

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 December 31

	2013				2012				
	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	% Change Non-GAAP Yr/Yr
Revenue									
Products	\$ 372	\$ -	\$ -	\$ 372	\$ 362	\$ -	\$ -	\$ 362	3%
Services	397	-	-	397	378	-	(1)	379	5%
Total revenue	769	-	-	769	740	-	(1)	741	4%
Gross margin									
Products	251	-	(4)	255	243	-	(4)	247	3%
% of Revenue	67.5%			68.5%	67.1%			68.2%	
Services	180	(2)	(4)	186	167	(1)	(3)	171	9%
% of Revenue	45.3%			46.9%	44.2%			45.1%	
Total gross margin	431	(2)	(8)	441	410	(1)	(7)	418	6%
% of Revenue	56.0%			57.3%	55.4%			56.4%	
Selling, general and administrative expenses	210	6	7	197	210	9	6	195	1%
Research and development expenses	44	2	3	39	50	2	2	46	-15%
Total expenses	254	8	10	236	260	11	8	241	-2%
% of Revenue	33.0%			30.7%	35.1%			32.5%	
Income from operations	177	(10)	(18)	205	150	(12)	(15)	177	16%
% of Revenue	23.0%			26.7%	20.3%			23.9%	
Other expense, net	(23)	-	(22)	(1)	(1)	-	-	(1)	
Income before income taxes	154	(10)	(40)	204	149	(12)	(15)	176	16%
Income tax expense	42	(3)	(15)	60	37	(2)	(2)	41	
% Tax rate	27.3%			29.4%	24.8%			23.3%	
Net income	\$ 112	\$ (7)	\$ (25)	\$ 144	\$ 112	\$ (10)	\$ (13)	\$ 135	7%
% of Revenue	14.6%			18.7%	15.1%			18.2%	
Net income per common share									
Basic income per share	\$ 0.69	\$ (0.04)	\$ (0.16)	\$ 0.89	\$ 0.67	\$ (0.06)	\$ (0.08)	\$ 0.81	10%
Diluted income per share	\$ 0.68	\$ (0.04)	\$ (0.16)	\$ 0.88	\$ 0.66	\$ (0.06)	\$ (0.07)	\$ 0.79	11%
Weighted average common shares outstanding									
Basic	161.7			161.7	167.4			167.4	
Diluted	164.4			164.4	170.7			170.7	

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 December 31, 2013 include \$10 million (\$7 million after-tax) for equity compensation expense, \$10 million (\$6 million after-tax) for amortization of acquired intangible assets, \$8 million (\$5 million after-tax) for acquisition-related transaction and integration expenses and \$22 million (\$14 million after-tax) for costs related to net loss on equity investments.

3) Special items for the three months ended December 31, 2012 include \$12 million (\$10 million after-tax) for equity compensation expense, as well as \$10 million for amortization of acquired intangible assets, and \$5 million for acquisition-related transaction and integration expenses, with a cumulative offsetting tax impact of \$6 million, as well as \$4 million of additional tax expense due to the 2012 U.S. R&D tax credit not being enacted until 2013.

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	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	\$ 1,230	\$ -	\$ -	\$ 1,230	\$ 1,297	\$ -	\$ -	\$ 1,297	-5%
Services	1,462	-	-	1,462	1,368	-	(6)	1,374	6%
Total revenue	2,692	-	-	2,692	2,665	-	(6)	2,671	1%
Gross margin									
Products	797	-	(17)	814	\$ 881	-	(16)	897	-9%
% of Revenue	64.8%			66.2%	67.9%			69.2%	
Services	676	(7)	(11)	694	610	(4)	(10)	624	11%
% of Revenue	46.2%			47.5%	44.6%			45.4%	
Total gross margin	1,473	(7)	(28)	1,508	1,491	(4)	(26)	1,521	-1%
% of Revenue	54.7%			56.0%	55.9%			56.9%	
Selling, general and administrative expenses	757	33	22	702	728	32	22	674	4%
Research and development expenses	184	9	10	165	183	7	7	169	-2%
Total expenses	941	42	32	867	911	39	29	843	3%
% of Revenue	35.0%			32.2%	34.2%			31.6%	
Income from operations	532	(49)	(60)	641	580	(43)	(55)	678	-5%
% of Revenue	19.8%			23.8%	21.8%			25.4%	
Other expense, net	(24)	-	(22)	(2)	(2)	-	-	(2)	
Income before income taxes	508	(49)	(82)	639	578	(43)	(55)	676	-5%
Income tax expense	131	(16)	(33)	180	159	(14)	(14)	187	
% Tax rate	25.8%			28.2%	27.5%			27.7%	
Net income	\$ 377	\$ (33)	\$ (49)	\$ 459	\$ 419	\$ (29)	\$ (41)	\$ 489	-6%
% of Revenue	14.0%			17.1%	15.7%			18.3%	
Net income per common share									
Basic income per share	\$ 2.31	\$ (0.20)	\$ (0.30)	\$ 2.81	\$ 2.49	\$ (0.17)	\$ (0.25)	\$ 2.91	-3%
Diluted income per share	\$ 2.27	\$ (0.20)	\$ (0.29)	\$ 2.76	\$ 2.44	\$ (0.17)	\$ (0.24)	\$ 2.85	-3%
Weighted average common shares outstanding									
Basic	163.4			163.4	168.2			168.2	
Diluted	166.4			166.4	171.7			171.7	

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2) Special items for the twelve months ended December 31, 2013 include \$49 million (\$33 million after-tax) for equity compensation expense, \$43 million (\$28 million after-tax) for amortization of acquired intangible assets, and \$17 million (\$11 million after-tax) for acquisition-related transaction and integration expenses and \$22 million (\$14 million after-tax) for costs related to net loss on equity investments, 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 twelve months ended December 31, 2012 includes \$43 million (\$29 million after-tax) for equity compensation expense, as well as \$2 million for acquisition-related purchase accounting adjustments, \$17 million for acquisition-related transaction, integration and reorganization expenses, and \$36 million for amortization of acquired intangible assets, offset by a cumulative offsetting tax impact of \$18 million, as well as \$4 million of additional tax expense due to the 2012 U.S. R&D tax credit not being enacted until 2013.

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2013	2012	2013	2012
Net Income (GAAP)	\$ 112	\$ 112	\$ 377	\$ 419
Net cash provided by operating activities (GAAP)	\$ 63	\$ 124	\$ 510	\$ 575
Less capital expenditures for:				
Expenditures for property and equipment	(16)	(18)	(60)	(67)
Additions to capitalized software	(22)	(21)	(78)	(81)
Free Cash Flow (non-GAAP measure) ¹	\$ 25	\$ 85	\$ 372	\$ 427

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 December 31		Twelve Months Ended December 31	
	2013	2012	2013	2012
Research and development expenses (GAAP)	\$ 44	\$ 50	\$ 184	\$ 183
Less				
Equity compensation expense ²	(2)	(2)	(9)	(7)
Other special items ²	(3)	(2)	(10)	(7)
Research and development expenses (non-GAAP) ¹	39	46	165	169
Additions to capitalized software (GAAP)	22	21	78	81
Less				
Internal-use software	(1)	(1)	(6)	(6)
External-use software	21	20	72	75
Total research and development spend (non-GAAP) ¹	\$ 60	\$ 66	\$ 237	\$ 244
% of Product Revenue	16.1%	18.2%	19.3%	18.8%

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2) Special items for the three and twelve months ended December 31, 2013 include \$2 and \$9 million for equity compensation expense, as well as \$3 and \$10 million for acquisition-related transaction and integration expenses, and amortization of acquired intangible assets. Special items for the three and twelve months ended December 31, 2012 include \$2 and \$7 million for equity compensation expense, as well as \$2 and \$7 million for acquisition-related transaction, integration and reorganization expenses, and amortization of acquired intangible assets.