

TERADATA CORPORATION
RECONCILIATION OF RESULTS - GAAP TO NON-GAAP

Reflects the Impact of Special Items

(in millions, except per share amounts - unaudited)

For the Three Months Ended December 31

	2015				2014				
	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	\$ 320	\$ -	\$ -	\$ 320	\$ 360	\$ -	\$ -	\$ 360	-11%
Services	399	-	-	399	401	-	-	401	0%
Total revenue	719	-	-	719	761	-	-	761	-6%
Gross margin									
Products	180	-	(4)	184	233	-	(4)	237	-22%
% of Revenue	56.3%			57.5%	64.7%			65.8%	
Services	185	(3)	(3)	191	192	(3)	(1)	196	-3%
% of Revenue	46.4%			47.9%	47.9%			48.9%	
Total gross margin	365	(3)	(7)	375	425	(3)	(5)	433	-13%
% of Revenue	50.8%			52.2%	55.8%			56.9%	
Selling, general and administrative expenses	212	6	12	194	213	8	7	198	-2%
Research and development expenses	55	3	5	47	54	3	3	48	-2%
Impairment of goodwill and acquired intangibles	138	-	138	-	-	-	-	-	
Total expenses	405	9	155	241	267	11	10	246	-2%
% of Revenue	56.3%			33.5%	35.1%			32.3%	
(Loss) income from operations	(40)	(12)	(162)	134	158	(14)	(15)	187	-28%
% of Revenue	(5.6%)			18.6%	20.8%			24.6%	
Other income (expense), net	5	-	7	(2)	(1)	-	(1)	-	
(Loss) income before income taxes	(35)	(12)	(155)	132	157	(14)	(16)	187	-29%
Income tax expense	14	(4)	(20)	38	39	(4)	(4)	47	
% Tax rate	(40.0%)			28.8%	24.8%			25.1%	
Net (loss) income	\$ (49)	\$ (8)	\$ (135)	\$ 94	\$ 118	\$ (10)	\$ (12)	\$ 140	-33%
% of Revenue	(6.8%)			13.1%	15.5%			18.4%	
Net (loss) income per common share									
Basic	\$ (0.37)	\$ (0.06)	\$ (1.02)	\$ 0.71	\$ 0.78	\$ (0.07)	\$ (0.07)	\$ 0.92	-23%
Diluted	\$ (0.37)	\$ (0.06)	\$ (1.01)	\$ 0.70	\$ 0.77	\$ (0.07)	\$ (0.07)	\$ 0.91	-23%
Weighted average common shares outstanding									
Basic	132.1			132.1	151.8			151.8	
Diluted ⁴	132.1			134.0	154.1			154.1	

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 December 31, 2015 include \$12 million (\$8 million after-tax) for equity compensation expense, \$8 million (\$5 million after-tax) for amortization of acquired intangible assets, \$16 million (\$10 million after-tax) for acquisition-related transaction, integration and reorganization expenses, \$138 million (\$125 million after tax) for impairment of goodwill and intangibles and \$7 million (\$5 million after-tax) for a gain on an equity investment

3) Special items for the three months ended December 31, 2014 include \$14 million (\$10 million after-tax) for equity compensation expense, \$12 million (\$8 million after-tax) for amortization of acquired intangible assets and \$4 million (\$4 million after-tax) for acquisition-related transaction, integration and reorganization expenses.

4) Diluted shares are excluded from the GAAP diluted share count for 2015 because their effect would have been anti-dilutive

TERADATA CORPORATION
RECONCILIATION OF RESULTS - GAAP TO NON-GAAP
Reflects the Impact of Special Items
(in millions, except per share amounts - unaudited)
For the Twelve Months Ended December 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	\$ 1,057	\$ -	\$ -	\$ 1,057	\$ 1,227	\$ -	\$ -	\$ 1,227	-14%
Services	1,473	-	-	1,473	1,505	-	-	1,505	-2%
Total revenue	2,530	-	-	2,530	2,732	-	-	2,732	-7%
Gross margin									
Products	617	-	(16)	633	784	-	(16)	800	-21%
% of Revenue	58.4%			59.9%	63.9%			65.2%	
Services	659	(13)	(11)	683	695	(11)	(10)	716	-5%
% of Revenue	44.7%			46.4%	46.2%			47.6%	
Total gross margin	1,276	(13)	(27)	1,316	1,479	(11)	(26)	1,516	-13%
% of Revenue	50.4%			52.0%	54.1%			55.5%	
Selling, general and administrative expenses	765	33	24	708	770	30	25	715	-1%
Research and development expenses	228	10	19	199	206	9	17	180	11%
Impairment of goodwill and acquired intangibles	478	-	478	-	-	-	-	-	
Total expenses	1,471	43	521	907	976	39	42	895	1%
% of Revenue	58.1%			35.8%	35.7%			32.8%	
(Loss) income from operations	(195)	(56)	(548)	409	503	(50)	(68)	621	-34%
% of Revenue	(7.7%)			16.2%	18.4%			22.7%	
Other income (expense), net	51	-	57	(6)	(9)	-	(9)	-	
(Loss) income before income taxes	(144)	(56)	(491)	403	494	(50)	(77)	621	-35%
Income tax expense	70	(17)	(24)	111	127	(16)	(26)	169	
% Tax rate	(48.6%)			27.5%	25.7%			27.2%	
Net (loss) income	\$ (214)	\$ (39)	\$ (467)	\$ 292	\$ 367	\$ (34)	\$ (51)	\$ 452	-35%
% of Revenue	(8.5%)			11.5%	13.4%			16.5%	
Net (loss) income per common share									
Basic	\$ (1.53)	\$ (0.28)	\$ (3.34)	\$ 2.09	\$ 2.36	\$ (0.22)	\$ (0.33)	\$ 2.91	-28%
Diluted	\$ (1.53)	\$ (0.27)	\$ (3.32)	\$ 2.06	\$ 2.33	\$ (0.22)	\$ (0.31)	\$ 2.86	-28%
Weighted average common shares outstanding									
Basic	139.6			139.6	155.3			155.3	
Diluted ⁴	139.6			141.9	157.8			157.8	

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 twelve months ended December 31, 2015 include \$56 million (\$39 million after-tax) for equity compensation expense, \$39 million (\$25 million after-tax) for amortization of acquired intangible assets, \$31 million (\$20 million after-tax) for acquisition-related transaction, integration and reorganization expenses, \$57 million (\$35 million after-tax) for gains on equity investments, and \$478 million (\$457 million after-tax) for impairment of goodwill.

3) Special items for the twelve months ended December 31, 2014 include \$50 million (\$34 million after-tax) for equity compensation expense, \$47 million (\$31 million after-tax) for amortization of acquired intangible assets, \$22 million (\$14 million after-tax) for acquisition-related transaction, integration and reorganization expenses and \$8 million (\$6 million after-tax) for costs related to net losses on equity investments.

4) Diluted shares are excluded from the GAAP diluted share count for 2015 because their effect would have been anti-dilutive

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2015	2014	2015	2014
Net (loss) income (GAAP)	\$ (49)	\$ 118	\$ (214)	\$ 367
Net cash provided by operating activities (GAAP)	\$ 31	\$ 97	\$ 401	\$ 680
Less capital expenditures for:				
Expenditures for property and equipment	(9)	(17)	(52)	(54)
Additions to capitalized software	(17)	(18)	(68)	(75)
Free Cash Flow (non-GAAP measure) ¹	\$ 5	\$ 62	\$ 281	\$ 551

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	
	2015	2014	2015	2014
Research and development expenses (GAAP)	\$ 55	\$ 54	\$ 228	\$ 206
Less				
Equity compensation expense ²	(3)	(3)	(10)	(9)
Other special items ²	(5)	(3)	(19)	(17)
Research and development expenses (non-GAAP)¹	\$ 47	\$ 48	\$ 199	\$ 180
Additions to capitalized software (GAAP)	17	18	68	75
Less				
Internal-use software	(1)	(2)	(7)	(7)
External-use software	16	16	61	68
Total research and development spend (non-GAAP)¹	\$ 63	\$ 64	\$ 260	\$ 248
% of Product Revenue	19.7%	17.8%	24.6%	20.2%

- 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 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 and twelve months ended December 31, 2015 include \$3 and \$10 million for equity compensation expense, as well as \$5 and \$19 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, 2014 include \$3 and \$9 million for equity compensation expense, as well as \$3 and \$17 million for acquisition-related transaction and integration expenses, and amortization of acquired intangible assets.