

**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 September 30

	2018					2017					% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense	Other Special Items <sup>3</sup>	Capitalized Software ASC 985-20	Non-GAAP <sup>1</sup>	GAAP <sup>2</sup>	Equity Compensation Expense	Other Special Items <sup>4</sup>	Capitalized Software ASC 985-20	Non-GAAP <sup>1</sup>	
<b>Revenue</b>											
Recurring	\$ 312	\$ -	\$ -	\$ -	\$ 312	\$ 292	\$ -	\$ -	\$ -	\$ 292	7%
Perpetual software licenses and hardware	77	-	-	-	77	90	-	-	-	90	-14%
Consulting services	137	-	-	-	137	144	-	-	-	144	-5%
<b>Total revenue</b>	<b>526</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>526</b>	<b>526</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>526</b>	<b>0%</b>
<b>Gross profit</b>											
Recurring	219	(1)	-	(6)	226	208	(1)	-	(5)	214	6%
% of Revenue	70.2%				72.4%	71.2%				73.3%	
Perpetual software licenses and hardware	34	-	-	(5)	39	39	-	1	(11)	49	-20%
% of Revenue	44.2%				50.6%	43.3%				54.4%	
Consulting services	11	(2)	-	-	13	3	(2)	(2)	-	7	86%
% of Revenue	8.0%				9.5%	2.1%				4.9%	
<b>Total gross profit</b>	<b>264</b>	<b>(3)</b>	<b>-</b>	<b>(11)</b>	<b>278</b>	<b>250</b>	<b>(3)</b>	<b>(1)</b>	<b>(16)</b>	<b>270</b>	<b>3%</b>
% of Revenue	50.2%				52.9%	47.5%				51.3%	
Selling, general and administrative expenses	166	8	14	-	144	161	10	3	-	148	-3%
Research and development expenses	84	4	2	-	78	80	4	6	-	70	11%
<b>Total expenses</b>	<b>250</b>	<b>12</b>	<b>16</b>	<b>-</b>	<b>222</b>	<b>241</b>	<b>14</b>	<b>9</b>	<b>-</b>	<b>218</b>	<b>2%</b>
% of Revenue	47.5%				42.2%	45.8%				41.4%	
<b>Income from operations</b>	<b>14</b>	<b>(15)</b>	<b>(16)</b>	<b>(11)</b>	<b>56</b>	<b>9</b>	<b>(17)</b>	<b>(10)</b>	<b>(16)</b>	<b>52</b>	<b>8%</b>
% of Revenue	2.7%				10.6%	1.7%				9.9%	
Other expense, net	(4)	-	-	-	(4)	(3)	-	-	-	(3)	
<b>Income before income taxes</b>	<b>10</b>	<b>(15)</b>	<b>(16)</b>	<b>(11)</b>	<b>52</b>	<b>6</b>	<b>(17)</b>	<b>(10)</b>	<b>(16)</b>	<b>49</b>	<b>6%</b>
Income tax (benefit) expense	(8)	(3)	(11)	(3)	9	(7)	(4)	(10)	(6)	13	
% Tax rate	(80.0%)				17.3%	(116.7%)				26.5%	
<b>Net income</b>	<b>\$ 18</b>	<b>\$ (12)</b>	<b>\$ (5)</b>	<b>\$ (8)</b>	<b>\$ 43</b>	<b>\$ 13</b>	<b>\$ (13)</b>	<b>\$ -</b>	<b>\$ (10)</b>	<b>\$ 36</b>	<b>19%</b>
% of Revenue	3.4%				8.2%	2.5%				6.8%	
<b>Net income per common share</b>											
Basic	\$ 0.15	\$ (0.10)	\$ (0.04)	\$ (0.07)	\$ 0.36	\$ 0.11	\$ (0.11)	\$ 0.01	\$ (0.08)	\$ 0.29	24%
Diluted	\$ 0.15	\$ (0.10)	\$ (0.05)	\$ (0.07)	\$ 0.36	\$ 0.10	\$ (0.10)	\$ (0.01)	\$ (0.08)	\$ 0.29	24%
<b>Weighted average common shares outstanding</b>											
Basic	118.7				118.7	123.7				123.7	
Diluted	120.7				120.7	125.8				125.8	

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) Effective January 1, 2018, as a result of its business transformation initiative, Teradata implemented a new revenue reporting structure, wherein revenues are now reported under "Recurring", "Perpetual software licenses and hardware" and "Consulting services" categories. Prior revenue and gross profit data has been reclassified to conform to the current period presentation.

3) Special items for the three months ended September 30, 2018 include \$1 million (\$1 million after-tax) for amortization of acquired intangible assets and \$14 million (\$10 million after-tax) for integration, and transformation activities including the Dayton office closure, \$1 million (\$1 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018 and \$7 million tax benefit for tax reform rate difference and SAB 118 adjustments.

4) Special items for the three months ended September 30, 2017 include \$2 million (\$1 million after-tax) for amortization of acquired intangible assets, \$13 million (\$9 million after-tax) for acquisition-related transaction, integration, reorganization and transformation-related expenses, \$5 million (\$4 million after tax) for reversal of previously expensed transformation charge related to the discontinuation of our prior hardware platforms and a \$6 million tax impact related to a reversal of TMA uncertain tax positions

**TERADATA CORPORATION**  
**RECONCILIATION OF RESULTS - GAAP TO NON-GAAP**  
Reflects the Impact of Special Items  
(in millions, except per share amounts - unaudited)  
For the Nine Months Ended September 30

	2018					2017					% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense	Other Special Items <sup>3</sup>	Capitalized Software ASC 985-20	Non-GAAP <sup>1</sup>	GAAP <sup>2</sup>	Equity Compensation Expense	Other Special Items <sup>4</sup>	Capitalized Software ASC 985-20	Non-GAAP <sup>1</sup>	
<b>Revenue</b>											
Recurring	\$ 926	\$ -	\$ -	\$ -	\$ 926	\$ 846	\$ -	\$ -	\$ -	\$ 846	9%
Perpetual software licenses and hardware	243	-	-	-	243	271	-	-	-	271	
Consulting services	407	-	-	-	407	413	-	-	-	413	-1%
<b>Total revenue</b>	<b>1,576</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,576</b>	<b>1,530</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,530</b>	<b>3%</b>
<b>Gross profit</b>											
Recurring	655	(3)	-	(20)	678	623	(2)	-	(19)	644	5%
% of Revenue	70.7%				73.2%	73.6%				76.1%	
Perpetual software licenses and hardware	79	-	-	(18)	97	102	-	-	(37)	139	
% of Revenue	32.5%				39.9%	37.6%				51.3%	
Consulting services	3	(8)	(3)	-	14	(8)	(8)	(4)	-	4	250%
% of Revenue	0.7%				3.4%	-1.9%				1.0%	
<b>Total gross profit</b>	<b>737</b>	<b>(11)</b>	<b>(3)</b>	<b>(38)</b>	<b>789</b>	<b>717</b>	<b>(10)</b>	<b>(4)</b>	<b>(56)</b>	<b>787</b>	<b>0%</b>
% of Revenue	46.8%				50.1%	46.9%				51.4%	
Selling, general and administrative expenses	481	26	20	-	435	481	30	30	-	421	3%
Research and development expenses	236	13	5	-	218	228	11	10	-	207	5%
<b>Total expenses</b>	<b>717</b>	<b>39</b>	<b>25</b>	<b>-</b>	<b>653</b>	<b>709</b>	<b>41</b>	<b>40</b>	<b>-</b>	<b>628</b>	<b>4%</b>
% of Revenue	45.5%				41.4%	46.3%				41.0%	
<b>Income from operations</b>	<b>20</b>	<b>(50)</b>	<b>(28)</b>	<b>(38)</b>	<b>136</b>	<b>8</b>	<b>(51)</b>	<b>(44)</b>	<b>(56)</b>	<b>159</b>	<b>-14%</b>
% of Revenue	1.3%				8.6%	0.5%				10.4%	
Other expense, net	(12)	-	-	-	(12)	(7)	-	1	-	(8)	
<b>Income before income taxes</b>	<b>8</b>	<b>(50)</b>	<b>(28)</b>	<b>(38)</b>	<b>124</b>	<b>1</b>	<b>(51)</b>	<b>(43)</b>	<b>(56)</b>	<b>151</b>	<b>-18%</b>
Income tax (benefit) expense	(7)	(10)	(13)	(10)	26	(6)	(14)	(21)	(21)	50	
% Tax rate	(87.5%)				21.0%	(600.0%)				33.1%	
<b>Net income</b>	<b>\$ 15</b>	<b>\$ (40)</b>	<b>\$ (15)</b>	<b>\$ (28)</b>	<b>\$ 98</b>	<b>\$ 7</b>	<b>\$ (37)</b>	<b>\$ (22)</b>	<b>\$ (35)</b>	<b>\$ 101</b>	<b>-3%</b>
% of Revenue	1.0%				6.2%	0.5%				6.6%	
<b>Net income per common share</b>											
Basic	\$ 0.13	\$ (0.33)	\$ (0.14)	\$ (0.23)	\$ 0.82	\$ 0.05	\$ (0.29)	\$ (0.17)	\$ (0.27)	\$ 0.79	3%
Diluted	\$ 0.12	\$ (0.33)	\$ (0.12)	\$ (0.23)	\$ 0.80	\$ 0.05	\$ (0.29)	\$ (0.17)	\$ (0.27)	\$ 0.78	3%
<b>Weighted average common shares outstanding</b>											
Basic	119.9				119.9	127.3				127.3	
Diluted	121.8				121.8	129.1				129.1	

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) Effective January 1, 2018, as a result of its business transformation initiative, Teradata implemented a new revenue reporting structure, wherein revenues are now reported under "Recurring", "Perpetual software licenses and hardware" and "Consulting services" categories. Prior revenue and gross profit data has been reclassified to conform to the current period presentation.

3) Special items for the nine months ended September 30, 2018 include \$4 million (\$4 million after-tax) for amortization of acquired intangible assets, \$22 million (\$16 million after-tax) for integration and transformation activities, including the Dayton office closure, \$2 million (\$2 million after tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018, and \$7 million tax benefit for tax reform rate difference and SAB 118 adjustments.

4) Special items for the nine months ended September 30, 2017 include \$5 million (\$4 million after-tax) for amortization of acquired intangible assets, \$43 million (\$27 million after-tax) for acquisition-related transaction, integration and reorganization expenses, \$5 million (\$4 million after tax) for reversal of previously expensed transformation charge related to the discontinuation of our prior hardware platforms and a \$6 million tax impact related to a reversal of TMA uncertain tax positions

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Net Income (GAAP)	\$ 18	\$ 13	\$ 15	\$ 7
<b>Net cash (used in) provided by operating activities (GAAP)</b>	<b>\$ (33)</b>	<b>\$ (8)</b>	<b>\$ 257</b>	<b>\$ 301</b>
Less capital expenditures for:				
Expenditures for property and equipment	(34)	(29)	(92)	(59)
Additions to capitalized software	(1)	(3)	(5)	(7)
<b>Free Cash Flow (non-GAAP measure) <sup>1</sup></b>	<b>\$ (68)</b>	<b>\$ (40)</b>	<b>\$ 160</b>	<b>\$ 235</b>

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.