably estimate a range of possible losses. Although it is not possible to estimate with certainty the outcome of all of our environmental matters, management believes that potential losses in excess of current reserves

for environmental matters, individually and in the aggregate, will not have a material adverse effect on our financial position, cash flows or results of operations.

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(Unaudited)

Workers' Compensation

We have recorded liabilities, on a discounted basis, totaling \$259 million and \$264 million for anticipated costs related to workers' compensation at September 30, 2016 and December 31, 2015, respectively. Of these amounts, \$50 million and \$54 million was included in Current Liabilities as part of Compensation and Benefits at September 30, 2016 and December 31, 2015, respectively. The costs include an estimate of expected settlements on pending claims, defense costs and a provision for claims incurred but not reported. These estimates are based on our assessment of potential liability using an analysis of available information with respect to pending claims, historical experience, and current cost trends. The amount of our ultimate liability in respect of these matters may differ from these estimates.

We periodically, and at least annually, update our loss development factors based on actuarial analyses. At September 30, 2016 and December 31, 2015, the liability was discounted using a risk-free rate of return. At September 30, 2016, we estimate that it is reasonably possible that the liability could exceed our recorded amounts by approximately \$30 million.

General and Product Liability and Other Litigation

We have recorded liabilities totaling \$326 million and \$315 million, including related legal fees expected to be incurred, for potential product liability and other tort claims, including asbestos claims, at September 30, 2016 and December 31, 2015, respectively. Of these amounts, \$54 million and \$45 million was included in Other Current Liabilities at September 30, 2016 and December 31, 2015, respectively. The amounts recorded were estimated based on an assessment of potential liability using an analysis of available information with respect to pending claims, historical experience and, where available, recent and current trends. Based upon that assessment, at September 30, 2016, we do not believe that estimated reasonably possible losses associated with general and product liability claims in excess of the amounts recorded will have a material adverse effect on our financial position, cash flows or results of operations. However, the amount of our ultimate liability in respect of these matters may differ from these estimates. We have recorded an indemnification asset within Accounts Receivable of \$6 million and within Other Assets of \$30 million for SRI's obligation to indemnify us for certain product liability claims related to products manufactured by GDTNA during the existence of the global alliance with SRI, subject to certain caps.

Asbestos. We are a defendant in numerous lawsuits alleging various asbestos-related personal injuries purported to result from alleged exposure to asbestos in certain products manufactured by us or present in certain of our facilities. Typically, these lawsuits have been brought against multiple defendants in state and Federal courts. To date, we have disposed of approximately 122,200 claims by defending and obtaining the dismissal thereof or by entering into a settlement. The sum of our accrued asbestos-related liability and gross payments to date, including legal costs, by us and our insurers totaled approximately \$513 million through September 30, 2016 and \$497 million through December 31, 2015.

A summary of recent approximate asbestos claims activity follows. Because claims are often filed and disposed of by dismissal or settlement in large numbers, the amount and timing of settlements and the number of open claims during a particular period can fluctuate significantly.

	Nine Months Ended September 30,	Year Ended December 31,
(Dollars in millions)	2016	2015
Pending claims, beginning of period	67,400	73,800
New claims filed	1,500	1,900
Claims settled/dismissed	(4,400)	(8,300)
Pending claims, end of period	64,500	67,400
Payments ⁽¹⁾	\$ 16	\$ 19

(1)

Represents cash payments made during the period by us and our insurers on asbestos litigation defense and claim resolution.

We periodically, and at least annually, review our existing reserves for pending claims, including a reasonable estimate of the liability associated with unasserted asbestos claims, and estimate our receivables from probable insurance recoveries. We recorded gross liabilities for both asserted and unasserted claims, inclusive of defense costs, totaling \$171 million at both September 30, 2016 and December 31, 2015. The recorded liability represents our estimated liability over the next ten years, which represents the period over which the liability can be reasonably estimated. Due to the difficulties in making these estimates, analysis based on new data and/or a change in circumstances arising in the future could result in an increase in the recorded obligation in an amount that cannot be reasonably estimated, and that increase could be significant.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

We maintain certain primary and excess insurance coverage under coverage-in-place agreements, and also have additional excess liability insurance with respect to asbestos liabilities. After consultation with our outside legal counsel and giving consideration to agreements with certain of our insurance carriers, the financial viability and legal obligations of our insurance carriers and other relevant factors, we determine an amount we expect is probable of recovery from such carriers. We record a receivable with respect to such policies when we determine that recovery is probable and we can reasonably estimate the amount of a particular recovery.

We recorded a receivable related to asbestos claims of \$129 million and \$117 million at September 30, 2016 and December 31, 2015, respectively. The increase in the receivable balance at September 30, 2016 is primarily related to changes in assumptions for probable insurance recoveries for asbestos claims in future periods which positively impacted the receivable by \$10 million. We expect that approximately 75% of asbestos claim related losses would be recoverable through insurance during the ten-year period covered by the estimated liability. Of these amounts, \$12 million was included in Current Assets as part of Accounts Receivable at September 30, 2016 and December 31, 2015. The recorded receivable consists of an amount we expect to collect under coverage-in-place agreements with certain primary and excess insurance carriers as well as an amount we believe is probable of recovery from certain of our other excess insurance carriers.

We believe that, at December 31, 2015, we had approximately \$410 million in excess level policy limits applicable to indemnity and defense costs for asbestos products claims under coverage-in-place agreements. We also had additional unsettled excess level policy limits potentially applicable to such costs. We also had coverage under certain primary policies for indemnity and defense costs for asbestos products claims under remaining aggregate limits pursuant to a coverage-in-place agreement, as well as coverage for indemnity and defense costs for asbestos premises claims pursuant to coverage-in-place agreements.

With respect to both asserted and unasserted claims, it is reasonably possible that we may incur a material amount of cost in excess of the current reserve; however, such amounts cannot be reasonably estimated. Coverage under insurance policies is subject to varying characteristics of asbestos claims including, but not limited to, the type of claim (premise vs. product exposure), alleged date of first exposure to our products or premises and disease alleged. Depending upon the nature of these characteristics, as well as the resolution of certain legal issues, some portion of the insurance may not be accessible by us.

Amiens Labor Claims

Approximately 800 former employees of the closed Amiens, France manufacturing facility have asserted wrongful termination or other claims totaling €117 million (\$131 million) against Goodyear Dunlop Tires France. We intend to vigorously defend ourselves against these claims, and any additional claims that may be asserted against us, and cannot estimate the amounts, if any, that we may ultimately pay in respect of such claims.

Other Actions

We are currently a party to various claims, indirect tax assessments and legal proceedings in addition to those noted above. If management believes that a loss arising from these matters is probable and can reasonably be estimated, we record the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on our financial position or overall trends in results of operations.

Our recorded liabilities and estimates of reasonably possible losses for the contingent liabilities described above are based on our assessment of potential liability using the information available to us at the time and, where applicable, any past experience and recent and current trends with respect to similar matters. Our contingent liabilities are subject to inherent uncertainties, and unfavorable judicial or administrative decisions could occur which we did not anticipate. Such an unfavorable decision could include monetary damages, fines or other penalties or an injunction prohibiting us from taking certain actions or selling certain products. If such an unfavorable decision were to occur, it could result in

a material adverse impact on our financial position and results of operations in the period in which the decision occurs, or in future periods.

Income Tax Matters

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional taxes will be due. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We also recognize income tax benefits to the extent that it is more likely than not that our positions will be sustained when challenged by the taxing authorities. We derecognize income tax benefits when based on new information we determine that it is no longer more likely than not that our position will be sustained. To the extent we prevail in matters for which liabilities have been established, or determine we need to derecognize tax benefits

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

recorded in prior periods, our results of operations and effective tax rate in a given period could be materially affected. An unfavorable tax settlement would require use of our cash, and lead to recognition of expense to the extent the settlement amount exceeds recorded liabilities and, in the case of an income tax settlement, result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement would be recognized as a reduction of expense to the extent the settlement amount is lower than recorded liabilities and, in the case of an income tax settlement, would result in a reduction in our effective tax rate in the period of resolution.

While the Company applies consistent transfer pricing policies and practices globally, supports transfer prices through economic studies, seeks advance pricing agreements and joint audits to the extent possible and believes its transfer prices to be appropriate, such transfer prices, and related interpretations of tax laws, are occasionally challenged by various taxing authorities globally. We have received various tax assessments challenging our interpretations of applicable tax laws in various jurisdictions. Although we believe we have complied with applicable tax laws, have strong positions and defenses and have historically been successful in defending such claims, our results of operations could be materially adversely affected in the case we are unsuccessful in the defense of existing or future claims.

Guarantees

We have off-balance sheet financial guarantees and other commitments totaling approximately \$40 million and \$49 million at September 30, 2016 and December 31, 2015, respectively. We issue guarantees to financial institutions or other entities on behalf of certain of our affiliates, lessors or customers. Normally there is no separate premium received by us as consideration for the issuance of guarantees. In 2015, as a result of the dissolution of the global alliance with SRI, we issued a guarantee of approximately \$46 million to an insurance company related to SRI's obligation to pay GDTNA's outstanding workers' compensation claims arising during the existence of the global alliance. As of September 30, 2016, this guarantee amount has been reduced to \$38 million. We have concluded the probability of our performance to be remote and, therefore, have not recorded a liability for this guarantee. While there is no fixed duration of this guarantee, we expect the amount of this guarantee to continue to decrease over time as GDTNA pays its outstanding claims. If our performance under these guarantees is triggered by non-payment or another specified event, we would be obligated to make payment to the financial institution or the other entity, and would typically have recourse to the affiliate, lessor, customer, or SRI. Except for the workers' compensation guarantee described above, the guarantees expire at various times through 2020. We are unable to estimate the extent to which our affiliates', lessors', customers', or SRI's assets would be adequate to recover any payments made by us under the related guarantees.

NOTE 12. CAPITAL STOCK

Dividends

In the first nine months of 2016, we paid cash dividends of \$56 million on our common stock, which included cash dividends of \$0.07 per share that were declared on July 12, 2016 and paid on September 1, 2016. On September 7, 2016, the Board of Directors (or a duly authorized committee thereof) declared cash dividends of \$0.10 per share of common stock, which represents an increase of \$0.03 per share, or approximately \$26 million in the aggregate. The dividend will be paid on December 1, 2016 to stockholders of record as of the close of business on November 1, 2016. Future quarterly dividends are subject to Board approval.

Common Stock Repurchases

On September 18, 2013, the Board of Directors authorized \$100 million for use in our common stock repurchase program. On May 27, 2014, the Board of Directors approved an increase in that authorization to \$450 million. On February 4, 2016, the Board of Directors approved a further increase in that authorization to \$1.1 billion. This program expires on December 31, 2018. We intend to repurchase shares of common stock in open market transactions in order to offset new shares issued under equity compensation programs and to provide for additional shareholder returns. During the third quarter of 2016, we repurchased 1,734,404 shares at an average price, including commissions, of \$28.83 per share, or \$50 million in the aggregate. During the first nine months of 2016, we repurchased 6,897,034 shares at an average price, including commissions, of \$29.00 per share, or \$200 million in the

aggregate. Since 2013, we repurchased 21,404,752 shares at an average price, including commissions, of \$28.66 per share, or \$613 million in the aggregate.

In addition, we may repurchase shares delivered to us by employees as payment for the exercise price of stock options and the withholding taxes due upon the exercise of the stock options or the vesting or payment of stock awards.

During the first nine months of 2016, we did not repurchase any shares from employees.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 13. CHANGES IN SHAREHOLDERS' EQUITY

The following tables present the changes in shareholders' equity for the nine months ended September 30, 2016 and 2015:

September 30, 2016

(In millions)	Goodyear Shareholders' Equity	Minority Shareholders' Equity – Nonredeemable	Total Shareholders' Equity
Balance at beginning of period	\$3,920	\$222	\$

	EXECUTIVE CONTRIBUTIONS IN LAST FISCAL YEAR	REGISTRANT CONTRIBUTIONS IN LAST FISCAL YEAR ⁽¹⁾	AGGREGATED EARNING IN LAST FISCAL YEAR ⁽²⁾
NAME	(\$)	(\$)	(\$)
Victor Lund		9,389,185	641,050
Mark Culhane			
Oliver Ratzesberger			
Daniel Harrington			
John Dinning			

Stephen Scheppmann

- (1) For Mr. Lund, the amount reported in this column includes \$7,440,226, representing the vesting of RSUs that vested on December 31, 2017 and \$1,948,958, representing the vesting date value of RSUs that vested on December 31, 2016. The grant date fair value of the target number of Mr. Lund's RSUs for 2017 reported as compensation to Mr. Lund in the Summary Compensation Table for the 2017 fiscal year.
- (2) Represents the appreciation in value in the number of shares of our common stock underlying Mr. Lund's performance-based RSUs from December 31, 2016 through December 31, 2017 (or, if earlier, through the date of Mr. Lund's death or termination of performance-based RSUs). No portion of this amount was reported as compensation to Mr. Lund in the Summary Compensation Table for 2017.
- (3) Represents the payment date value of the number of shares of our common stock that were delivered to Mr. Lund in connection with the vesting of performance-based RSUs during fiscal 2017.
- (4) Represents the aggregate dollar value of 241,276 outstanding vested performance-based RSUs held by Mr. Lund at our closing stock price on December 29, 2017 of \$38.46 per share. The grant date fair value of the target number of performance-based RSUs (\$2,215,744) was previously reported as compensation to Mr. Lund in the Summary Compensation Table for the 2016 fiscal year.

Pension Benefits

We do not maintain any qualified or non-qualified defined benefit plans.

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POTENTIAL PAYMENTS UPON

TERMINATION OR CHANGE IN CONTROL

Background

We have entered into agreements and maintain plans and arrangements that may require us to pay or named executive officers in the event of certain terminations of employment or a change in control. officers other than Mr. Lund are participants in our CIC Plan, which provides double-trigger severance executive's employment is terminated under qualifying circumstances in connection with a change which provides severance protections in the event that a participant's employment is terminated by result of death, disability or a change in control). Estimates of the amounts to be paid or provided to connection with a termination of employment or a change in control are provided below.

Estimated Payments to Named Executive Officers

The estimates set forth below of the amounts payable to our named executive officers upon termination or change in control are based on the assumption that the various triggering events occurred on the last assumptions noted below. The actual amounts that would be paid to a named executive officer upon determined at the time the actual triggering event occurs.

The estimated amount of compensation and benefits described below for our named executive officers compensation and benefits that were already earned at the time of the applicable triggering event, such as in accordance with their terms or vested benefits otherwise payable under our compensation program. Our named executive officers do not provide information on the payout of 2017 incentive awards under the plan for named executive officers, because those awards were earned as of December 31, 2017, subject to Committee approval upon terminated employment or a change in control occurred on that date. Please refer to the Outstanding Awards table for a complete summary of each named executive officer's vested equity awards as of December 31, 2017, and the annual incentives earned by our named executive officers in 2017.

Non-Change in Control Scenarios

Executive Severance Plan

Each of our named executive officers other than Mr. Lund participates in the Executive Severance Plan as of December 31, 2017. In the event of an involuntary termination of his employment in connection with a reduction-in-force, Mr. Lund is eligible for severance benefits under our reduction-in-force programs that are generally available to the Company.

For our participating named executive officers, the Executive Severance Plan generally provides severance pay for termination of employment by the Company without cause (but not as a result of the participant's disability or death) or termination of a participating named executive officer's employment in connection with a change in control of TeraTech, as provided under the CIC Plan, as discussed below.

In the event of a qualifying termination of employment without cause (not in connection with a change in control), participating executive officers would be entitled to receive the following severance benefits under the terms of the Plan:

Salary and target bonus continuation for one year;

A prorated annual cash incentive bonus for the year of termination (generally based on the executive's target bonus and the Company performance as determined under the Company's Management Incentive Plan);

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Continued medical, dental and vision care coverage, with the Company continuing to subsidize salary continuation period;

Outplacement services for up to one year;

Pro-rata vesting of time-based and performance-based RSUs (subject to achievement of applicable RSUs); and

For all retirement-eligible participants (*i.e.*, participants aged 55 or older), an additional year of time-based RSUs (but not performance-based RSUs), and the opportunity to exercise vested stock options until termination or the original option expiration date.

Severance benefits under the Executive Severance Plan are conditioned upon the participant's release from employment, compliance with certain restrictive covenants, including non-competition, non-solicitation, non-disparagement, to the extent permissible under applicable law.

Treatment of Equity Awards on Termination of Employment (not in Connection with a Change in Control)

The following chart summarizes the vesting treatment of the equity awards held by our named executive officers upon termination of employment, other than termination in connection with a change in control. The vesting treatment depends on the participant's compliance with non-competition and non-solicitation provisions for a 12-month period (or the maximum period allowed under applicable law), as well as confidentiality restrictions. Our plans generally pay out upon vesting. However, to the extent necessary to comply with Section 409A of the Internal Revenue Code to avoid triggering adverse tax consequences to our executives, payment of vested performance-based awards is deferred until termination of employment, six months after termination of employment, or the end of the schedule set forth in the applicable award agreement.

SITUATION	PERFORMANCE-BASED RSUS	TIME-BASED RSUS
Death and Long-Term Disability ("LTD")	In the event of death or LTD during the performance period, a pro-rata portion of the award, calculated as of the date of death or	Awards vest in full upon the date of death or LTD.

LTD, will become vested based on actual results during the performance period.

In the event of death or LTD after the end of the performance period and prior to payment, awards vest in full, to the extent earned, upon the date of death or LTD.

Retirement (termination on or after age 55, with the consent of the Committee, where applicable)

Generally, a pro-rata portion of the award, calculated as of retirement, will become vested based on actual results during the performance period.

Generally, a pro-rata portion will become vested as of date of retirement.

Mr. Lund's performance-based RSUs for performance periods beginning in 2016 and 2017 will become vested in full (without pro-ration), based on actual results if his employment terminates after the first year of the applicable performance period for any reason other than a termination by Teradata for cause.

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Potential Payments Upon Termination or Change in Control

SITUATION	PERFORMANCE-BASED RSUS	TIME-BASED RSUs
Termination without Cause	A pro-rata portion of the award, calculated as of the date of termination will become vested based on actual results during the performance period.	A pro-rata portion will become vested as of the date of termination, and retirement-eligible participants (<i>i.e.</i> , participants aged 55 or older) may be credited with an additional year of vesting service.
Voluntary Resignation (other than retirement, as described above)	Unvested awards are forfeited.	Unvested awards are forfeited.

The tables below quantify the amounts that would be payable to our named executive officers in the termination in connection with a change in control.

Death or Disability

We would have provided each named executive officer (or his beneficiary) with the following estimate if he had become disabled on December 31, 2017.

EXECUTIVE	LIFE INSURANCE (\$)⁽¹⁾	DISABILITY PAYMENTS (\$)⁽²⁾	STOCK OPTIONS
Victor Lund	1,200,000	642,028	
Mark Culhane	950,000	524,408	
Oliver Ratzesberger	3,450,000	527,454	185
Daniel Harrington	938,400	570,543	324
John Dinning	1,800,000	585,000	154
Stephen Scheppmann	1,100,000	564,473	277

(1) Proceeds would be payable by a third-party insurer. Benefits provided upon death depend on the named executive officer during the annual benefits enrollment process. The named executive officer's insurance coverage as is generally offered to U.S.-based employees. The coverage generally is 200% of base salary. A U.S.-based employee has the option of choosing a higher level of coverage at his own expense. The named executive officers elected higher coverage for 2017, except for Messrs. Ratzesberger and Dinning, who opted for higher coverage.

(2) Benefits provided upon disability generally depend on the individual level of benefits chosen by the named executive officer during the annual benefits enrollment process. The named executive officers receive the same short-term and long-term disability coverage as U.S.-based employees. The core coverage is (i) for short-term disability, 100% of base salary for 26 weeks of service and 66 2/3% of base salary for the remainder of a 26-week period, and (ii) for long-term disability, a maximum monthly payment of \$15,000 for the duration of an employee's long-term disability. The named executive officers elected a higher level of coverage at his own expense. Each named executive officer opted for core coverage, except for Ratzesberger and Dinning, who opted for higher coverage. The payments above assume maximum payout based on an election for 26 weeks of short-term disability plus two years of long-term disability.

(3) Equity valuations are based on a closing price of our stock on December 29, 2017 of \$38.46.

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Retirement

We would have provided each named executive officer with the following estimated payments if he applicable) on December 31, 2017.

EXECUTIVE

Victor Lund

Mark Culhane

Oliver Ratzesberger

Daniel Harrington

John Dinning

Stephen Scheppmann

(1) Equity valuations are based on a closing price of our stock on December 29, 2017 of \$38.46.

(2) Only Messrs. Lund, Culhane and Scheppmann were eligible for retirement (age 55 or older) on the date of termination. Mr. Lund was required for retirement vesting of Mr. Culhane's and Mr. Scheppmann's RSU awards, but not Mr. Lund's. Mr. Lund was terminated without Cause (not in Connection with a Change in Control).

Each named executive officer would have been entitled to the following estimated payments and benefits in connection with a change in control, we terminated the executive's employment without cause (and for executive officers other than Mr. Lund, the amounts reported in the table below reflect the benefits payable under the Executive Severance Plan in the event of a termination of employment without cause on that date).

EXECUTIVE	CASH (\$) ⁽¹⁾	STOCK OPTIONS (\$) ⁽²⁾	RESTRICTED SHARE UNITS (\$) ⁽²⁾	WELFARE BENEFITS
Victor Lund	400,000		17,493,220	
Mark Culhane	950,000		353,097	
Oliver Ratzesberger	950,000		1,768,697	
Daniel Harrington	938,441		2,576,070	
John Dinning	810,000		1,272,172	
Stephen Scheppmann	1,100,000	69,491	2,064,038	

- (1) Mr. Lund does not participate in the Executive Severance Plan (or the CIC Plan) and is not a participant in the CIC Plan. The Executive Severance Plan provides for cash severance upon a termination without cause. However, Mr. Lund participates in the Executive Severance Plan, which is generally available to the Company's salaried, U.S.-based employees, and the cash amount reported is the maximum cash severance benefits provided under those programs. The cash amounts reported for Mr. Lund other than Mr. Lund reflect cash severance benefits under the Executive Severance Plan, but do not include the 2017 bonus. This is because we are required to assume a termination date of December 31, 2017. On that date, Mr. Lund has already earned a bonus for 2017 regardless of whether he terminated employment. Please refer to the Compensation column of the Summary Compensation Table for the amount of the 2017 bonus.
- (2) Equity valuations are based on a closing price of our stock on December 29, 2017 of \$38.46. For executives who were retirement-eligible (age 55 or older) on December 31, 2017, the equity values reported are based on vesting service for time-based equity awards.

Change in Control Scenarios

Change in Control Severance Plan

We maintain the CIC Plan to help retain key executives by reducing personal uncertainty that may arise in a change in control and to promote their objectivity and neutrality in evaluating transactions that may be in the best interest of the Company. The plan establishes objective criteria to determine whether a change in control has occurred, and provides for a double trigger basis (including vesting of equity awards that are assumed in a change in control transaction) to further our goals to retain key executives upon a change in control.

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Potential Payments Upon Termination or Change in Control

Each named executive officer other than Mr. Lund participates in the CIC Plan. In the event of an involuntary termination in connection with a reduction-in-force, Mr. Lund would be eligible to receive severance benefits under the CIC Plan, which are generally available to the Company's salaried, U.S.-based employees.

Under the CIC Plan, if a participating executive's employment is terminated by us other than for cause or for good reason within two years after a change in control (or within six months prior to a change in control if the termination occurred in connection with a change in control), then Teradata or its successor will provide the following benefits:

A lump sum payment equal to 2.0 times the executive's annual base salary and annual incentive payment, where means the average annual incentive earned for the prior three years;

A lump sum payment equal to a pro-rata portion of the average annual incentive earned for the prior three years;

Continued medical, dental and life insurance coverage for two years; and

Continued outplacement and financial counseling services, if such services are offered at such time. The CIC Plan provides that upon termination of employment, each participant is prohibited from soliciting or poaching subject to confidentiality restrictions. Moreover, each participant is required to sign a release of all claims for severance benefits under the plan. The CIC Plan does not provide for any gross-up payments related to the termination of an executive in connection with a change in control.

For purposes of the plan, the term "cause" generally means the willful and continued failure to perform duties assigned, illegal or gross misconduct that materially injures the Company. The term "good reason" generally means a change in the executive's position, authority, duties or responsibilities as in effect prior to a change in control; (ii) a failure to pay incentive compensation when due; (iv) a reduction in target or maximum incentive opportunity; (v) a change in the compensation plan or other employee benefit programs; (vi) a relocation of the executive's office by more than 40 miles; or (vii) failure to require a successor to the executive to relocate to the executive's new office by more than 20 miles; or (viii) failure to require a successor to the executive to relocate to the executive's new office by more than 20 miles; or (viii) failure to require a successor to the executive to relocate to the executive's new office by more than 20 miles.

The term "change in control" generally means any of the following: (i) an acquisition of 50% or more of the Company, our subsidiaries or employee benefit plans; (ii) a change in the membership of our Board of Directors such that incumbents and their approved successors no longer constitute a majority; (iii) a reorganization, merger, acquisition or sale of substantially all of our assets in which any one of the following is true: our old stockholders do not own at least 50% of the equity of the new entity; or the new entity is not a direct or indirect subsidiary of the old entity.

there is a 50%-or-more stockholder of the combined enterprise (other than as a result of conversion of the Company), or the members of our Board of Directors (immediately before the combination) do not approve the combined enterprise; or (iv) stockholder approval of a complete liquidation.

Treatment of Equity Awards

As described above, the CIC Plan generally provides for “double trigger” vesting of employee equity awards, meaning that, if the awards are assumed by the surviving entity in the change of control, vesting of the awards of an executive also has a qualifying termination of employment (by the Company without cause or by the surviving entity does not assume the equity awards upon the change in control, unvested awards will vest upon the change in control. The chart below summarizes the treatment of our employee equity awards as outlined in the Plan with a change of control.

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Potential Pa

**1-YEAR PERFORMANCE PERIOD
PERFORMANCE-BASED RSUs**

If the award is not assumed by the surviving entity, then the award will vest in full, either at the target level, if the CIC occurs during the performance period, or based on actual performance, if the CIC occurs after the end of the performance period and prior to payment.

If the award is assumed, then, subject to the executive's continued employment (except for Mr. Lund, whose performance-based RSUs will be fully vested based on service through December 31 of the applicable 1-year performance period), the award will continue to vest, either at the target level, if the CIC occurs during the performance period, or based on actual performance, if the CIC occurs after the end of the performance period and prior to payment. However, vesting of the award will be accelerated if the executive's employment is terminated without cause, terminated on account of death, disability, retirement or reduction in force, or the executive terminates his employment for good reason, within twenty-four months after the CIC.

**CHANGE IN CONTROL (CIC)
3-YEAR PERFORMANCE PERIOD**

PERFORMANCE-BASED RSUs

If the award is not assumed by the surviving entity, then the award will vest in full, either at the target level, if the CIC occurs during the first year of the performance period, or based on actual performance up to the date of the CIC, if the CIC occurs during the second or third year of the performance period.

If the award is assumed, then, subject to the executive's continued employment (except for Mr. Lund, whose performance-based RSUs will be fully vested based on service through December 31 of the first year of the applicable 3-year performance period), the award will continue to vest, either at the target level, if the CIC occurs during the first year of the performance period, or based on actual performance up to the date of the CIC, if the CIC occurs during the second or third year of the performance period. However, vesting of the award will be accelerated if the executive's employment is terminated without cause, terminated on account of death, disability, retirement or reduction in force, or the executive terminates his employment for good reason, within 24 months after the CIC.

Table of Contents**Potential Payments Upon Termination or Change in Control**

The tables below quantify the amounts that would be payable to our named executive officers in the termination of employment in connection with a change in control.

Qualifying Termination Within Two Years After a Change in Control

Our named executive officers would have been entitled to the following estimated payments and benefits as of December 31, 2017, and (i) for the named executive officers other than Mr. Lund, the executive's estimated payments and benefits if the executive terminated his employment for good reason immediately following such change in control, and (ii) if the executive was involuntarily terminated in a reduction-in-force immediately following such change in control.

EXECUTIVE	CASH (\$)⁽¹⁾	STOCK OPTIONS (\$)⁽²⁾	RESTRICTED SHARE UNITS (\$)⁽²⁾	WARRANTS (\$)⁽²⁾
Victor Lund	400,000		19,263,215	
Mark Culhane	1,900,000		977,807	
Oliver Ratzesberger	1,073,975	185,305	5,259,441	
Daniel Harrington	1,221,913	324,287	6,167,900	

John Dinning	962,458	154,423	3,597,657
Stephen Scheppmann	1,418,138	277,965	4,991,838

(1) Mr. Lund does not participate in the CIC Plan (or Executive Severance Plan) and is not a party to the plan. The plan provides for cash severance upon a termination without cause or for good reason in connection with the change in control. Above, Mr. Lund participates in our reduction-in-force programs that are generally available to all employees. The cash amount reported for Mr. Lund in this column reflects the maximum cash severance payable under the plan. The cash amounts reported in this column for named executive officers other than Mr. Lund reflect cash amounts that do not reflect any pro-rata annual bonuses for 2017. This is because we are required to assume that, as of that date, each named executive officer would have already earned a bonus for 2017 regardless of whether the officer's employment is terminated without cause or by the executive for cause. We refer to the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table for more information about each executive.

(2) Equity valuations are based on the following assumptions: (i) a closing price of our stock on December 31, 2017, as assumed in the corporate transaction and vest immediately prior to the change in control (at the time of the change in control); (ii) performance-based RSUs granted in 2015 and 2016, and based on actual performance for the 2017 performance period; and (iii) named executive officer's employment is terminated without cause or by the executive for cause in connection with the transaction.

Change in Control and Equity Awards are not Assumed by Surviving Entity

Our named executive officers would have been entitled to the following estimated payments and benefits if they had occurred on December 31, 2017, and the named executive officer's equity awards were not assumed by the surviving entity, then the awards would not vest on a change in control, but would vest on a change in control after the change in control as illustrated in the table immediately above.

NAME	STOCK OPTIONS (\$) ⁽¹⁾
Victor Lund	
Mark Culhane	

Oliver Ratzesberger	185,305
Daniel Harrington	324,287
John Dinning	154,423
Stephen Scheppmann	277,965

- (1) Equity valuations are based on the following assumptions: (i) a closing price of our stock on De are not assumed in the corporate transaction, vest immediately prior to the change in control (at performance-based RSUs granted in 2015 and 2016, and based on actual performance for the 20 out.

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CEO PAY RATIO DISCLOSURE

We are providing the following information regarding the relationship of the annual total compensation of our CEO to the annual total compensation of our median employee, as required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The pay ratio information provided below is a reasonable estimate calculated in a manner consistent with the SEC's pay ratio disclosure rules.

For our 2017 fiscal year:

The estimated median of the annual total compensation of all of our employees, excluding the CEO, was \$10,604,646.

The annual total compensation of our CEO, as reported in the Summary Compensation Table of our 2017 proxy statement, was \$10,604,646; and

The ratio of the annual total compensation of our CEO to the median of the annual total compensation of our employees was 137 to 1.

In determining the pay ratio information provided above, we first identified our median employee using the methodology, as permitted by the SEC's pay ratio disclosure rules:

We selected December 31, 2017 as the date upon which we would identify our employee population. To determine our employee population and payroll records, we compiled a list of all full-time, part-time, temporary and seasonal employees as of December 31, 2017, including employees working both within and outside of the United States.

We used total cash compensation during the 2017 fiscal year as a consistently applied compensation measure for all employees on the list. For this purpose, we define total cash compensation as the sum of an employee's salary and bonus for the year. We did not annualize the total cash compensation of any permanent employee who was employed for less than a full year. For employees working outside of the United States, we converted total cash compensation to U.S. dollars using the exchange rate in effect as of December 31, 2017.

Applying the methodology described above, we determined that our median employee for fiscal 2017 was an employee located in the United States.

Once our median employee was identified in the manner described above, we calculated the annual total compensation of the median employee using the same methodology that we used to determine the annual total compensation of the CEO, as described in our proxy statement on page 48 of this proxy statement.

It should be noted that the SEC's pay ratio disclosure rules provide reporting companies with a great deal of discretion in the methodology used to identify the median employee and the pay ratio. As such, our methodology may differ from that used by other companies to prepare their pay ratio disclosures, which may contribute to a lack of comparability between the pay ratios reported by other companies, including those within our industry.

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ADVISORY (NON-BINDING) VOTE

ON EXECUTIVE COMPENSATION

(Item 2 on Proxy Card)

The foundation of our executive compensation program is to pay for performance. Our executive compensation is based on financial and strategic drivers of our business and in a manner that is consistent with competitive practices and market principles. We believe that our executive compensation program aligns our incentive compensation with our business goals because it is designed to motivate our executives to deliver long-term sustainable growth and stockholder value. The board encourages you to review the Executive Compensation section of this proxy statement, including the Compensation Committee's Analysis and related tables and narratives, beginning on page 28 of this proxy statement, for additional information about our program.

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, stockholders are asked to vote on executive compensation (non-binding) basis no less than once every three years, the compensation of our named executive officers. At the annual meeting of stockholders in 2011, we have provided our stockholders with annual say-on-pay voting. At the 2012 annual meeting, our advisory say-on-pay proposal received a 97% favorable vote at the meeting, and we will continue to seek preference for annual say-on-pay votes. Our Board of Directors has determined that it will provide opportunities for stockholder input.

Since 2015, our Board of Directors has regularly engaged stockholders to solicit their input regarding our executive compensation program. This past year, we again sought feedback from our largest 25 institutional investors, representing approximately 50% of our outstanding shares. Discussions with investors who responded to our outreach efforts (and others who reached out to us) have indicated that including stockholders' input is important to ensure that a meaningful portion of long-term incentive value continues to be based on longer-term performance goals with a strong rationale and linkage to our business strategy. The changes to our program approved in 2017, including those described below and on page 28 of this proxy statement, were consistent with the input of our stockholders and generally have been viewed very favorably by investors because they reinforce our commitment to a performance-based program:

A substantial majority (70%) of our long-term incentive opportunity is allocated to performance-based awards, and the remaining 30% providing balance to the program through time-based awards with long-term purposes.

All of our performance-based equity awards are now tied to financial goals over a 3-year period, reflecting the successful execution of our business transformation and valued by stockholders.

We are providing our stockholders with the opportunity to cast non-binding advisory votes to approve the compensation of our named executive officers for 2017, and are asking stockholders to vote to adopt the following resolution:

RESOLVED, that the stockholders of Teradata Corporation approve, on an advisory basis, the compensation of the named executive officers, as such compensation is described in the Compensation Discussion and Analysis section, the Compensation Committee report on executive compensation, the proxy statement relating to the annual meeting of stockholders, the compensation tables, and the accompanying narrative disclosure and related material, set forth in the Compensation Report filed with the SEC.

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Advisory (I

This say-on-pay proposal vote is intended to provide an overall assessment of our executive compensation program, not a vote on any specific item of compensation. As an advisory vote, this proposal is non-binding. However, the board of directors, through the Compensation Committee, which is responsible for designing and overseeing the administration of our executive compensation program, will consider the outcome of the vote when making future compensation decisions.

The Board of Directors recommends that you vote FOR this proposal.

Proxies will be so voted unless stockholders specify otherwise in their proxies. Abstentions will have no effect on the outcome of the vote. Shares that are the subject of a broker non-vote will be deemed absent and will have no effect on the outcome of the vote. The resolution requires the affirmative vote of a majority of the voting power present (in person or by proxy) at the meeting for each item of business. However, the results of this vote are not binding on the board, whether or not any resolution is adopted. To the extent there is any significant vote against our executive compensation program, the Compensation Committee will evaluate whether any actions are necessary and appropriate to address stockholder concerns.

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**VOTE ON APPROVAL OF THE
TERADATA EMPLOYEE STOCK PURCHASE PLAN
AS AMENDED AND RESTATED
(Item 3 on Proxy Card)**

The Teradata Employee Stock Purchase Plan (the "ESPP") was originally adopted effective as of September 1, 2011, and has been amended from time to time. On January 30, 2018, the Board of Directors amended and restated the ESPP, subject to the following:

Increase the number of shares of our common stock reserved for sale under the ESPP by 3,000,000 shares;

Extend the expiration date of the ESPP from January 31, 2022 to January 30, 2028; and

Allow the Company to change the length and frequency of purchase periods under the ESPP from any other purchase periods permitted for an employee stock purchase plan under Section 423 of the Internal Revenue Code, as amended ("IRC Section 423"), in the event that the Company changes the length of a purchase period, to correspondingly change the number of shares of our common stock that may be acquired by a single employee during a single purchase period from one calendar month to a number of shares equal to 50,000 multiplied by the number of calendar months in the purchase period.

Stockholders are being asked to approve the ESPP in order to allow the ESPP to continue to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code, as amended ("IRC Section 423"). The Board of Directors believes that the ESPP is an important part of our compensation program, by promoting broad-based ownership of our common stock among our employees with those of our stockholders.

The Board of Directors recommends that you vote FOR this proposal.

The complete text of the ESPP is attached as an Appendix to this proxy statement. The following summary is complete and is qualified in its entirety by reference to said Appendix.

Summary of the Plan

The purpose of the ESPP is to provide eligible employees an opportunity to purchase our common stock to encourage ownership of our common stock to enable eligible employees to participate in the economic growth of the plan. The ESPP is intended to qualify as an employee stock purchase plan under IRC Section 423. The ESPP that are not intended to qualify under IRC Section 423 for participating subsidiaries outside the United States are summarized below.

Administration

Subject to action by our board, the ESPP is administered by a committee of management, the Teradac Benefits Committee, which has discretionary authority to interpret the ESPP, establish rules and regulations, and to make all other determinations necessary or advisable for the administration of the ESPP. The ESPP maintains an investment account for each participant with a record of the shares purchased by such participant.

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Vote on Approval of the Teradata Employee

Shares Available

The maximum aggregate number of shares of our common stock that may be purchased under the ESPP is 7,000,000 shares (increased by 3,000,000 from the 4,000,000 previously authorized for issuance under the ESPP) less the remaining shares available for issuance under the plan. The maximum aggregate number of shares will be subject to certain changes to our capital structure as described in the ESPP. The shares of our common stock purchased under the ESPP consist of authorized and unissued shares.

Eligibility

Generally, any person who is employed by Teradata or any of its designated subsidiaries on the first day of the purchase period is not deemed for purposes of IRC Section 423(b)(3)f to own stock possessing 5% or more of the total outstanding shares of our stock or stock of a subsidiary, is eligible to participate in the ESPP. Certain part-time, temporary, or seasonal employees may participate in the ESPP. As of the date of this proxy statement, there are approximately 9,500 employees eligible to participate in the ESPP.

Participation and Payroll Deductions

Eligible employees may purchase shares of our common stock at below-market prices through payroll deductions during each purchase period. As described above, the ESPP generally provides that the ESPP Benefits Committee may establish different purchase periods from time to time, within the limitations set forth in the ESPP. Employees may elect to participate in the ESPP by executing a stock purchase agreement in accordance with the procedures established by the ESPP Benefits Committee. The amount of the payroll deduction specified in a stock purchase agreement must be a percentage of an employee's compensation (before withholding or other deductions) paid during the purchase period.

Deduction Changes and Withdrawal

Employees may change their rate of payroll deduction in accordance with procedures established by the ESPP Benefits Committee. A participant may withdraw from participation in the ESPP at any time by filing a written withdrawal. If a participant withdraws, the amount credited to his or her stock purchase account will be applied to the purchase of shares on the last day of the purchase period, which occurs on the last business date of the purchase period. A participant who withdraws from the ESPP may not execute a new stock purchase agreement.

Purchase of Shares

Funds held in a participant's account on the last business day of each purchase period will be used to purchase shares at a purchase price equal to 85% of the average of the reported highest and lowest sale prices of shares of our common stock on the last day of the purchase period. The average of the reported highest and lowest sale prices of our common stock on February 20, 2018 was \$36.60. Any dividends on shares purchased and held in a participant's account will be paid to the participant.

and would be used to purchase additional shares on the next purchase date, unless the participant elects otherwise.

Limitation on Purchase of Shares

A participant may not purchase more than 50,000 shares of our common stock under the ESPP during any one calendar month. If the Benefits Committee establishes a purchase period of more than one calendar month, the maximum number of shares of common stock that a participant may purchase during that purchase period will not exceed 50,000 shares of common stock. The number of shares that a participant may purchase under the ESPP during any one purchase period (for example, a participant could not acquire more than 300,000 shares of our common stock during any one purchase period). The number of shares that may be purchased under the ESPP is also subject to approval by the Benefits Committee. That no participant may purchase shares under the ESPP if such shares, together with common stock owned by the participant under any other employee stock purchase plans, as defined in IRC Section 423(b), would have a fair market value exceeding \$25,000.

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Vote on Approval of the Teradata Employee Stock Purchase Plan as Amended and Restated

Termination of Employment

When a participant ceases to be our employee for any reason, the amount credited to the participant at termination will be used to purchase shares of our common stock on the next applicable purchase date.

Amendment and Termination of the ESPP

Our Board of Directors may amend the ESPP at any time and in any respect, provided that, without limitation, it may increase the number of shares of our common stock reserved for purchase under the ESPP or revise the purchase price specified pursuant to the ESPP. As amended and restated, the ESPP will continue in effect until our Board of Directors terminates the ESPP prior to that date. Upon termination or expiration of the ESPP, the purchase account of each participant shall be refunded to such participant.

Federal Income Tax Consequences

The following is a summary of certain federal income tax consequences under the ESPP, based upon a discussion that is general in nature and does not take into account a number of considerations which may apply to a particular participant under the ESPP. The income tax consequences under applicable state and local income tax laws.

Generally, the ESPP is intended to be an employee stock purchase plan within the meaning of IRC Section 423, an eligible employee who elects to participate in the ESPP will recognize income at the time shares are purchased under the ESPP for the employee.

If the participant disposes of the shares purchased under the ESPP more than two years after the date of purchase or more than one year after the applicable exercise date and the amount realized exceeds the purchase price, the amount realized will be compensation taxable as ordinary income in an amount equal to the lesser of (i) the excess of the fair market value of the shares over the purchase price, and (ii) the amount realized on such disposition over the purchase price. The amount realized will be increased by the amount of ordinary income recognized by the participant. In addition, if the amount realized exceeds the fair market value of the shares on the exercise date, such excess will be taxed as long-term capital gain. If the amount realized is less than the purchase price of the shares under the ESPP, the participant will recognize long term capital loss equal to the difference between the purchase price and the amount realized. We will not be entitled to any deduction with respect to the loss under these circumstances.

If the participant disposes of the shares purchased under the ESPP within two years after the date of purchase or one year after the applicable exercise date, the participant will recognize compensation taxable as ordinary income and a corresponding deduction, in an amount equal to the excess of the fair market value of the shares on the date of disposition over the purchase price of the shares under the ESPP. The participant's cost basis in the shares will be increased by the amount of the deduction.

such participant. In addition, upon such disposition of the shares, the participant will recognize capital gain equal to the amount realized on such disposition and the participant's cost basis in the shares, as so increased by the amount of deductions with respect to the amount recognized by such participant as a capital gain.

Future Benefits Under the ESPP

Participation in the ESPP is voluntary and dependent on each eligible employee's election to participate. As a result, the amount of future benefits under the ESPP cannot be determined at this time.

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Vote on Approval of the Teradata Employee

Registration with the SEC

Promptly following approval of the amended and restated ESPP by our stockholders, the Company filed Form S-8 with the SEC relating to the additional 3,000,000 shares reserved for issuance under the ESPP.

Equity Compensation Plan Information as of December 31, 2017

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (a) ⁽¹⁾		WEIGHTED-AVERAGE OF OUTSTANDING OPTION WARRANT RIGHTS (b)	
Equity compensation plans approved by security holders	\$	5,372,528	\$	
Equity compensation plans not approved by security holders			N/A	
Total	\$	5,372,528	\$	

(1) Column (a) represents the number of shares of our common stock that may be issued in connection with the exercise of options granted under the Teradata Corporation 2007 Stock Incentive Plan and Teradata 2012 Stock Incentive Plan.

- (2) Column (c) represents the aggregate number of shares of our common stock available for issuance under the ESPP (196,239) and the ESOP (6,896,562), other than shares available for issuance in connection with the 2017 Equity Incentive Plan.

The Board of Directors recommends that you vote **FOR** this

Approval of this proposal requires the affirmative vote of a majority of the voting power present (in to vote on this item of business. Proxies solicited by the board will be voted FOR this proposal, unless Abstentions will have the same effect as votes against the matter and shares that are the subject of a have no effect on the outcome of the vote.

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**DIRECTORS' PROPOSAL TO RATIFY THE
APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

(Item 4 on Proxy Card)

The Audit Committee of the Board of Directors, which is composed entirely of independent directors, has appointed PwC as our independent registered public accounting firm for 2018 to audit our consolidated financial statements and, as a matter of good corporate governance, is asking you to ratify this appointment.

In determining whether to reappoint PwC as our independent auditor, the Audit Committee considered the quality of the discussions with the independent auditor, PwC. The Audit Committee annually reviews PwC's independence and performance in deciding whether to reappoint PwC as our independent registered public accounting firm. In the course of these reviews, the Audit Committee considers the following:

PwC's historical and recent performance on the Teradata audit;

PwC's capability and expertise in handling the breadth and complexity of our worldwide operations;

The appropriateness of PwC's fees for audit and non-audit services;

PwC's independence;

The potential impact of changing auditors; and

PwC's tenure as our independent auditor, including the benefits of having a long-tenured auditor and the steps we take to ensure PwC's independence.

Based on its Pre-Approval Policy (as defined on page 70 of this proxy statement) and applicable law, the Audit Committee considered whether the provision of the tax and other non-audit services described below under the heading "Non-Audit Services" by the Public Accounting Firm was compatible with maintaining PwC's independence and concluded that it was. The Audit Committee believes that it is in the best interests of Teradata and our stockholders to retain PwC as our independent auditor.

accounting firm for 2018.

PwC has been our independent registered public accounting firm since 2007. The firm is considered high-technology industry. The board believes that PwC is well-qualified to serve as our independent experience, global presence with offices or affiliates in or near most locations where we do business rotates its audit partners assigned to audit us at least once every five years in accordance with SEC rotation of audit firm selection of PwC as lead engagement partner. In addition, the Audit Committee has placed restrictions on the employment of PwC or its affiliates.

Representatives of PwC will be at the annual meeting to answer questions, and they may also make a presentation.

The Board of Directors recommends that you vote FOR this proposal.

Approval of this proposal requires the affirmative vote of a majority of the voting power present (in person or by proxy) at the meeting to vote on this item of business. If the stockholders do not approve this proposal, the Audit Committee will recommend the reappointment of PwC, but may decide to maintain its appointment of PwC. Proxies solicited by the board of directors will specify otherwise in your proxy. Abstentions will have the same effect as votes against the matter and non-votes will be deemed absent and will have no effect on the outcome of the vote.

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BOARD AUDIT COMMITTEE REPORT

The Company's management is responsible for the preparation, presentation and integrity of the Company's financial reporting principles, internal controls, and procedures designed to ensure compliance with applicable regulations. PricewaterhouseCoopers LLP ("PwC"), the Company's independent registered public accountants, conducted an independent audit of the Company's consolidated financial statements and expressing an opinion on the Company's financial statements with generally accepted accounting principles. A more detailed discussion of the factors considered by PwC in its audit of Teradata's independent auditor is found on page 68 of this proxy statement.

In the course of fulfilling its oversight responsibilities for the Company, the Audit Committee has reviewed the Company's audited financial statements for fiscal year 2017, as well as quarterly earnings releases and management's discussion and analysis, together with the Board of Directors, has reviewed and discussed the Company's annual report on Form 10-K for the year ended December 31, 2017 and this proxy statement. In addition, as part of their oversight responsibility, the Audit Committee has reviewed and discussed with management the adequacy and effectiveness of the Company's internal control over financial reporting and the Audit Committee significant matters regarding internal control over financial reporting that were identified by PwC in its audit of the consolidated financial statements. The Audit Committee also discussed with the Company's management the certifications by the Company's Chief Executive and Chief Financial Officers for the Company's quarterly earnings releases, as the clarity and completeness of the Company's financial disclosures. Further, the Audit Committee has reviewed and discussed under the Public Company Accounting Oversight Board (PCAOB), Auditing Standard No. 5 (AS5) (the "AS5") (the "AS5" Committees). These matters include: (i) the overall scope and plans for PwC's independent audit as required by the AS5; (ii) engagement letter; (iii) review of Teradata's internal audit plan; (iv) review of PwC's audit strategy, including the AS5 practices and estimates; and (v) PwC's evaluation of our financial reporting and other key findings. The Audit Committee has received the written disclosures and the letter from PwC required by the applicable requirements of the AS5 and has communicated with the Audit Committee concerning independence and has discussed with PwC its independence from the Company. Pages 17 to 18 of this proxy statement contain a detailed listing of the Audit Committee's responsibilities.

The Audit Committee met in executive session periodically in 2017 with PwC, the Company's Chief Financial Officer, Chief Risk and Assurance Services, and Chief Ethics & Compliance and Privacy Officer, each of whom has been present at all of the Audit Committee's meetings.

Based on the reviews and the discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for filing with the SEC.

Dated: February 20, 2018

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FEES PAID TO INDEPENDENT REGISTERED PUBLIC

ACCOUNTING FIRM

The following table presents the fees accrued or billed for professional audit services rendered by our firm, PricewaterhouseCoopers LLP (PwC), for the audit of our consolidated financial statements and worldwide fees accrued or billed for other services rendered by PwC in 2017 and 2016.

NAME

Audit Fees

Audit-Related Fees

Tax Fees

All Other Fees

Total Fees

(1) Includes fees related to the annual audit and quarterly review of our consolidated financial statements, financial reporting, attestation services and review services associated with our filings with the SEC, the accounting or disclosure treatment of transactions or events and the actual or potential impact of such interpretations by regulatory and standard setting bodies (consultation services). Also includes fees for the audit of financial statements of select foreign subsidiaries.

(2)

Includes fees related to the annual audit and quarterly review of our consolidated financial statements, financial reporting, attestation services and review services associated with our filings with the SEC, the accounting or disclosure treatment of transactions or events and the actual or potential impact of such interpretations by regulatory and standard setting bodies (consultation services). Also includes fees for financial statements of select foreign subsidiaries.

(3) Includes fees related to the Company's adoption of the new revenue recognition accounting standards.

(4) Includes tax fees for consulting work related to the U.S. Tax Cuts and Job Act of 2017.

(5) Includes tax fees for state tax consulting work.

(6) Includes license fees for PwC software products used to assist in conducting accounting research. The Audit Committee has adopted policies and procedures regarding its pre-approval of the audit, and any non-audit services to be provided by our independent registered public accounting firm or its affiliates to us or our consolidated subsidiaries (Policy). This policy is designed to assure that the provision of such services does not impair the independence of the accounting firm. Under the Pre-Approval Policy, at the beginning of each fiscal year, the Audit Committee will recommend to management and our independent registered public accounting firm to be provided during that year. The Audit Committee will pre-approve based on the limitations set forth in the Pre-Approval Policy. These limitations include:

In no case should we or any of our consolidated subsidiaries retain our independent registered public accounting firm for management consulting services or any non-audit services that are not permitted under applicable law. In the event of a limitation, the Sarbanes-Oxley Act of 2002 and the SEC's related rules and regulations.

Unless a type of service to be provided by the independent registered public accounting firm has been specifically pre-approved by the Audit Committee. Any other non-audit services and tax consulting services will require the Audit Committee and a determination that such services would not impair the independence of the independent registered public accounting firm. Specific pre-approvals by the Audit Committee will also be required for any non-audit services.

The Audit Committee recommends that the ratio of total tax and all other non-audit services to total audit fees paid by us in a fiscal year be less than one-to-one.

The Audit Committee will not permit the exclusive retention of our independent registered public accounting firm for a transaction initially recommended by the independent registered public accounting firm, the purpose of which is to obtain a tax treatment of which is not supported in applicable tax law.

Pre-approval fee levels for all services to be provided by the independent registered public accounting firm will be recommended by the Audit Committee, and updated on a quarterly basis by the Audit Committee at its

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Fees Paid to PwC

regularly scheduled meetings. Any proposed services significantly exceeding these levels will require pre-approval by the Audit Committee.

Our Chief Accounting Officer will report to the Audit Committee on a quarterly basis regarding audit-related, tax and all other non-audit services provided by our independent registered public accounting firm to our consolidated subsidiaries.

Back-up documentation will be provided as appropriate to the Audit Committee by management and the independent registered public accounting firm when requesting pre-approval of services by our independent registered public accounting firm. In addition to the Audit Committee, additional detailed documentation regarding the specific services will be provided.

Requests or applications to provide services that require separate approval by the Audit Committee will be made to the Audit Committee by our Chief Financial Officer, with the support of the independent registered public accounting firm. Management and the independent registered public accounting firm will provide a joint statement as to whether, in the view of management and the independent registered public accounting firm, the requested application is consistent with the SEC's rules on auditor independence.

Under the Pre-Approval Policy, the Audit Committee has delegated to its Chair limited authority to pre-approve audit, tax and other non-audit services in the event that immediate approval of a service is needed. The Chair may also refer such matters to the Audit Committee at its next scheduled meeting for its review and approval. The Audit Committee has the ultimate responsibility to pre-approve services performed by the independent registered public accounting firm.

The audit, tax and all other non-audit services provided by PwC to us, and the fees charged for such services, will be reported to the Audit Committee as set forth in the Pre-Approval Policy on a quarterly basis to maintain the appropriate oversight of the firm's audit work for us. Part of the Audit Committee's ongoing monitoring includes a review of the firm's compliance with applicable SEC rules for non-audit services that were not pre-approved by the Audit Committee. All non-audit services provided in 2017 and were pre-approved by the Audit Committee.

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OTHER MATTERS

The Board of Directors does not know of any matters that will be brought before the 2018 annual meeting. If any other matters are properly introduced at the meeting for consideration, including consideration at another time or place, the individuals named on the proxy card will have authority to vote on such matters.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (*e.g.*, banks and brokers) to satisfy the delivery requirements for annual reports, proxy statements, and Notice of Internet Availability of Proxy Materials (" Notice ") with respect to an address by delivering one annual report, proxy statement and Notice addressed to those stockholders as householding, potentially means extra convenience for stockholders and cost savings for companies.

A number of brokers with account holders who are Teradata's stockholders will be householding annual reports, proxy statements and/or Notice will be delivered to multiple stockholders sharing an address unless contrary to the instructions of affected stockholders. If you have multiple Teradata common stock record accounts and/or share an address with another Teradata stockholder and want to receive more than one copy of the annual report, proxy statement or Notice, please contact Broadridge Financial Solutions, at Broadridge Household Department, 51 Mercedes Way, Edgewood, NJ 07020 (1-800-542-1061). Broadridge will remove you from the householding program within 30 days after we receive your separate copy of the annual report, proxy statement, and Notice. Stockholders who hold their stock through a broker should contact their bank or broker.

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ADDITIONAL INFORMATION

Cost of Proxy Solicitation

We will pay the expenses of soliciting proxies in connection with the annual meeting. Proxies may be solicited by mail, by hand, by telephone, by facsimile, or by electronic transmission. We have hired Okapi Partners, LLC, as our proxy solicitor, at an estimated cost of \$13,000 plus reimbursement of reasonable out-of-pocket expenses. In accordance with our bylaws, we will reimburse brokerage houses and other custodians, nominees and fiduciaries for their expenses of sending and forwarding proxies to the beneficial owners of our common stock.

Procedures for Stockholder Proposals and Nominations

Under our bylaws, nominations for directors at an annual meeting may be made only by (i) the Board of Directors or (ii) a stockholder entitled to vote who has delivered notice to us within 90 to 120 days before the first annual meeting and complied with the additional requirements set forth in our bylaws.

Proxy Access

Our bylaws permit stockholders to nominate director candidates through proxy access for inclusion in the Company's proxy materials.

In general, a stockholder, or a group of up to 20 stockholders, owning 3% or more of the Company's common stock for at least three years, may nominate and include in the Company's proxy materials director nominees constituted by the stockholder(s) and nominee(s) satisfy the requirements set forth in our bylaws, which generally include:

<p>1</p> <p>a single stockholder, or qualified group of up to 20 stockholders</p> <p>3% for 3 years</p>	<p>2</p> <p>the individual or qualified group may submit</p> <p>up to 20%</p>
---	---

owning three percent outstanding
stock for at least three

consecutive years

of the directors then in office

(after giving effect to reduction in
board size before the meeting)

but in no case less than

one nominee

To be timely for our 2018 annual meeting of stockholders, the proposal must be received by our Corporate Secretary no later than October 10, 2018 and no later than the closing of the Company's books for the purpose of determining stockholders entitled to vote at the meeting. For additional information regarding the Company's proxy access provisions, please refer to the bylaws of the Company.

Advance Notice Procedure

Our bylaws also provide that business may not be brought before an annual meeting unless it is (i) submitted in writing to the Secretary of the Company not less than 60 days before the meeting, (ii) submitted by the Board of Directors and stockholder proposals that we are required to include in our proxy statement, or (iii) brought before the meeting by or at the direction of the Board of Directors.

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Additional Information

board, or (iii) brought by a stockholder entitled to vote who has delivered notice to us (containing ce within 90 to 120 days before the first anniversary of the date of the preceding year's annual meeting set forth in our bylaws. In order to include a proposal in our notice of meeting and proxy materials p with the requirements of that rule.

A copy of the full text of our bylaws may be obtained upon written request to the Corporate Secretar Drive, Dayton, Ohio 45342. A copy of our bylaws, which were last amended by the Board of Direct corporate governance website at <http://www.teradata.com/articles-and-bylaws>.

Stockholder Proposals for 2019 Annual Meeting

To include a stockholder proposal in our 2019 notice of meeting and proxy materials pursuant to SE applicable requirements of that rule, and the proposal must be received by our Corporate Secretary a Drive, Dayton, Ohio 45342, no later than November 6, 2018. To present any other proposal at the 20 nominate a candidate for director election at the 2019 annual meeting, a stockholder must submit an nomination (as applicable) to us that complies with certain requirements set forth in our bylaws. Suc our Corporate Secretary at the address provided above no sooner than the close of business on Decer business on January 30, 2019.

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OTHER GENERAL INFORMATION

Who may vote at the meeting?

Only stockholders of record may vote at the meeting. A stockholder of record is a stockholder as of February 20, 2018, the record date for the meeting. On the record date, there were 120,912,04

How many votes do I have?

For each share of common stock you own, you are entitled to cast one vote on each director or officer to elect and cast one vote on each other matter properly brought before the meeting,

When will I receive my proxy materials?

Proxy materials for the 2018 annual meeting of stockholders are being made available in print and online. They will be available online on or about March 12, 2018.

How do I access my proxy materials?

Notice and Access. Proxy materials (including our 2017 annual report, notice of the 2018 annual meeting, financial statement, and proxy card) are being made available via the Internet pursuant to the notice of the 2018 annual meeting. Internet Availability of Proxy Materials (Notice) is being mailed to most of our record and beneficial owners. The Notice includes instructions on how to access the proxy materials on the Internet or request printed copies of future proxy materials by mail or email, follow the instructions included with the Notice. If you have opted out of delivery via mail or email delivery, you will not receive the Notice, but you will receive your material

Electronic Delivery. At their request, many stockholders are receiving an email providing the proxy materials and Internet access to the proxy materials rather than receiving a printed copy of the Notice or proxy card.

Paper Copies. If you have previously requested paper copies of your proxy materials, or are currently requesting paper copies, you will receive the 2018 proxy materials, including notice of the meeting, in printed form. If you request documents electronically in the future,

How do I receive my proxy materials electronically?

If you are a stockholder of record (*i.e.*, you directly own your common stock through an account with Computershare Investor Services), you can choose to access your Teradata proxy materials electronically by producing and mailing a Notice and other documents by following the instructions provided and following the prompt if you choose to authorize your proxy over the Internet. You must provide the control number listed on your Notice or proxy card to make this election.

Your election to receive proxy materials by electronic access will remain in effect until you revoke your consent by clicking on <https://www.proxyvote.com>, or your consent is deemed to be revoked under applicable law. You must provide the control number to revoke your consent.

If you are a beneficial owner (*i.e.*, you indirectly hold your common stock through a nominee), you must follow the information provided by your nominee for instructions on how to elect to view future proxy materials over the Internet.

Please keep in mind that choosing electronic delivery saves the Company and its stockholders money.

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Other General Information

How do I obtain a separate set of proxy materials?

To save costs, only one set of proxy materials is being printed and mailed to stockholders who have a unique address. If you have multiple addresses, please provide us with an address, unless otherwise requested or required under applicable law. If you have multiple addresses and/or share an address with a family member who is a Teradata stockholder and want to receive separate proxy materials, you may contact our mailing agent, Broadridge Financial Solutions, at 51 Mercedes Way, Edgewood, New York, 11717 (phone: 1-800-542-1061). Broadridge will mail you separate proxy materials and will remove you from the householding program within thirty days after receipt of your request.

How can I vote my shares of Teradata stock?

Your vote is important. Your shares can be voted at the annual meeting only if you are a record holder or your shares are represented by proxy. Even if you plan to attend the meeting, we urge you to authorize your proxy in advance. You can vote your shares by authorizing a proxy over the Internet or by telephone. In addition, if you received proxy materials by mail, you can also submit a proxy by mail by following the instructions on the proxy card. Voting by mail, over the Internet, by telephone or by written proxy card will ensure your representation at the meeting. If you attend in person, you will not need to submit a proxy card.

If you are a stockholder of record, please authorize your proxy electronically by going to the Internet site listed on your Notice or proxy card in hand when going online or calling. If you authorize your proxy via the Internet or by telephone, you will need to call the toll-free number (for residents of the United States and Canada) listed on your Notice or proxy card in hand when going online or calling. If you choose to authorize your proxy by mail, simply mark your proxy card, and place it in the postage-paid envelope provided.

If you hold your shares beneficially through a nominee (such as a bank or broker), you may be able to vote your shares by telephone or the Internet as well as by mail. You should follow the instructions you receive from your broker or nominee.

How do I revoke my proxy for the annual meeting?

You may revoke your proxy at any time before it is voted at the meeting by:

properly executing and delivering a later-dated proxy (including a telephone or Internet proxy) or attending the meeting and voting in person.

voting by ballot at the meeting; or

sending a written notice of revocation to the inspectors of election in care of our Corporate Secretary, 100 Innovation Drive, Dayton, Ohio 45342.

What if I want to vote in person at the meeting?

The method by which you vote and authorize your proxy will in no way limit your voting rights at the meeting. If you beneficially own your shares through a nominee (such as a bank or broker), you may direct your favor from your nominee to be able to vote at the meeting.

What are the requirements for ensuring that my shares are voted by proxy at the meeting?

Your shares will be voted at the meeting as directed by the instructions on your proxy card, provided that (1) you are entitled to vote, (2) your proxy was properly executed or properly exercised electronically prior to the voting deadlines for the annual meeting (April 16, 2018 at 11:59 p.m. for record shareholders and April 12, 2018 for beneficial owners), such time as directed by the nominee for beneficial owners, and (4) you did not revoke your proxy prior to or at the meeting.

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How do I vote the shares I hold in the Teradata 401(k) savings plan?

If you are a participant in the Teradata 401(k) savings plan, your proxy includes the number of share interests (and share interests) allocated to your plan account. You may instruct the trustee how to vote the number of share interests allocated to your plan account. The trustee will vote the share interests allocated to your plan account in accordance with your share interests in the Teradata 401(k) savings plan, the trustee will vote the unallocated share interests held by the plan, in the same proportion as the share interests for which it received

What is considered a quorum to conduct the annual meeting?

To have a quorum necessary to conduct business at the meeting, it is necessary to have shares of common stock held by the holders of a majority of our shares of common stock outstanding on the record date, which is September 10, 2018. Shares of common stock represented in person or by proxy (including shares that abstain from voting) will be counted as present for the purpose of determining a quorum. Broker non-votes will be counted as present for the purpose of determining a quorum for that proposal. If a quorum is not present, the meeting will be adjourned until a quorum is present.

How many votes are required to approve each item?

With respect to **Proposal 1** (the election of directors), the affirmative vote of a majority of the shares of common stock (the proxy) at the meeting and entitled to vote on the election of directors is required to elect each director.

With respect to **Proposal 2** (the advisory say-on-pay vote on executive compensation), the affirmative vote of a majority of the voting power present (in person or by proxy) at the meeting and entitled to vote on such question is required to approve the proposal in accordance with Teradata's bylaws. However, the results of this vote are not binding on the board of directors. The proposal passed under this voting standard.

With respect to **Proposal 3** (the approval of the amended and restated Teradata Employee Stock Ownership Plan), the affirmative vote of a majority of the voting power present (in person or by proxy) at the meeting and entitled to vote on the proposal is required to approve the plan.

With respect to **Proposal 4** (the ratification of the appointment of the Company's independent majority of the voting power present (in person or by proxy) at the meeting and entitled to vote to ratify the appointment.

Abstentions effectively count as votes against the adoption of a proposal and the election of your nominee (such as your bank or broker) how to vote your shares with respect to the election of executive compensation, and the approval of the amended and restated Teradata Employee Stock Purchase Plan on these proposals. However, broker non-votes will have no effect on the outcome of the election of any director. Broker non-votes occur when a nominee returns a properly executed proxy but the nominee has not received voting instructions from the beneficial owner and, therefore, does not vote on the proposal.

How does the Board recommend that I vote my shares?

The Teradata Board of Directors recommends that you vote:

FOR the election of each of the four Class II director nominees, Ms. Bacus and Messrs. C

FOR the approval, on an advisory basis, of the compensation of our named executive officers (see page 62);

FOR the approval of the amended and restated Teradata Employee Stock Purchase Plan (

FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditor (see page 68).

If you submit your proxy without specific voting instructions, your shares represented by that proxy will be voted in accordance with the recommendations of the Board of Directors to our board. As discussed above, if you hold your shares beneficially through a nominee (such as your bank or broker) and do not provide specific voting instructions to that nominee, your shares will not be voted in the election of directors, executive compensation, or the approval of the amended and restated Teradata Employee Stock Purchase Plan.

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Other General Information

What do I need to do if I want to attend the annual meeting?

If you plan to attend the meeting in person, please send an email to us at *investor.relations@teradata.com* with a reservation request form. You may attend the meeting if you are a stockholder of record, hold the stock as a beneficial owner, or are a beneficial owner of our common stock with evidence of ownership. If you are a beneficial owner of our common stock through a nominee such as a bank or broker), please include evidence of your ownership (such as an account statement showing you own Teradata common stock as of the record date). If you are unable to attend the meeting, you may still attend if we can verify your stock ownership at the meeting.

We will include the results of the votes taken at the meeting, as well as the frequency with which we will hold a say-on-pay vote in light of the results of the advisory frequency vote, in a Form 8-K filed with the SEC within 60 days of the date of the annual meeting or any adjournment or postponement thereof. You may also find a transcript of the meeting by writing to our Corporate Secretary at Teradata Corporation, 1000 Lakeside Drive, San Jose, CA 95128. The above notice and proxy statement are sent by order of the Board of Directors.

Dated: March 6, 2018

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TERADATA EMPLOYEE STOCK PURCHASE PLAN

(AS AMENDED AND RESTATED ON JANUARY 30, 2018)

1. Purpose

The Teradata Employee Stock Purchase Plan ("Plan") provides Eligible Employees with an opportunity to purchase shares of Teradata Corporation ("Teradata") common stock through payroll deductions and is intended as an employment incentive and to encourage ownership of Teradata by Employees to participate in the economic progress of Teradata Corporation ("Teradata") during the term of the Plan.

The Company intends to have the Plan qualify as an employee stock purchase plan under Section 409(b) of the Internal Revenue Code ("Code"). The Plan shall be construed so as to extend and limit participation in a manner consistent with the requirements of Section 409(b). Notwithstanding to the contrary herein, forgoing, the Company may make Offerings under the Plan that are not intended to qualify under Section 409(b) of the Code. For Offerings not intended to qualify under Section 409(b) of the Code, it is advisable for Designated Subsidiaries outside the United States ("Non-423 Component"). Furthermore, the Plan may be amended from time to time, and each separate Offering will be intended to comply with the requirements of the Code.

This Plan was originally adopted effective as of September 30, 2007, and has since been amended from time to time. The Plan was amended and restated on January 31, 2012 and approved by the Company's stockholders on April 2, 2012. The Plan was restated as set forth herein as of January 30, 2018 (the "2018 Restatement Date"), subject to approval by the Company's stockholders.

2. Definitions

2.1 **Affiliate** means any person that directly, or through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company.

2.2 **Beneficiary** has the meaning set forth in Section 15.

2.3 **Benefits Committee** means the Teradata Corporation Benefits Committee.

2.4 **Board of Directors** means the Board of Directors of the Company.

2.5 **Code** means the Internal Revenue Code of 1986, as amended.

2.6 **Company** means Teradata Corporation, a Delaware corporation.

2.7 Compensation means the total amount received by a Participant from the Company or a Subsidiary, including (i) overseas premium pay, (ii) appropriate commission or other earnings by sales, (iii) payments for cost-of-living increases, and (iv) sick pay, but excluding retention and work completion bonuses payable by the Company or a Subsidiary to an employee benefit plan thereof.

2.8 Continuous Service means the length of time an Employee has been in the continuous employment of the Company or its Affiliate.

2.9 Designated Subsidiary means a Subsidiary which shall have been designated by the Chief Executive Officer of the Company to participate in the Plan; provided, that any such designation may be revoked in like manner.

2.10 Eligible Employees means only those persons who on an Offering Date: (i) are Employees of the Company or a Subsidiary; (ii) are not deemed for purposes of Section 423(b)(3) of the Code to own stock possessing 5% or more of all classes of stock of the Company or a Subsidiary or the parent of the Company, if any. With respect to the Non-qualified Component of the Plan, the definition of Eligible Employee may be further limited.

2.11 Employees means all persons employed by the Company or a Subsidiary, and unless otherwise specified, does not include persons whose customary employment is 20 hours or less per week and/or whose customary employment is for less than one year. Employee does not include leased

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Appendix A

employees within the meaning of Section 414(n) of the Code, and does not include payroll service or agency employee as defined in the preceding sentence. Payroll service or agency employee means an individual (i) for whom the direct pay or compensation for services for the Company or any Subsidiary or Affiliate is paid by any outside entity, including but not limited to an employment agency rather than by the Teradata internal corporate payroll system, or (ii) who is paid by the Company or Affiliate, but not through an internal corporate payroll system (e.g., through purchase order accounts payable). The payroll service or agency employee shall be made solely according to the method of paying the individual, and the individual is considered a common law employee of the Company for any other purpose, and such determination is at the discretionary authority of the plan administrator.

2.12 Exercise Date means the last business day of each Purchase Period.

2.13 Investment Account has the meaning set forth in Section 12.

2.14 Teradata Common Stock means shares of common stock, par value \$0.01, of Teradata.

2.15 Offering means the offering of shares of Teradata Common Stock to Eligible Employees pursuant to the Plan.

2.16 Offering Date means the first business day of each Purchase Period.

2.17 Participant means an Eligible Employee who elects to participate in the Plan.

2.18 Payroll Department means the department of the Company or a Subsidiary from which a Participant is paid.

2.19 Plan means this Teradata Employee Stock Purchase Plan.

2.20 Purchase Period means each calendar month during the term of the Plan, or such other period as may be determined by the Benefits Committee from time to time (but in no event will any Purchase Period be longer than maximum period permitted under any purchase plan under Section 423 of the Code).

2.21 Recordkeeper means the third party administrator that maintains records for the Plan.

2.22 Subsidiary means any corporation in which the Company, directly or indirectly, owns stock having sufficient voting power of all classes of stock.

3. Shares

The aggregate number of shares of Teradata Common Stock which may be purchased under the Plan shall not exceed 7,000,000. Notwithstanding the foregoing, the aggregate number of shares is subject to adjustment.

issued under the Plan will consist of authorized and unissued shares.

4. Offering

Each Eligible Employee on an Offering Date shall be entitled to purchase, in the manner and on the terms set forth in Section 8 hereof, Common Stock at the Purchase Price set forth in Section 8 hereof with amounts withheld pursuant to the Plan on the Offering Date which such Offering Date occurs.

Anything herein to the contrary notwithstanding, if any person entitled to purchase shares pursuant to the Plan is also entitled to purchase shares pursuant to the purposes of Section 423(b)(3) of the Code, to own stock (including any number of shares which such person is entitled to purchase hereunder and under any other similar plan or stock option plan of the Company, the parent of the Company or a Subsidiary, more of the total combined voting power or value of all classes of stock of the Company, the parent of the Company or a Subsidiary, the number of shares which such person shall be entitled to purchase pursuant to the Plan shall be reduced by the number of shares of stock of the Company, the parent of the Company or a Subsidiary which such person is entitled to purchase pursuant to the purposes of Section 423(b)(3) of the Code, is one less than such number of shares which such person would be entitled to purchase hereunder), is one less than such number of shares which such person would be entitled to purchase hereunder, account to purchase shares of Teradata Common Stock under this Plan ("Stock Purchase Account")

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5. Entry Into the Plan; Stock Purchase Agreements

Any Eligible Employee may become a Participant in the Plan by filing a stock purchase agreement (with procedures established by the Benefits Committee. Once an Eligible Employee has filed a Stock Purchase Agreement, he shall remain a Participant until he withdraws from the Plan in accordance with the procedures required to file a Stock Purchase Agreement for any succeeding Offering until he withdraws from the Plan.

A Participant may change his level of payroll deduction in accordance with procedures established by the Plan.

6. Payment for Shares; Payroll Deductions

Payment for shares of Teradata Common Stock purchased hereunder shall be made by authorized payroll deduction from Compensation pursuant to this Section.

In his Stock Purchase Agreement, a Participant shall authorize a deduction from each payment of Compensation an amount equal to any full percentage of such payment; provided, however, that the minimum deduction shall be 10% of any payment of Compensation.

A Participant on an unpaid leave of absence will remain a Participant in the Plan but no amounts will be deducted from his Compensation Account during the time the Participant receives no Compensation.

7. Payroll Deductions

Amounts deducted from a Participant's Compensation pursuant to Section 6 hereof shall be recorded and used to purchase Teradata Common Stock hereunder. No interest shall accrue or be payable to any Participant with respect to the purchase of Teradata Common Stock.

8. Purchase Price

The Purchase Price per share of the shares of Teradata Common Stock sold to Participants hereunder shall be the highest and lowest sale prices of shares of Teradata Common Stock on the New York Stock Exchange on the date of sale of Teradata Common Stock occur on any Exercise Date, then the Purchase Price shall be determined as the average of the highest and lowest sale prices of Teradata Common Stock on the first day prior thereto on which such sales were made. Anything herein to the contrary notwithstanding, the Purchase Price per share shall not be less than the par value of a share of Teradata Common Stock.

9. Purchase of Shares; Limitation on Right to Purchase

As of each Exercise Date, each Participant shall be offered the right to purchase, and shall be deemed to have purchased, at the Purchase Price in United States dollars, the number of full shares of Teradata Common Stock that can be purchased with the amount of the Participant's accumulated unpaid payroll deductions.

amount credited to such Participant's Stock Purchase Account. All such shares shall be maintained and dividends paid with respect to such shares shall be credited to the Participant's Investment Account of Teradata Common Stock, unless the Participant elects not to have such dividends reinvested. Any Purchase Account not used to purchase full shares of Teradata Common Stock shall be applied to purchase shares on the next Exercise Date or, in the event that there is no next Exercise Date, shall be refunded to the Participant.

At the time a Participant's payroll deduction amounts are used to purchase the Teradata Common Stock, the Participant shall have all the privileges of a stockholder of Teradata with respect to the shares purchased under the Plan.

Anything herein to the contrary notwithstanding, (i) a Participant may not purchase more than 50,000 shares of Teradata Common Stock under this Plan in any Purchase Period of not more than one calendar month (or, in the case of a Purchase Period of more than one calendar month, a Participant may not purchase more than the number of

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Appendix A

shares of Teradata Common Stock equal to the product of 50,000 multiplied by the number of full ca
(ii) if at any time when any person is entitled to complete the purchase of any shares pursuant to the
any, to purchase stock under all other employee stock purchase plans of the Company, its parent and
during the then current calendar year such person would have first become entitled to purchase unde
shares of stock which would exceed the maximum number of shares permitted by the provisions of S
of shares which such person shall be entitled to purchase pursuant to the Plan shall be reduced by the
shares which represents the excess, and any remaining balance of the Participant's payroll deduction

10. Expiration of Purchase Period

As of each Exercise Date the amount of payroll deductions for each Participant in the applicable Pur
shares of Teradata Common Stock at the Purchase Price.

11. Issuance of Shares

The shares of Teradata Common Stock purchased by a Participant on an Exercise Date shall, for all
sold at the close of business on such Exercise Date. Prior to that time, none of the rights or privileges
such shares.

As soon as practicable after such Exercise Date, the Company shall cause a book entry to be register
behalf of the Participants, for the number of shares of Teradata Common Stock purchased by the Par
in the Participant's Stock Purchase Agreement. Such designation may be changed at any time by fil
have sole discretion to adopt rules governing the registration of shares purchased hereunder, and may
under a Participant's Stock Purchase Agreement.

12. Investment Accounts Maintained by Recordkeeper

The Recordkeeper shall maintain an Investment Account for each Participant with a record of the sh
Participant may at any time direct the Recordkeeper to (i) sell some or all of the shares credited to hi
U.S. currency to the Participant, subject to any applicable delivery or transfer charge or (ii) provide t
uncertificated shares reflecting some or all of the whole shares credited to his Investment Account.

13. Withdrawal

A Participant may withdraw from the Plan at any time by filing notice of withdrawal. Upon a Partici
Stock Purchase Account shall go toward the purchase of Teradata Common Stock on the next Exerc
the Plan may again become a Participant hereunder in accordance with Section 5 hereof.

14. Termination of Continuous Service

If a Participant's Continuous Service terminates for any reason during a Purchase Period, the amount of the termination date shall be used to purchase shares of Teradata Common Stock pursuant to Section 12. The Participant may elect within 60 days of the date of his termination of employment to liquidate the account by the methods described in Section 12 or some combination of both. If the Recordkeeper receives no direct notice of the Participant's election by his termination date, the Recordkeeper may deem that the Participant elected to retain ownership of the account. The Participant shall receive appropriate evidence of such ownership, and the Recordkeeper may proceed accordingly.

If a Participant transfers to part-time status during a Purchase Period, his payroll deductions for the Plan shall be reduced on the date of transfer and the amount credited to his Stock Purchase Account as of the effective date of any such change in status shall be maintained in the Account until the Exercise Date. The Recordkeeper shall continue to maintain the Participant's Investment Account.

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15. Death

If a Participant dies during a Purchase Period, the amount credited to his Stock Purchase Account as of the last day of the Purchase Period shall be used for the purchase of Teradata Common Stock on the Exercise Date.

The Recordkeeper shall transfer the Participant's Investment Account to the executor or administrator of the Participant's estate. If an executor or administrator is appointed (to the knowledge of the Company), the Company in its discretion may direct the Recordkeeper to transfer the Participant's Investment Account to the Participant's spouse or to any one or more dependents of the Participant.

16. Procedure if Insufficient Shares Available

In the event that on any Exercise Date the aggregate funds available for the purchase of shares of Teradata Common Stock hereof would purchase a number of shares in excess of the number of shares then available for purchase, the Company shall proportionately reduce the number of shares which would otherwise be purchased by each Participant. If the Company cannot eliminate such excess, the Plan shall automatically terminate immediately after such Exercise Date and the balance in the Stock Purchase Account of each Participant shall be refunded to each such Participant.

17. Rights not Transferable

Rights to purchase shares under the Plan are exercisable only by the Participant during his lifetime and are not transferable by will or the laws of descent and distribution. If a Participant attempts to transfer his rights to purchase shares, he shall be deemed to have requested withdrawal from the Plan and the provisions of Section 13 hereof shall apply.

18. Administration of the Plan

Subject to the general control of, and superseding action by, the Board of Directors, the Benefits Committee shall administer the Plan. It shall adopt rules not inconsistent with the provisions of the Plan for its administration. It shall give effect to all notices required hereunder, and any on the registration of certificates for shares purchased hereunder. The Plan and Rules shall, subject as aforesaid, be final and conclusive.

19. Amendment of the Plan

The Board of Directors may at any time, or from time to time, alter or amend the Plan in any respect not inconsistent with the interests of the stockholders of Teradata, no amendment may (i) increase the number of shares reserved for purchase under the Plan or (ii) reduce the Purchase Price per share as defined in Section 8 hereof.

20. Recapitalization; Effect of Certain Transactions

The aggregate number of shares of Teradata Common Stock reserved for purchase under the Plan as number of shares which a Participant may purchase in any Purchase Period as provided in Section 9 Price per share as provided in Section 8 hereof shall be appropriately adjusted to reflect a subdivision adjustment, or the payment of a stock dividend, extraordinary cash dividend or other increase or decrease in Teradata Common Stock, effected without receipt of consideration by the Company. If Teradata shall merge or consolidate with or into another corporation, and Teradata is the surviving or resulting corporation in such merger or consolidation, any Offering hereunder shall be made in the stock of Teradata or any shares issued in connection with such merger or consolidation in exchange for the shares of the Company in such merger or consolidation, the Board of Directors of the Company shall, in its discretion, terminate the Plan. Notwithstanding the foregoing, a dissolution or liquidation of Teradata shall cause the Plan and any amount credited to the Stock Purchase Account of each Participant thereunder shall be paid to each Participant.

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21. Expiration and Termination of the Plan

The Plan shall continue in effect through the tenth anniversary of the 2018 Restatement Date unless or 20 hereof, or pursuant to the next succeeding sentence. The Board of Directors shall have the right hereunder at any time. In the event of the expiration of the Plan or its termination or the termination preceding sentence, the entire amount credited to the Stock Purchase Account of each Participant here Participant.

22. Treatment of Fractional Shares

For any amounts of payroll deductions that are insufficient to purchase a whole share, the Recordkeeper practice will be to credit the Participants' Investment Accounts with fractional shares or with the interest and applied to the next Purchase Period. If the Investment Accounts are credited with fractional shares when a Participant closes his or her Investment Account.

23. Notice

Any notice which a Participant files pursuant to the Plan shall be in the appropriate form and shall be to such Participant's Payroll Department.

24. Repurchase of Stock

The Company shall not be required to repurchase from any Participant shares of Teradata Common Stock Plan.

25. Use of Funds

All payroll deductions received or held by the Company under this Plan may be used by the Company shall not be obligated to segregate such payroll deductions.

26. Alternate Contribution Methods

Anything herein to the contrary notwithstanding, in the event authorized payroll deductions from a Participant reason of the provisions of local law applicable to the Company or a Designated Subsidiary, or are not Committee, the appropriate alternative method pursuant to which affected Participants may make payments purchased hereunder which would otherwise have been made pursuant to Section 6 hereof shall be deemed Payments made hereunder shall be deemed to have been made pursuant to Section 6 hereof.

27. Fees

The Recordkeeper may charge Participants reasonable transaction fees, as agreed by the Company.

[END OF DOCUMENT]

A-6 2018 PROXY STATEMENT

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TERADATA CORPORATION

10000 INNOVATION DRIVE

DAYTON, OH 45342

Your Internet or telephone proxy card must be marked in the same manner as if you marked, signed and dated the proxy card.

VOTE BY INTERNET - www.teradata.com

Use the Internet to transmit your voting instructions until 11:59 P.M. Eastern Time on the day of the meeting (the 401(k) Savings Plan). Have your proxy card and the instructions to obtain your records.

VOTE BY PHONE - 1-800-690-6900

Transmit your voting instructions by phone until 11:59 P.M. Eastern Time on the day of the meeting (the 401(k) Savings Plan). Have your proxy card and the instructions to obtain your records.

VOTE BY MAIL

Mark, sign and date your proxy card and return it to Vote Processing, c/o Board of Directors, Teradata Corporation, 10000 Innovation Drive, Dayton, OH 45342.

ELECTRONIC DELIVERY OF PROXY MATERIALS

If you would like to help Teradata reduce its environmental impact, you can consent to receiving all proxy materials electronically via e-mail or the Internet. To do so, please follow the instructions above to vote using the Internet or access proxy materials electronically.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E35885-P00926

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED

TERADATA CORPORATION

The Board of Directors recommends that you vote FOR the Director Nominees listed below and FOR each of the other proposals listed below:

Vote on Directors

1. Election of Directors

Class II Nominees:

For Against Abstain Vote on Proposals

1a. Lisa R. Bacus

1b. Timothy C. K. Chou

1c. James M. Ringler

1d. John G. Schwarz

2. An advisory (non-binding) proposal on executive compensation.

3. Approval of the amended 2007 Stock Purchase Plan.

4. Approval of the ratification of the appointment of a registered public accounting firm.

NOTE: If you attend the Meeting and vote by ballot, your ballot will supersede any voting you may have done by signing for a corporation or other entity, or by an attorney or fiduciary, and you will not be signing.

For address changes and/or comments, please check this box and write them on the back where indicated.

This proxy card confers on you the authority to vote on behalf of the shareholder(s) named above at the time of the mailing of this proxy card and at the Meeting of Stockholders.

Please sign exactly as your name(s) appear(s) on this proxy card. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

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Annual Meeting of Stockholders

Teradata's 2018 Annual Meeting of Stockholders will be held at 8:00 a.m. local time on April 17, 2018, at the Hotel Nikko, 100 California 94102. Please see your proxy statement for instructions should you wish to attend the meeting.

Important Notice Regarding the Availability of Proxy Materials for the 2018

The Notice and Proxy Statement and Annual Report are available at www.proxy.com

TERADATA CORPORATION

Proxy/Voting Instruction Card

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

FOR TERADATA'S 2018 ANNUAL MEETING OF STOCKHOLDERS

The undersigned stockholder of Teradata Corporation, a Delaware corporation ("Teradata" or the "Company"), hereby appoints you, the undersigned, as his or her proxy, with full power of substitution, to vote all shares of common stock of Teradata that the undersigned is entitled to vote at the 2018 Annual Meeting of Stockholders to be held at 8:00 a.m. local time on April 17, 2018, and at any postponement or adjournment thereof, in the manner indicated on the reverse side of this proxy card, and to vote on any matter that may properly come before the meeting, or any postponement or adjournment thereof, including to vote for the election of directors and the Company's 401(k) plan (the "Teradata Savings Plan") and to the trustees and administrators of other plans, with regard to shares of common stock of the Company for which the undersigned is entitled to vote at said meeting to the extent permitted by such plans and their trust agreements. The undersigned acknowledges receipt from the Company of the notice of the 2018 Annual Meeting of Stockholders and accompanying proxy that relates to the aforementioned annual meeting.

The proxyholders or the trustees and administrators of the plans, as the case may be, will vote the shares in accordance with the choices on this proxy card, the proxyholders will vote the shares in accordance with the directors' recommendations. If you do not vote at the 2018 Annual Meeting of Stockholders and do not indicate your choices on this proxy card, those shares will be voted in accordance with the directors' recommendations.

Address Changes/Comments:

(If you noted any Address Changes/Comments above, please mark corresponding box on

(Continued and to be signed on the reverse side.)