

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

	2016						2015						% Change Non-GAAP Yr/Yr ⁸					
	GAAP	Equity Compensation Expense ²	Other Special Items ³	Non-GAAP excluding Equity Comp. and Other Special Items ¹	Marketing Applications ⁶	Non-GAAP excluding Equity Comp. Marketing Apps. and Other Special Items ⁶	Capitalized Software ASC 985-20 ⁷	Non-GAAP excluding Equity Comp. Marketing Apps. Cap. Software and Other Special Items ¹	GAAP	Equity Compensation Expense ²	Other Special Items ⁴	Non-GAAP excluding Equity Comp. and Other Special Items ¹		Marketing Applications ⁶	Non-GAAP excluding Equity Comp. Marketing Apps. and Other Special Items ⁶	Capitalized Software ASC 985-20 ⁷	Non-GAAP excluding Equity Comp. Marketing Apps. Cap. Software and Other Special Items ¹	
Revenue																		
Products	\$ 259	\$ -	\$ -	\$ 259	\$ -	\$ 259	\$ -	\$ 259	\$ 320	\$ -	\$ -	\$ 320	\$ 8	\$ 312	\$ -	\$ 312		-17%
Services	367	-	-	367	-	367	-	367	399	-	-	399	31	368	-	368		0%
Total revenue	626	-	-	626	-	626	-	626	719	-	-	719	39	680	-	680		-8%
Gross margin																		
Products	146	-	-	146	-	146	15	161	180	-	(4)	184	7	177	19	196		-18%
% of Revenue	56.4%			56.4%		56.4%	62.2%	62.2%	56.3%			57.5%	57.5%	56.7%		62.8%		
Services	169	(3)	(3)	175	-	175	-	175	185	(3)	(3)	191	10	181	-	181		-3%
% of Revenue	46.0%			47.7%		47.7%		47.7%	46.4%			47.9%	47.9%	49.2%		49.2%		
Total gross margin	315	(3)	(3)	321	-	321	15	336	365	(3)	(7)	375	17	358	19	377		-10%
% of Revenue	50.3%			51.3%		51.3%	53.7%	53.7%	50.8%			52.2%	52.2%	52.6%		55.4%		
Selling, general and administrative expenses	159	6	12	141	-	141	-	141	212	6	12	194	19	175	-	175		-19%
Research and development expenses	58	3	1	54	-	54	10	64	55	3	5	47	7	40	16	56		35%
Impairment of goodwill and other assets	-	-	-	-	-	-	-	-	138	-	138	-	-	-	-	-		NA
Total expenses	217	9	13	195	-	195	10	205	405	9	155	241	26	215	16	231		-9%
% of Revenue	34.7%			31.2%		31.2%	32.7%	32.7%	56.3%			33.5%	33.5%	31.6%		34.0%		
Income (loss) from operations	98	(12)	(16)	126	-	126	5	131	(40)	(12)	(162)	134	(9)	143	3	146		-12%
% of Revenue	15.7%			20.1%		20.1%	20.9%	20.9%	(5.6%)			18.6%	18.6%	21.0%		21.5%		
Other (expense) income, net	(7)	-	3	(10)	-	(10)	-	(10)	5	-	7	(2)	-	(2)	-	(2)		
Income before income taxes	91	(12)	(13)	116	-	116	5	121	(35)	(12)	(155)	132	(9)	141	3	144		-18%
Income tax expense	33	2	4	27	-	27	2	29	14	(4)	(20)	38	(2)	40	1	41		
% Tax rate	36.3%			23.3%		23.3%	24.0%	24.0%	(40.0%)			28.8%	28.8%	28.4%		28.5%		
Net income (loss)	\$ 58	\$ (14)	\$ (17)	\$ 89	\$ -	\$ 89	\$ 3	\$ 92	\$ (49)	\$ (8)	\$ (135)	\$ 94	\$ (7)	\$ 101	\$ 2	\$ 103		-12%
% of Revenue	9.3%			14.2%		14.2%	14.7%	14.7%	(6.8%)			13.1%	13.1%	14.9%		15.1%		
Net income (loss) per common share																		
Basic	\$ 0.45	\$ (0.11)	\$ (0.13)	\$ 0.68	\$ -	\$ 0.68	\$ 0.02	\$ 0.71	\$ (0.37)	\$ (0.06)	\$ (1.02)	\$ 0.71	\$ (0.05)	\$ 0.76	\$ 0.02	\$ 0.78		-11%
Diluted	\$ 0.44	\$ (0.11)	\$ (0.13)	\$ 0.67	\$ -	\$ 0.67	\$ 0.02	\$ 0.70	\$ (0.37)	\$ (0.06)	\$ (1.01)	\$ 0.70	\$ (0.05)	\$ 0.75	\$ 0.01	\$ 0.77		-11%
Weighted average common shares outstanding																		
Basic	130.1			130.1		130.1		130.1	132.1			132.1		132.1		132.1		
Diluted ⁵	132.0			132.0		132.0		132.0	132.1			134.0		134.0		134.0		

- 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.
- Equity compensation expense for the three months ended December 31, 2016 includes \$5 million of additional tax expense related to tax shortfalls from vested and exercised share-based awards.
- Special items for the three months ended December 31, 2016 include \$1 million (\$1 million after-tax) for amortization of acquired intangible assets, \$12 million (\$8 million after-tax) for acquisition-related transaction, integration and reorganization expenses, and \$8 million of additional tax expense from a change in U.S. tax law.
- Special items for the three months ended December 31, 2015 include \$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.
- Diluted shares are excluded from the GAAP diluted share count for 2015 because their effect would have been anti-dilutive.
- The Marketing Applications business was sold on July 1, 2016 and has been excluded from the non-GAAP results for the three months ended December 31, 2015 to enable comparison to current period non-GAAP results. Teradata is using these results to manage and evaluate the business, support operating decisions, and determine the effectiveness of its business management.
- Effective January 1, 2017, the Company is no longer subject to software capitalization policy which requires capitalization and amortization of research and development (R&D) costs in accordance with ASC 985-20, due to the agile nature of its new software. The R&D costs are included and amortization costs are excluded to enable comparison to current period non-GAAP results. Teradata is using these results to manage and evaluate the business, support operating decisions, and determine the effectiveness of its business management.
- The percentage change in non-GAAP year over year is prior to the adjustment for capitalized software. Refer to the highlighted columns above.

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

	2016							2015										
	GAAP	Equity Compensation Expense ²	Other Special Items ³	Non-GAAP excluding Equity Comp. and Other Special Items ¹	Marketing Applications ⁶	Non-GAAP excluding Equity Comp. Marketing Apps. and Other Special Items ¹	Capitalized Software ASC 985-20 ⁷	Non-GAAP excluding Equity Comp. Marketing Apps. Cap. Software and Other Special Items ¹	GAAP	Equity Compensation Expense ³	Other Special Items ⁴	Non-GAAP excluding Equity Comp. and Other Special Items ¹	Marketing Applications ⁶	Non-GAAP excluding Equity Comp. Marketing Apps. and Other Special Items ⁵	Capitalized Software ASC 985-20 ⁷	Non-GAAP excluding Equity Comp. Marketing Apps. Cap. Software and Other Special Items ¹	% Change Non-GAAP Yr/Yr ⁸	
Revenue																		
Products	\$ 889	\$ -	\$ -	\$ 889	\$ 14	\$ 875	\$ -	\$ 875	\$ 1,057	\$ -	\$ -	\$ 1,057	\$ 29	\$ 1,028	\$ -	\$ 1,028	-15%	
Services	1,433	-	-	1,433	55	1,378	-	1,378	1,473	-	-	1,473	124	1,349	-	1,349	2%	
Total revenue	2,322	-	-	2,322	69	2,253	-	2,253	2,530	-	-	2,530	153	2,377	-	2,377	-5%	
Gross margin																		
Products	537	-	(2)	539	13	526	62	588	617	-	(16)	633	24	609	70	679	-14%	
% of Revenue	60.4%			60.6%		60.1%		67.2%	58.4%			59.9%		59.2%		66.1%		
Services	651	(14)	(9)	674	21	653	-	653	659	(13)	(11)	683	39	644	-	644	1%	
% of Revenue	45.4%			47.0%		47.4%		47.4%	44.7%			46.4%		47.7%		47.7%		
Total gross margin	1,188	(14)	(11)	1,213	34	1,179	62	1,241	1,276	(13)	(27)	1,316	63	1,253	70	1,323	-6%	
% of Revenue	51.2%			52.2%		52.3%		55.1%	50.4%			52.0%		52.7%		55.7%		
Selling, general and administrative expenses	664	33	58	573	35	538	-	538	765	33	24	708	73	635	-	635	-15%	
Research and development expenses	212	14	11	187	17	170	59	229	228	10	19	199	33	166	61	227	2%	
Impairment of goodwill and acquired intangibles	80	-	80	-	-	-	-	-	478	-	478	-	-	-	-	-	-	
Total expenses	956	47	149	760	52	708	59	767	1,471	43	521	907	106	801	61	862	-12%	
% of Revenue	41.2%			32.7%		31.4%		34.0%	58.1%			35.8%		33.7%		36.3%		
Income (loss) from operations	232	(61)	(160)	453	(18)	471	3	474	(195)	(56)	(548)	409	(43)	452	9	461	4%	
% of Revenue	10.0%			19.5%		20.9%		21.0%	(7.7%)			16.2%		19.0%		19.4%		
Other (expense) income, net	(11)	-	6	(17)	-	(17)	-	(17)	51	-	57	(6)	-	(6)	-	(6)		
Income (loss) before income taxes	221	(61)	(154)	436	(18)	454	3	457	(144)	(56)	(491)	403	(43)	446	9	455	2%	
Income tax expense	96	(13)	(26)	135	17	118	1	119	70	(17)	(24)	111	(11)	122	3	125		
% Tax rate	43.4%			31.0%		26.0%		26.0%	(48.6%)			27.5%		27.4%		27.5%		
Net income (loss)	\$ 125	\$ (48)	\$ (128)	\$ 301	\$ (35)	\$ 336	\$ 2	\$ 338	\$ (214)	\$ (39)	\$ (467)	\$ 292	\$ (32)	\$ 324	\$ 6	\$ 330	4%	
% of Revenue	5.4%			13.0%		14.9%		15.0%	(8.5%)			11.5%		13.6%		13.9%		
Net income (loss) per common share																		
Basic	\$ 0.96	\$ (0.37)	\$ (0.99)	\$ 2.32	\$ (0.27)	\$ 2.59	\$ 0.02	\$ 2.61	\$ (1.53)	\$ (0.28)	\$ (3.34)	\$ 2.09	\$ (0.23)	\$ 2.32	\$ 0.04	\$ 2.36	12%	
Diluted	\$ 0.95	\$ (0.37)	\$ (0.97)	\$ 2.29	\$ (0.27)	\$ 2.56	\$ 0.02	\$ 2.57	\$ (1.53)	\$ (0.27)	\$ (3.32)	\$ 2.06	\$ (0.22)	\$ 2.28	\$ 0.04	\$ 2.33	12%	
Weighted average common shares outstanding																		
Basic	129.7					129.7		129.7	139.6					139.6		139.6		
Diluted ⁵	131.5					131.5		131.5	139.6					141.9		141.9		

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) Equity compensation expense for the three months ended December 31, 2016 includes \$5 million of additional tax expense related to tax shortfalls from vested and exercised share-based awards.

3) Special items for the twelve months ended December 31, 2016 include \$9 million (\$6 million after-tax) for amortization of acquired intangible assets, \$65 million (\$41 million after-tax) for acquisition-related transaction, integration and reorganization expenses, \$76 million (\$70 million after tax) for impairment of goodwill and acquired intangibles, \$4 million (\$3 million after tax) for impairment of other assets, and \$8 million of additional tax expense from a change in U.S. tax law.

4) Special items for the twelve months ended December 31, 2015 include \$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, and \$57 million (\$35 million after-tax) for gains on equity investments, and \$478 million (\$457 million after-tax) for impairment of goodwill.

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

6) The Marketing Applications business was sold on July 1, 2016 and has been excluded from the non-GAAP results for the twelve months ended December 31, 2015 to enable comparison to current period non-GAAP results. Teradata is using these results to manage and evaluate the business, support operating decisions, and determine the effectiveness of its business management.

7) Effective January 1, 2017, the Company is no longer subject to software capitalization policy which requires capitalization of research and development (R&D) costs in accordance with ASC 985-20, due to the agile nature of its new software. The R&D costs are included and amortization costs are excluded to enable comparison to 2017 non-GAAP results. Teradata is using these results to manage and evaluate the business, support operating decisions, and determine the effectiveness of its business management.

8) The percentage change in non-GAAP year over year is prior to the adjustment for capitalized software. Refer to the highlighted columns above.

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2016	2015	2016	2015
Net income (loss) (GAAP)	\$ 58	\$ (49)	\$ 125	\$ (214)
Net cash provided by operating activities (GAAP)	\$ 52	\$ 31	\$ 446	\$ 401
Less capital expenditures for:				
Expenditures for property and equipment	(21)	(9)	(53)	(52)
Additions to capitalized software	(11)	(17)	(65)	(68)
Free Cash Flow (non-GAAP measure) ¹	\$ 20	\$ 5	\$ 328	\$ 281

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.