

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 March 31

	2016					2015				
	GAAP	Equity Compensation Expense	Other Special Items ²	Marketing Applications	Non-GAAP excluding Equity Comp. Marketing Apps. and Other Special Items ¹	GAAP	Equity Compensation Expense	Other Special Items ³	Non-GAAP excluding Equity Comp. and Other Special Items ¹	% Change Non-GAAP Yr/Yr
Revenue										
Products	\$ 194	\$ -	\$ -	\$ 6	\$ 188	\$ 241	\$ -	\$ -	\$ 241	-22%
Services	351	-	-	28	323	341	-	-	341	-5%
Total revenue	545	-	-	34	511	582	-	-	582	-12%
Gross margin										
Products	116	-	(2)	6	112	132	-	(4)	136	-18%
% of Revenue	59.8%				59.6%	54.8%			56.4%	
Services	153	(4)	(3)	11	149	145	(4)	(2)	151	-1%
% of Revenue	43.6%				46.1%	42.5%			44.3%	
Total gross margin	269	(4)	(5)	17	261	277	(4)	(6)	287	-9%
% of Revenue	49.4%				51.1%	47.6%			49.3%	
Selling, general and administrative expenses	174	12	14	17	131	184	10	4	170	-23%
Research and development expenses	57	5	6	8	38	63	3	4	56	-32%
Impairment of goodwill and other assets	80	-	80	-	-	-	-	-	-	
Total expenses	311	17	100	25	169	247	13	8	226	-25%
% of Revenue	57.1%				33.1%	42.4%			38.8%	
(Loss) income from operations	(42)	(21)	(105)	(8)	92	30	(17)	(14)	61	51%
% of Revenue	(7.7%)				18.0%	5.2%			10.5%	
Other expense, net	(3)	-	-	-	(3)	-	-	-	-	
(Loss) income before income taxes	(45)	(21)	(105)	(8)	89	30	(17)	(14)	61	46%
Income tax expense	1	(8)	(16)	(2)	27	8	(5)	(4)	17	
% Tax rate	(2.2%)				30.3%	26.7%			27.9%	
Net (loss) income	\$ (46)	\$ (13)	\$ (89)	\$ (6)	\$ 62	\$ 22	\$ (12)	\$ (10)	\$ 44	41%
% of Revenue	(8.4%)				12.1%	3.8%			7.6%	
Net (loss) income per common share										
Basic	\$ (0.36)	\$ (0.10)	\$ (0.69)	\$ (0.05)	\$ 0.48	\$ 0.15	\$ (0.08)	\$ (0.07)	\$ 0.30	60%
Diluted	\$ (0.36)	\$ (0.10)	\$ (0.68)	\$ (0.05)	\$ 0.47	\$ 0.15	\$ (0.08)	\$ (0.07)	\$ 0.30	57%
Weighted average common shares outstanding										
Basic	129.4				129.4	145.2			145.2	
Diluted ⁴	129.4				130.9	147.7			147.7	

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 March 31, 2016 include \$5 million (\$3 million after-tax) for amortization of acquired intangible assets, \$20 million (\$13 million after-tax) for acquisition-related transaction, integration and reorganization expenses, \$76 million (\$70 million after tax) for impairment of goodwill and acquired intangibles and \$4 million (\$3 million after tax) for impairment of other assets.

3) Special items for the three months ended March 31, 2015 include \$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.

4) Diluted shares are excluded from the GAAP diluted share count for 2016 because their effect would have been anti-dilutive

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

	<u>Three Months Ended March 31</u>	
	<u>2016</u>	<u>2015</u>
Net (loss) income (GAAP)	\$ (46)	\$ 22
Net cash provided by operating activities (GAAP)	\$ 251	\$ 222
Less capital expenditures for:		
Expenditures for property and equipment	(8)	(17)
Additions to capitalized software	(18)	(15)
Free Cash Flow (non-GAAP measure) ¹	\$ 225	\$ 190

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:

	<u>Three Months Ended March 31</u>	
	<u>2016</u>	<u>2015</u>
Research and development expenses (GAAP)	\$ 57	\$ 63
Less		
Equity compensation expense	(5)	(3)
Other special items ²	(6)	(4)
Marketing Applications	(8)	-
Research and development expenses (non-GAAP)¹	\$ 38	\$ 56
Additions to capitalized software (GAAP)	18	15
Less		
Internal-use software	(2)	(2)
External-use software	16	13
Total research and development spend (non-GAAP)¹	\$ 54	\$ 69
% of Product Revenue	27.8%	28.6%

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- 2) Special items for the three months ended March 31, 2016 include \$3 million for acquisition-related transaction, integration and reorganization expenses, and \$3million for amortization of acquired intangible assets. Special items for the three months ended March 31, 2015 include \$1 million for acquisition-related transaction and integration expenses, and \$3 million for amortization of acquired intangible assets.