



TERADATA CORPORATION
RECONCILIATION OF RESULTS - NON-GAAP TO GAAP

(Unaudited)

Reflects the Impact of Special Items

(in millions, except per share amounts)

For the Periods Ended March 31

Three Months

	2013				2012				% 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	\$ 249	\$ -	\$ -	\$ 249	\$ 308	\$ -	\$ -	\$ 308	-19%
Services	338	-	-	338	305	-	(2)	307	10%
Total revenue	587	-	-	587	613	-	(2)	615	-5%
Gross margin									
Products	156	-	(4)	160	205	-	(4)	209	-23%
% of Revenue	62.7%			64.3%	66.6%			67.9%	
Services	149	(1)	(3)	153	133	(1)	(1)	135	13%
% of Revenue	44.1%			45.3%	43.6%			44.0%	
Total gross margin	305	(1)	(7)	313	338	(1)	(5)	344	-9%
% of Revenue	52.0%			53.3%	55.1%			55.9%	
Selling, general and administrative expenses	179	10	5	164	165	8	3	154	6%
Research and development expenses	50	2	3	45	46	2	1	43	5%
Total expenses	229	12	8	209	211	10	4	197	6%
% of Revenue	39.0%			35.6%	34.4%			32.0%	
Income from operations	76	(13)	(15)	104	127	(11)	(9)	147	-29%
% of Revenue	12.9%			17.7%	20.7%			23.9%	
Other expense, net	(1)	-	-	(1)	(1)	-	-	(1)	
Income before income taxes	75	(13)	(15)	103	126	(11)	(9)	146	-29%
Income tax expense	16	(5)	(9)	30	35	(4)	(4)	43	
% Tax rate	21.3%			29.1%	27.8%			29.5%	
Net income	\$ 59	\$ (8)	\$ (6)	\$ 73	\$ 91	\$ (7)	\$ (5)	\$ 103	-29%
% of Revenue	10.1%			12.4%	14.8%			16.7%	
Net income per common share									
Basic income per share	\$ 0.36	\$ (0.05)	\$ (0.03)	\$ 0.44	\$ 0.54	\$ (0.04)	\$ (0.03)	\$ 0.61	-28%
Diluted income per share	\$ 0.35	\$ (0.05)	\$ (0.03)	\$ 0.43	\$ 0.53	\$ (0.04)	\$ (0.03)	\$ 0.60	-28%
Weighted average common shares outstanding									
Basic	165.4			165.4	167.9			167.9	
Diluted	168.5			168.5	171.6			171.6	

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 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 three months ended March 31, 2013 include \$13 million (\$8 million after-tax) for equity compensation expense, \$12 million (\$8 million after-tax) for amortization of acquired intangible assets, \$3 million (\$2 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.

3) Special items for the three months ended March 31, 2012 include \$11 million (\$7 million after-tax) for equity compensation expense, as well as \$7 million for amortization of acquired intangible assets, \$1 million for acquisition-related purchase accounting adjustments, and \$1 million for acquisition-related transaction, integration and reorganization expenses, with a cumulative offsetting tax impact of \$4 million.

TERADATA

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

	<u>Three Months Ended March 31</u>	
	<u>2013</u>	<u>2012</u>
Net Income (GAAP)	\$ 59	\$ 91
Net cash provided by operating activities (GAAP)	\$ 243	\$ 192
Less capital expenditures for:		
Expenditures for property and equipment	(10)	(12)
Additions to capitalized software	(17)	(18)
Free Cash Flow (non-GAAP measure)¹	\$ 216	\$ 162

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:

	<u>Three Months Ended March 31</u>	
	<u>2013</u>	<u>2012</u>
Research and development expenses (GAAP)	\$ 50	\$ 46
Less		
Equity compensation expense ²	(2)	(2)
Other special items ²	(3)	(1)
Research and development expenses (non-GAAP)¹	45	43
Additions to capitalized software (GAAP)	17	18
Less		
Internal-use software	(1)	(2)
External-use software	16	16
Total research and development spend (non-GAAP)¹	\$ 61	\$ 59

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2) Special items for the three months ended March 31, 2013 include \$2 million for equity compensation expense, as well as \$3 million for acquisition-related transaction and integration expenses, and amortization of acquired intangible assets. Special items for the three months ended March 31, 2012 include \$2 million for equity compensation expense, as well as \$1 million for acquisition-related transaction, integration and reorganization expenses, and amortization of acquired intangible assets.