



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

	2012				2011				
	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	\$ 362	\$ -	\$ -	\$ 362	\$ 331	\$ -	\$ (2)	\$ 333	9%
Services	378	-	(1)	379	342	-	(1)	343	10%
Total revenue	740	-	(1)	741	673	-	(3)	676	10%
Gross margin									
Products	243	-	(4)	247	221	-	(5)	226	9%
% of Revenue	67.1%			68.2%	66.8%			67.9%	
Services	167	(1)	(3)	171	153	(1)	(2)	156	10%
% of Revenue	44.2%			45.1%	44.7%			45.5%	
Total gross margin	410	(1)	(7)	418	374	(1)	(7)	382	9%
% of Revenue	55.4%			56.4%	55.6%			56.5%	
Selling, general and administrative expenses	210	9	6	195	185	8	2	175	11%
Research and development expenses	50	2	2	46	56	1	3	52	-12%
Total expenses	260	11	8	241	241	9	5	227	6%
% of Revenue	35.1%			32.5%	35.8%			33.6%	
Income from operations	150	(12)	(15)	177	133	(10)	(12)	155	14%
% of Revenue	20.3%			23.9%	19.8%			22.9%	
Other (expense) income, net	(1)	-	-	(1)	-	-	-	-	
Income before income taxes	149	(12)	(15)	176	133	(10)	(12)	155	14%
Income tax expense	37	(2)	(2)	41	35	(4)	(3)	42	
% Tax rate	24.8%			23.3%	26.3%			27.1%	
Net income	\$ 112	\$ (10)	\$ (13)	\$ 135	\$ 98	\$ (6)	\$ (9)	\$ 113	19%
% of Revenue	15.1%			18.2%	14.6%			16.7%	
Net income per common share									
Basic income per share	\$ 0.67	\$ (0.06)	\$ (0.08)	\$ 0.81	\$ 0.59	\$ (0.04)	\$ (0.05)	\$ 0.68	19%
Diluted income per share	\$ 0.66	\$ (0.06)	\$ (0.07)	\$ 0.79	\$ 0.57	\$ (0.04)	\$ (0.05)	\$ 0.66	20%
Weighted average common shares outstanding									
Basic	167.4			167.4	167.4			167.4	
Diluted	170.7			170.7	171.3			171.3	

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 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.

3) Special items for the three months ended December 31, 2011 include \$10 million (\$6 million after-tax) for equity compensation expense, as well as \$2 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, with a cumulative offsetting tax impact of \$3 million.



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For the Periods Ended December 31

Twelve Months

	2012				2011				% 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	\$ 1,297	\$ -	\$ -	\$ 1,297	\$ 1,122	\$ -	\$ (15)	\$ 1,137	14%
Services	1,368	-	(6)	1,374	1,240	-	(6)	1,246	10%
Total revenue	2,665	-	(6)	2,671	2,362	-	(21)	2,383	12%
Gross margin									
Products	881	-	(16)	897	741	-	(29)	770	16%
% of Revenue	67.9%			69.2%	66.0%			67.7%	
Services	610	(4)	(10)	624	552	(4)	(6)	562	11%
% of Revenue	44.6%			45.4%	44.5%			45.1%	
Total gross margin	1,491	(4)	(26)	1,521	1,293	(4)	(35)	1,332	14%
% of Revenue	55.9%			56.9%	54.7%			55.9%	
Selling, general and administrative expenses	728	32	22	674	663	27	22	614	10%
Research and development expenses	183	7	7	169	174	4	9	161	5%
Total expenses	911	39	29	843	837	31	31	775	9%
% of Revenue	34.2%			31.6%	35.4%			32.5%	
Income from operations	580	(43)	(55)	678	456	(35)	(66)	557	22%
% of Revenue	21.8%			25.4%	19.3%			23.4%	
Other (expense) income, net	(2)	-	-	(2)	25	-	28	(3)	
Income before income taxes	578	(43)	(55)	676	481	(35)	(38)	554	22%
Income tax expense	159	(14)	(14)	187	128	(13)	(14)	155	
% Tax rate	27.5%			27.7%	26.6%			28.0%	
Net income	\$ 419	\$ (29)	\$ (41)	\$ 489	\$ 353	\$ (22)	\$ (24)	\$ 399	23%
% of Revenue	15.7%			18.3%	14.9%			16.7%	
Net income per common share									
Basic income per share	\$ 2.49	\$ (0.17)	\$ (0.25)	\$ 2.91	\$ 2.10	\$ (0.13)	\$ (0.14)	\$ 2.37	23%
Diluted income per share	\$ 2.44	\$ (0.17)	\$ (0.24)	\$ 2.85	\$ 2.05	\$ (0.13)	\$ (0.14)	\$ 2.32	23%
Weighted average common shares outstanding									
Basic	168.2			168.2	168.1			168.1	
Diluted	171.7			171.7	171.9			171.9	

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 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.

3) Special items for the twelve months ended December 31, 2011 includes \$35 million (\$22 million after-tax) for equity compensation expense, as well as \$17 million for acquisition-related purchase accounting adjustments, \$25 million for acquisition-related transaction, integration and reorganization expenses, and \$24 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 \$14 million.

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2012	2011	2012	2011
Net Income (GAAP)	\$ 112	\$ 98	\$ 419	\$ 353
Net cash provided by operating activities (GAAP)	\$ 124	\$ 126	\$ 575	\$ 513
Less capital expenditures for:				
Expenditures for property and equipment	(18)	(11)	(67)	(42)
Additions to capitalized software	(21)	(12)	(81)	(68)
Free Cash Flow (non-GAAP measure) ¹	\$ 85	\$ 103	\$ 427	\$ 403

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	
	2012	2011	2012	2011
Research and development expenses (GAAP)	\$ 50	\$ 56	\$ 183	\$ 174
Less				
Equity compensation expense ²	(2)	(1)	(7)	(4)
Other special items ²	(2)	(3)	(7)	(9)
Research and development expenses (non-GAAP)¹	46	52	169	161
Additions to capitalized software (GAAP)	21	12	81	68
Less				
Internal-use software	(1)	(1)	(6)	(5)
External-use software	20	11	75	63
Total research and development spend (non-GAAP)¹	\$ 66	\$ 63	\$ 244	\$ 224

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2) 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. Special items for the three and twelve months ended December 31, 2011 include \$1 and \$4 million for equity compensation expense, as well as \$3 and \$9 million for acquisition-related transaction, integration and reorganization expenses, and amortization of acquired intangible assets.