



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 September 30
 Three Months

	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	\$ 287	\$ -	\$ (3)	\$ 290	\$ 243	\$ -	\$ -	\$ 243	19%
Services	315	-	(1)	316	246	-	-	246	28%
Total revenue	602	-	(4)	606	489	-	-	489	24%
Gross margin									
Products	188	-	(6)	194	171	-	-	171	13%
% of Revenue	65.5%			66.9%	70.4%			70.4%	
Services	140	(1)	(1)	142	108	(1)	-	109	30%
% of Revenue	44.4%			44.9%	43.9%			44.3%	
Total gross margin	328	(1)	(7)	336	279	(1)	-	280	20%
% of Revenue	54.5%			55.4%	57.1%			57.3%	
Selling, general and administrative expenses	163	6	3	154	133	5	-	128	
Research and development expenses	43	1	3	39	40	1	-	39	
Total expenses	206	7	6	193	173	6	-	167	16%
% of Revenue	34.2%			31.8%	35.4%			34.2%	
Income from operations	122	(8)	(13)	143	106	(7)	-	113	27%
% of Revenue	20.3%			23.6%	21.7%			23.1%	
Other (expense) income, net	(1)	-	-	(1)	-	-	-	-	
Income before income taxes	121	(8)	(13)	142	106	(7)	-	113	26%
Income tax expense	34	(3)	(4)	41	31	(3)	-	34	
% Tax rate	28%			29%	29%			30%	
Net income	\$ 87	\$ (5)	\$ (9)	\$ 101	\$ 75	\$ (4)	\$ -	\$ 79	28%
% of Revenue	14.5%			16.7%	15.3%			16.2%	
Net income per common share									
Basic income per share	\$ 0.52	\$ (0.03)	\$ (0.05)	\$ 0.60	\$ 0.45	\$ (0.02)	\$ -	\$ 0.47	28%
Diluted income per share	\$ 0.51	\$ (0.03)	\$ (0.05)	\$ 0.59	\$ 0.44	\$ (0.02)	\$ -	\$ 0.46	28%
Weighted average common shares outstanding									
Basic	167.9			167.9	167.2			167.2	
Diluted	171.7			171.7	170.1			170.1	

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 September 30, 2011 includes \$8 million (\$5 million after-tax) for equity compensation expense, as well as \$3 million for acquisition-related purchase accounting adjustments, \$4 million for acquisition-related transaction, integration and reorganization expenses, and \$6 million for amortization of acquired intangible assets, offset by a cumulative offsetting tax impact of \$4 million.

3) Special items for the three months ended September 30, 2010 includes \$7 million (\$4 million after-tax) for equity compensation expense.



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For the Periods Ended September 30
Nine Months

	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	\$ 791	\$ -	\$ (13)	\$ 804	\$ 666	\$ -	\$ -	\$ 666	21%
Services	898	-	(5)	903	722	-	-	722	25%
Total revenue	1,689	-	(18)	1,707	1,388	-	-	1,388	23%
Gross margin									
Products	520	-	(24)	544	451	-	-	451	21%
% of Revenue	65.7%			67.7%	67.7%			67.7%	
Services	399	(3)	(4)	406	332	(2)	-	334	22%
% of Revenue	44.4%			45.0%	46.0%			46.3%	
Total gross margin	919	(3)	(28)	950	783	(2)	-	785	21%
% of Revenue	54.4%			55.7%	56.4%			56.6%	
Selling, general and administrative expenses	478	19	20	439	377	13	-	364	
Research and development expenses	118	3	6	109	108	3	-	105	
Total expenses	596	22	26	548	485	16	-	469	17%
% of Revenue	35.3%			32.1%	34.9%			33.8%	
Income from operations	323	(25)	(54)	402	298	(18)	-	316	27%
% of Revenue	19.1%			23.6%	21.5%			22.8%	
Other income (expense), net	25	-	28	(3)	-	-	-	-	
Income before income taxes	348	(25)	(26)	399	298	(18)	-	316	26%
Income tax expense	93	(9)	(11)	113	82	(7)	-	89	
% Tax rate	27%			28%	28%			28%	
Net income	\$ 255	\$ (16)	\$ (15)	\$ 286	\$ 216	\$ (11)	\$ -	\$ 227	26%
% of Revenue	15.1%			16.8%	15.6%			16.4%	
Net income per common share									
Basic income per share	\$ 1.52	\$ (0.09)	\$ (0.09)	\$ 1.70	\$ 1.29	\$ (0.07)	\$ -	\$ 1.36	25%
Diluted income per share	\$ 1.48	\$ (0.09)	\$ (0.09)	\$ 1.66	\$ 1.27	\$ (0.06)	\$ -	\$ 1.33	25%
Weighted average common shares outstanding									
Basic	168.3			168.3	167.3			167.3	
Diluted	172.1			172.1	170.1			170.1	

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2) Special items for the nine months ended September 30, 2011 includes \$25 million (\$16 million after-tax) for equity compensation expense, as well as \$15 million for acquisition-related purchase accounting adjustments, \$21 million for acquisition-related transaction, integration and reorganization expenses, and \$18 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 \$11 million.

3) Special items for the nine months ended September 30, 2010 includes \$18 million (\$11 million after-tax) for equity compensation expense.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Net Income (GAAP)	\$ 87	\$ 75	\$ 255	\$ 216
Net cash provided by operating activities (GAAP)	\$ 102	\$ 65	\$ 387	\$ 265
Less capital expenditures for:				
Expenditures for property and equipment	(9)	(8)	(31)	(25)
Additions to capitalized software	(18)	(10)	(56)	(37)
Free Cash Flow (non-GAAP measure)¹	\$ 75	\$ 47	\$ 300	\$ 203

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 September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Research and development expenses (GAAP)	\$ 43	\$ 40	\$ 118	\$ 108
Less				
Equity compensation expense ²	(1)	(1)	(3)	(3)
Other special items ²	(3)	-	(6)	-
Research and development expenses (non-GAAP)¹	\$ 39	\$ 39	\$ 109	\$ 105
Additions to capitalized software (GAAP)	18	10	56	37
Less				
Internal-use software	(2)	(1)	(4)	(4)
External-use software	16	9	52	33
Total research and development spend (non-GAAP)¹	\$ 55	\$ 48	\$ 161	\$ 138

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2) Special items for the three and nine months ended September 30, 2011 include \$1 million and \$3 million for equity compensation expense, as well as \$3 million and \$6 million for acquisition-related transaction, integration and reorganization expenses, and amortization of acquired intangible assets. Special items for the three and nine months ended September 30, 2010 include \$1 million and \$3 million for equity compensation expense.