

TERADATA CORPORATION
RECONCILIATION OF RESULTS - NON-GAAP TO GAAP

Reflects the Impact of Special Items

(in millions, except per share amounts - unaudited)

For the Three Months Ended June 30

	2014				2013				% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense ²	Other Special Items ²	Non-GAAP Excluding Stock Comp. Expense and Special Items ¹	GAAP	Equity Compensation Expense ³	Other Special Items ³	Non-GAAP Excluding Stock Comp. Expense and Special Items ¹	
Revenue									
Products	\$ 300	\$ -	\$ -	\$ 300	\$ 303	\$ -	\$ -	\$ 303	-1%
Services	376	-	-	376	367	-	-	367	2%
Total revenue	676	-	-	676	670	-	-	670	1%
Gross margin									
Products	195	-	(3)	198	202	-	(5)	207	-4%
% of Revenue	65.0%			66.0%	66.7%			68.3%	
Services	176	(3)	(2)	181	177	(2)	(2)	181	0%
% of Revenue	46.8%			48.1%	48.2%			49.3%	
Total gross margin	371	(3)	(5)	379	379	(2)	(7)	388	-2%
% of Revenue	54.9%			56.1%	56.6%			57.9%	
Selling, general and administrative expenses	188	8	7	173	185	9	5	171	1%
Research and development expenses	50	2	1	47	47	3	1	43	9%
Total expenses	238	10	8	220	232	12	6	214	3%
% of Revenue	35.2%			32.5%	34.6%			31.9%	
Income from operations	133	(13)	(13)	159	147	(14)	(13)	174	-9%
% of Revenue	19.7%			23.5%	21.9%			26.0%	
Other expense, net	(1)	-	(1)	-	-	-	-	-	
Income before income taxes	132	(13)	(14)	159	147	(14)	(13)	174	-9%
Income tax expense	36	(4)	(5)	45	39	(4)	(5)	48	
% Tax rate	27.3%			28.3%	26.5%			27.6%	
Net income	\$ 96	\$ (9)	\$ (9)	\$ 114	\$ 108	\$ (10)	\$ (8)	\$ 126	-10%
% of Revenue	14.2%			16.9%	16.1%			18.8%	
Net income per common share									
Basic income per share	\$ 0.61	\$ (0.06)	\$ (0.06)	\$ 0.73	\$ 0.66	\$ (0.06)	\$ (0.05)	\$ 0.77	-5%
Diluted income per share	\$ 0.60	\$ (0.06)	\$ (0.06)	\$ 0.72	\$ 0.65	\$ (0.06)	\$ (0.05)	\$ 0.76	-5%
Weighted average common shares outstanding									
Basic	156.9			156.9	163.4			163.4	
Diluted	159.4			159.4	166.3			166.3	

1) While Teradata reports its results using generally accepted accounting principles in the U.S. (GAAP), certain non-GAAP financial measures may be used to reflect operational performance and to determine the effectiveness of its business management. Certain special items may be segregated from our GAAP results from time-to-time to reflect the on-going Earnings Per Share performance of the company. Non-GAAP measures should not be used as a substitute for, or superior to, the company's reported GAAP results.

2) Special items for the six months ended June 30, 2014 include \$13 million (\$9 million after-tax) for equity compensation expense, \$11 million (\$7 million after-tax) for amortization of acquired intangible assets, \$2 million (\$1 million after-tax) for acquisition-related transaction, integration and reorganization expenses and \$1 million (\$1 million after-tax) for costs related to net losses on equity investments.

3) Special items for the three months ended June 30, 2013 include \$14 million (\$10 million after-tax) for equity compensation expense, \$10 million (\$6 million after-tax) for amortization of acquired intangible assets, and \$3 million (\$2 million after-tax) for acquisition-related transaction and integration expenses.

TERADATA CORPORATION
RECONCILIATION OF RESULTS - NON-GAAP TO GAAP
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(in millions, except per share amounts - unaudited)

For the Six Months Ended June 30

	2014				2013				% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense ²	Other Special Items ²	Non-GAAP Excluding Stock Comp. Expense and Special Items ¹	GAAP	Equity Compensation Expense ³	Other Special Items ³	Non-GAAP Excluding Stock Comp. Expense and Special Items ¹	
Revenue									
Products	\$ 573	\$ -	\$ -	\$ 573	\$ 552	\$ -	\$ -	\$ 552	4%
Services	731	-	-	731	705	-	-	705	4%
Total revenue	1,304	-	-	1,304	1,257	-	-	1,257	4%
Gross margin									
Products	376	-	(8)	384	\$ 358	-	(9)	367	5%
% of Revenue	65.6%			67.0%	64.9%			66.5%	
Services	328	(6)	(6)	340	326	(3)	(5)	334	2%
% of Revenue	44.9%			46.5%	46.2%			47.4%	
Total gross margin	704	(6)	(14)	724	684	(3)	(14)	701	3%
% of Revenue	54.0%			55.5%	54.4%			55.8%	
Selling, general and administrative expenses	376	15	13	348	364	19	10	335	4%
Research and development expenses	106	4	10	92	97	5	4	88	5%
Total expenses	482	19	23	440	461	24	14	423	4%
% of Revenue	37.0%			33.7%	36.7%			33.7%	
Income from operations	222	(25)	(37)	284	223	(27)	(28)	278	2%
% of Revenue	17.0%			21.8%	17.7%			22.1%	
Other expense, net	(8)	-	(8)	-	(1)	-	-	(1)	
Income before income taxes	214	(25)	(45)	284	222	(27)	(28)	277	3%
Income tax expense	59	(8)	(16)	83	55	(9)	(14)	78	
% Tax rate	27.6%			29.2%	24.8%			28.2%	
Net income	\$ 155	\$ (17)	\$ (29)	\$ 201	\$ 167	\$ (18)	\$ (14)	\$ 199	1%
% of Revenue	11.9%			15.4%	13.3%			15.8%	
Net income per common share									
Basic income per share	\$ 0.98	\$ (0.11)	\$ (0.18)	\$ 1.27	\$ 1.02	\$ (0.11)	\$ (0.08)	\$ 1.21	5%
Diluted income per share	\$ 0.97	\$ (0.11)	\$ (0.17)	\$ 1.25	\$ 1.00	\$ (0.11)	\$ (0.08)	\$ 1.19	5%
Weighted average common shares outstanding									
Basic	157.7			157.7	164.4			164.4	
Diluted	160.2			160.2	167.4			167.4	

1) While Teradata reports its results using generally accepted accounting principles in the U.S. (GAAP), certain non-GAAP financial measures may be used to reflect operational performance and to determine the effectiveness of its business management. Certain special items may be segregated from our GAAP results from time-to-time to reflect the on-going Earnings Per Share performance of the company. Non-GAAP measures should not be used as a substitute for, or superior to, the company's reported GAAP results.

2) Special items for the six months ended June 30, 2014 include \$25 million (\$17 million after-tax) for equity compensation expense, \$23 million (\$15 million after-tax) for amortization of acquired intangible assets, \$14 million (\$8 million after-tax) for acquisition-related transaction, integration and reorganization expenses and \$8 million (\$6 million after-tax) for costs related to net losses on equity investments.

3) Special items for the six months ended June 30, 2013 include \$27 million (\$18 million after-tax) for equity compensation expense, \$22 million (\$14 million after-tax) for amortization of acquired intangible assets, and \$6 million (\$4 million after-tax) for acquisition-related transaction and integration expenses, offset by a \$4 million tax credit due to the 2012 U.S. R&D tax credit, which was not enacted until 2013.

Teradata calculates free cash flow, a non-GAAP financial measure, as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Net Income (GAAP)	\$ 96	\$ 108	\$ 155	\$ 167
Net cash provided by operating activities (GAAP)	\$ 138	\$ 140	\$ 481	\$ 383
Less capital expenditures for:				
Expenditures for property and equipment	(9)	(21)	(21)	(31)
Additions to capitalized software	(16)	(17)	(37)	(34)
Free Cash Flow (non-GAAP measure)¹	\$ 113	\$ 102	\$ 423	\$ 318

Note 1: Free cash flow does not have a uniform definition under generally accepted accounting principles in the United States (GAAP) and therefore, Teradata's definition may differ from other companies' definitions of this measure. Teradata's management uses free cash flow to assess the financial performance of the company and believes it is useful for investors because it relates the operating cash flow of the company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash generated after capital expenditures which can be used for among other things, investments in the company's existing businesses, strategic acquisitions, strengthening the company's balance sheet, repurchase of company stock and repay the company's debt obligations. Free cash flow does not represent the residual cash flow available for discretionary expenditures since there may be other non-discretionary expenditures that are not deducted from the measure. This non-GAAP measure should not be considered as a substitute for, or superior to, cash flows from operating activities under GAAP.

Teradata calculates total research and development spend, a non-GAAP financial measure, as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Research and development expenses (GAAP)	\$ 50	\$ 47	\$ 106	\$ 97
Less				
Equity compensation expense ²	(2)	(3)	(4)	(5)
Other special items ²	(1)	(1)	(10)	(4)
Research and development expenses (non-GAAP)¹	47	43	92	88
Additions to capitalized software (GAAP)	16	17	37	34
Less				
Internal-use software	(1)	(2)	(3)	(3)
External-use software	15	15	34	31
Total research and development spend (non-GAAP)¹	\$ 62	\$ 58	\$ 126	\$ 119
% of Product Revenue	20.7%	19.1%	22.0%	21.6%

1) While Teradata reports its results using generally accepted accounting principles in the U.S. (GAAP), certain non-GAAP financial measures may be used to reflect operational performance and to determine the effectiveness of its business management. Certain special items may be segregated from our GAAP results from time-to-time to reflect the on-going performance of the company. Non-GAAP measures should not be used as a substitute for, or superior to, the company's reported GAAP results.

2) Special items for the three and six months ended June 30, 2014 include \$2 and \$4 million for equity compensation expense, as well as \$1 and \$10 million for acquisition-related transaction, integration and reorganization expenses, and amortization of acquired intangible assets. Special items for the three and six months ended June 30, 2013 include \$3 and \$5 million for equity compensation expense, as well as \$1 and \$4 million for acquisition-related transaction and integration expenses, and amortization of acquired intangible assets.