



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 June 30

	2011				2010				% 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	\$ 269	\$ -	\$ (4)	\$ 273	\$ 223	\$ -	\$ -	\$ 223	22%
Services	312	-	(4)	316	247	-	-	247	28%
Total revenue	581	-	(8)	589	470	-	-	470	25%
Gross margin									
Products	176	-	(11)	187	152	-	-	152	23%
% of Revenue	65.4%			68.5%	68.2%			68.2%	
Services	140	(1)	(1)	142	116	-	-	116	22%
% of Revenue	44.9%			44.9%	47.0%			47.0%	
Total gross margin	316	(1)	(12)	329	268	-	-	268	23%
% of Revenue	54.4%			55.9%	57.0%			57.0%	
Selling, general and administrative expenses	165	6	10	149	126	5	-	121	
Research and development expenses	41	1	3	37	36	1	-	35	
Total expenses	206	7	13	186	162	6	-	156	19%
% of Revenue	35.5%			31.6%	34.5%			33.2%	
Income from operations	110	(8)	(25)	143	106	(6)	-	112	28%
% of Revenue	18.9%			24.3%	22.6%			23.8%	
Other income (expense), net	27	-	28	(1)	-	-	-	-	
Income before income taxes	137	(8)	3	142	106	(6)	-	112	27%
Income tax expense	34	(3)	(2)	39	32	(2)	-	34	
% Tax rate	25%			27%	30%			30%	
Net income	\$ 103	\$ (5)	\$ 5	\$ 103	\$ 74	\$ (4)	\$ -	\$ 78	32%
% of Revenue	17.7%			17.5%	15.7%			16.6%	
Net income per common share									
Basic income per share	\$ 0.61	\$ (0.03)	\$ 0.03	\$ 0.61	\$ 0.44	\$ (0.02)	\$ -	\$ 0.47	30%
Diluted income per share	\$ 0.60	\$ (0.03)	\$ 0.03	\$ 0.60	\$ 0.44	\$ (0.02)	\$ -	\$ 0.46	30%
Weighted average common shares outstanding									
Basic	168.7			168.7	167.0			167.0	
Diluted	172.4			172.4	169.8			169.8	

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 June 30, 2011 includes \$8 million (\$5 million after-tax) for equity compensation expense, as well as \$6 million for acquisition-related purchase accounting adjustments, \$10 million for acquisition-related transaction, integration and reorganization expenses, and \$9 million for amortization of acquired intangible assets, offset by a \$28 million gain on equity investments due to purchase and sale transactions, and a cumulative offsetting tax impact of \$2 million.

3) Special items for the three months ended June 30, 2010 includes \$6 million (\$4 million after-tax) for equity compensation expense.



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Revenue									
Products	\$ 504	\$ -	\$ (10)	\$ 514	\$ 423	\$ -	\$ -	\$ 423	22%
Services	583	-	(4)	587	476	-	-	476	23%
Total revenue	1,087	-	(14)	1,101	899	-	-	899	22%
Gross margin									
Products	332	-	(18)	350	280	-	-	280	25%
% of Revenue	65.9%			68.1%	66.2%			66.2%	
Services	259	(2)	(3)	264	224	(1)	-	225	17%
% of Revenue	44.4%			45.0%	47.1%			47.3%	
Total gross margin	591	(2)	(21)	614	504	(1)	-	505	22%
% of Revenue	54.4%			55.8%	56.1%			56.2%	
Selling, general and administrative expenses	315	13	17	285	244	8	-	236	
Research and development expenses	75	2	3	70	68	2	-	66	
Total expenses	390	15	20	355	312	10	-	302	18%
% of Revenue	35.9%			32.2%	34.7%			33.6%	
Income from operations	201	(17)	(41)	259	192	(11)	-	203	28%
% of Revenue	18.5%			23.5%	21.4%			22.6%	
Other income (expense), net	26	-	28	(2)	-	-	-	-	
Income before income taxes	227	(17)	(13)	257	192	(11)	-	203	27%
Income tax expense	59	(6)	(7)	72	51	(4)	-	55	
% Tax rate	26%			28%	27%			27%	
Net income	\$ 168	\$ (11)	\$ (6)	\$ 185	\$ 141	\$ (7)	\$ -	\$ 148	25%
% of Revenue	15.5%			16.8%	15.7%			16.5%	
Net income per common share									
Basic income per share	\$ 1.00	\$ (0.06)	\$ (0.04)	\$ 1.10	\$ 0.84	\$ (0.04)	\$ -	\$ 0.88	25%
Diluted income per share	\$ 0.98	\$ (0.06)	\$ (0.03)	\$ 1.07	\$ 0.83	\$ (0.04)	\$ -	\$ 0.87	23%
Weighted average common shares outstanding									
Basic	168.5			168.5	167.4			167.4	
Diluted	172.1			172.1	170.2			170.2	

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, 2011 includes \$17 million (\$11 million after-tax) for equity compensation expense, as well as \$12 million for acquisition-related purchase accounting adjustments, \$17 million for acquisition-related transaction, integration and reorganization expenses, and \$12 million for amortization of acquired intangible assets, offset by a \$28 million gain on equity investments due to purchase and sale transactions, and a cumulative offsetting tax impact of \$7 million.

3) Special items for the six months ended June 30, 2010 includes \$11 million (\$7 million after-tax) for equity compensation expense.

TERADATA

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

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net Income (GAAP)	\$ 103	\$ 74	\$ 168	\$ 141
Net cash provided by operating activities (GAAP)	\$ 179	\$ 62	\$ 285	\$ 200
Less capital expenditures for:				
Expenditures for property and equipment	(14)	(11)	(22)	(17)
Additions to capitalized software	(19)	(12)	(38)	(27)
Free Cash Flow (non-GAAP measure) ¹	<u>\$ 146</u>	<u>\$ 39</u>	<u>\$ 225</u>	<u>\$ 156</u>

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.