

TERADATA CORPORATION
RECONCILIATION OF RESULTS - NON-GAAP TO GAAP

Reflects the Impact of Special Items

(in millions, except per share amounts - unaudited)

For the Three Months Ended March 31

	2015				2014				% 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	\$ 241	\$ -	\$ -	\$ 241	\$ 273	\$ -	\$ -	\$ 273	-12%
Services	341	-	-	341	355	-	-	355	-4%
Total revenue	582	-	-	582	628	-	-	628	-7%
Gross margin									
Products	132	-	(4)	136	181	-	(5)	186	-27%
% of Revenue	54.8%			56.4%	66.3%			68.1%	
Services	145	(4)	(2)	151	152	(3)	(4)	159	-5%
% of Revenue	42.5%			44.3%	42.8%			44.8%	
Total gross margin	277	(4)	(6)	287	333	(3)	(9)	345	-17%
% of Revenue	47.6%			49.3%	53.0%			54.9%	
Selling, general and administrative expenses	184	10	4	170	188	7	6	175	-3%
Research and development expenses	63	3	4	56	56	2	9	45	24%
Total expenses	247	13	8	226	244	9	15	220	3%
% of Revenue	42.4%			38.8%	38.9%			35.0%	
Income from operations	30	(17)	(14)	61	89	(12)	(24)	125	-51%
% of Revenue	5.2%			10.5%	14.2%			19.9%	
Other expense, net	-	-	-	-	(7)	-	(7)	-	
Income before income taxes	30	(17)	(14)	61	82	(12)	(31)	125	-51%
Income tax expense	8	(5)	(4)	17	23	(4)	(11)	38	
% Tax rate	26.7%			27.9%	28.0%			30.4%	
Net income	\$ 22	\$ (12)	\$ (10)	\$ 44	\$ 59	\$ (8)	\$ (20)	\$ 87	-49%
% of Revenue	3.8%			7.6%	9.4%			13.9%	
Net income per common share									
Basic income per share	\$ 0.15	\$ (0.08)	\$ (0.07)	\$ 0.30	\$ 0.37	\$ (0.05)	\$ (0.13)	\$ 0.55	-45%
Diluted income per share	\$ 0.15	\$ (0.08)	\$ (0.07)	\$ 0.30	\$ 0.37	\$ (0.05)	\$ (0.12)	\$ 0.54	-44%
Weighted average common shares outstanding									
Basic	145.2			145.2	158.4			158.4	
Diluted	147.7			147.7	160.9			160.9	

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 three months ended March 31, 2015 include \$17 million (\$12 million after-tax) for equity compensation expense, \$11 million (\$8 million after-tax) for amortization of acquired intangible assets and \$3 million (\$2 million after-tax) for acquisition-related transaction, integration and reorganization expenses.

3) Special items for the three months ended March 31, 2014 include \$12 million (\$8 million after-tax) for equity compensation expense, \$12 million (\$8 million after-tax) for amortization of acquired intangible assets, \$12 million (\$7 million after-tax) for acquisition-related transaction, reorganization and integration expenses and \$7 million (\$5 million after-tax) for costs related to net losses on equity investments.

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

	Three Months Ended March 31	
	2015	2014
Net Income (GAAP)	\$ 22	\$ 59
Net cash provided by operating activities (GAAP)	\$ 222	\$ 343
Less capital expenditures for:		
Expenditures for property and equipment	(17)	(12)
Additions to capitalized software	(15)	(21)
Free Cash Flow (non-GAAP measure)¹	\$ 190	\$ 310

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 March 31	
	2015	2014
Research and development expenses (GAAP)	\$ 63	\$ 56
Less		
Equity compensation expense ²	(3)	(2)
Other special items ²	(4)	(9)
Research and development expenses (non-GAAP)¹	\$ 56	\$ 45
Additions to capitalized software (GAAP)	15	21
Less		
Internal-use software	(2)	(2)
External-use software	13	19
Total research and development spend (non-GAAP)¹	\$ 69	\$ 64
% of Product Revenue	28.6%	23.4%

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2) Special items for the three months ended March 31, 2015 include \$3 million for equity compensation expense, as well as \$4 million for acquisition-related transaction, integration and reorganization expenses, and amortization of acquired intangible assets. Special items for the three months ended March 31, 2014 include \$2 million for equity compensation expense, as well as \$9 million for acquisition-related transaction and integration expenses, and amortization of acquired intangible assets.