

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

	2016					2015						
	GAAP	Equity Compensation Expense	Other Special Items ²	Marketing Applications ⁴	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	Marketing Applications ⁵	Non-GAAP excluding Equity Comp. Marketing Apps. and Other Special Items ⁵	% Change Non-GAAP Yr/Yr
Revenue												
Products	\$ 208	\$ -	\$ -	\$ -	\$ 208	\$ 240	\$ -	\$ -	\$ 240	\$ 8	\$ 232	-10%
Services	344	-	-	-	344	366	-	-	366	30	336	2%
Total revenue	552	-	-	-	552	606	-	-	606	38	568	-3%
Gross margin												
Products	136	-	-	-	136	142	-	(3)	145	5	140	-3%
% of Revenue	65.4%				65.4%	59.2%			60.4%		60.3%	
Services	158	(3)	(1)	-	162	165	(3)	(3)	171	10	161	1%
% of Revenue	45.9%				47.1%	45.1%			46.7%		47.9%	
Total gross margin	294	(3)	(1)	-	298	307	(3)	(6)	316	15	301	-1%
% of Revenue	53.3%				54.0%	50.7%			52.1%		53.0%	
Selling, general and administrative expenses	159	10	15	-	134	179	9	5	165	17	148	-9%
Research and development expenses	46	3	1	-	42	51	2	5	44	8	36	17%
Impairment of goodwill and other assets	-	-	-	-	-	-	-	-	-	-	-	NA
Total expenses	205	13	16	-	176	230	11	10	209	25	184	-4%
% of Revenue	37.1%				31.9%	38.0%			34.5%		32.4%	
Income from operations	89	(16)	(17)	-	122	77	(14)	(16)	107	(10)	117	4%
% of Revenue	16.1%				22.1%	12.7%			17.7%		20.6%	
Other income (expense), net	1	-	3	-	(2)	33	-	35	(2)	-	(2)	
Income before income taxes	90	(16)	(14)	-	120	110	(14)	19	105	(10)	115	4%
Income tax expense	41	(4)	(6)	22	29	32	(4)	9	27	(3)	30	
% Tax rate	45.6%				24.2%	29.1%			25.7%		26.1%	
Net income	\$ 49	\$ (12)	\$ (8)	\$ (22)	\$ 91	\$ 78	\$ (10)	\$ 10	\$ 78	\$ (7)	\$ 85	7%
% of Revenue	8.9%				16.5%	12.9%			12.9%		15.0%	
Net income per common share												
Basic	\$ 0.38	\$ (0.09)	\$ (0.06)	\$ (0.17)	\$ 0.70	\$ 0.56	\$ (0.07)	\$ 0.07	\$ 0.56	\$ (0.05)	\$ 0.61	15%
Diluted	\$ 0.37	\$ (0.09)	\$ (0.06)	\$ (0.17)	\$ 0.69	\$ 0.55	\$ (0.07)	\$ 0.07	\$ 0.55	\$ (0.05)	\$ 0.60	15%
Weighted average common shares outstanding												
Basic	129.7				129.7	139.2					139.2	
Diluted	131.6				131.6	141.4					141.4	

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 September 30, 2016 include \$1 million (\$1 million after-tax) for amortization of acquired intangible assets and \$13 million (\$7 million after-tax) for acquisition-related transaction, integration and reorganization expenses, net of tax) for transition services.

3) Special items for the three months ended September 30, 2015 include \$9 million (\$6 million after-tax) for amortization of acquired intangible assets, \$7 million (\$5 million after-tax) for acquisition-related transaction, integration and reorganization expenses and \$35 million (\$21 million after-tax) for a gain on an equity investment.

4) For the three months ended September 30, 2016, Marketing Applications includes \$22 million for tax impact on sale of the business that occurred on July 1, 2016.

5) The Marketing Applications business was sold on July 1, 2016 and has been excluded from the non-GAAP results for the three months ended September 30, 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.

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

	2016					2015						
	GAAP	Equity Compensation Expense ²	Other Special Items ²	Marketing Applications ⁶	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	Marketing Applications ⁶	Non-GAAP excluding Equity Comp. Marketing Apps. and Other Special Items ⁶	% Change Non-GAAP Yr/Yr
Revenue												
Products	\$ 630	\$ -	\$ -	\$ 14	\$ 616	\$ 737	\$ -	\$ -	\$ 737	\$ 21	\$ 716	-14%
Services	1,066	-	-	55	1,011	1,074	-	-	1,074	93	981	3%
Total revenue	1,696	-	-	69	1,627	1,811	-	-	1,811	114	1,697	-4%
Gross margin												
Products	391	-	(2)	13	380	437	-	(12)	449	17	432	-12%
% of Revenue	62.1%				61.7%	59.3%			60.9%		60.3%	
Services	482	(11)	(6)	21	478	474	(10)	(8)	492	29	463	3%
% of Revenue	45.2%				47.3%	44.1%			45.8%		47.2%	
Total gross margin	873	(11)	(8)	34	858	911	(10)	(20)	941	46	895	-4%
% of Revenue	51.5%				52.7%	50.3%			52.0%		52.7%	
Selling, general and administrative expenses	505	27	46	35	397	553	27	12	514	54	460	-14%
Research and development expenses	154	11	10	17	116	173	7	14	152	26	126	-8%
Impairment of goodwill and acquired intangibles	80	-	80	-	-	340	-	340	-	-	-	
Total expenses	739	38	136	52	513	1,066	34	366	666	80	586	-12%
% of Revenue	43.6%				31.5%	58.9%			36.8%		34.5%	
Income (loss) from operations	134	(49)	(144)	(18)	345	(155)	(44)	(386)	275	(34)	309	12%
% of Revenue	7.9%				21.2%	(8.6%)			15.2%		18.2%	
Other (expense) income, net	(4)	-	3	-	(7)	46	-	50	(4)	-	(4)	
Income (loss) before income taxes	130	(49)	(141)	(18)	338	(109)	(44)	(336)	271	(34)	305	11%
Income tax expense	63	(15)	(30)	17	91	56	(13)	(4)	73	(9)	82	
% Tax rate	48.5%				26.9%	(51.4%)			26.9%		26.9%	
Net income (loss)	\$ 67	\$ (34)	\$ (111)	\$ (35)	\$ 247	\$ (165)	\$ (31)	\$ (332)	\$ 198	\$ (25)	\$ 223	11%
% of Revenue	4.0%				15.2%	(9.1%)			10.9%		13.1%	
Net income (loss) per common share												
Basic	\$ 0.52	\$ (0.26)	\$ (0.86)	\$ (0.27)	\$ 1.91	\$ (1.16)	\$ (0.22)	\$ (2.33)	\$ 1.39	\$ (0.18)	\$ 1.57	21%
Diluted	\$ 0.51	\$ (0.26)	\$ (0.85)	\$ (0.26)	\$ 1.88	\$ (1.16)	\$ (0.22)	\$ (2.31)	\$ 1.37	\$ (0.17)	\$ 1.54	22%
Weighted average common shares outstanding												
Basic	129.6				129.6	142.1					142.1	
Diluted ⁴	131.3				131.3	142.1					144.5	

- 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 nine months ended September 30, 2016 include \$8 million (\$5 million after-tax) for amortization of acquired intangible assets, \$53 million (\$33 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 nine months ended September 30, 2015 include \$31 million (\$20 million after-tax) for amortization of acquired intangible assets, \$15 million (\$10 million after-tax) for acquisition-related transaction, integration and reorganization expenses, \$50 million (\$30 million after-tax) for a gain on an equity investment, and \$340 million (\$332 million after-tax) for impairment of goodwill.
- 4) Diluted shares are excluded from the GAAP diluted share count for 2015 because their effect would have been anti-dilutive
- 5) For the nine months ended September 30, 2016, Marketing Applications includes \$22 million for tax impact on sale of the business that occurred on July 1, 2016.
- 6) The Marketing Applications business was sold on July 1, 2016 and has been excluded from the non-GAAP results for the nine months ended September 30, 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.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Net income (loss) (GAAP)	\$ 49	\$ 78	\$ 67	\$ (165)
Net cash provided by operating activities (GAAP)	\$ 45	\$ 68	\$ 395	\$ 370
Less capital expenditures for:				
Expenditures for property and equipment	(15)	(14)	(32)	(43)
Additions to capitalized software	(18)	(21)	(54)	(51)
Free Cash Flow (non-GAAP measure) ¹	\$ 12	\$ 33	\$ 309	\$ 276

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 September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Research and development expenses (GAAP)	\$ 46	\$ 51	\$ 154	\$ 173
Less				
Equity compensation expense	(3)	(2)	(11)	(7)
Other special items ²	(1)	(5)	(10)	(14)
Research and development expenses (non-GAAP)¹	42	44	133	152
Marketing Applications	-	(8)	(17)	(26)
Research and development expenses (non-GAAP) excluding Marketing Applications³	42	36	116	126
Additions to capitalized software (GAAP)	18	21	54	51
Less				
Internal-use software	(2)	(2)	(5)	(6)
External-use software	16	19	49	45
Total research and development spend (non-GAAP)⁴	\$ 58	\$ 63	\$ 182	\$ 197
% of Product Revenue	27.9%	26.3%	28.9%	26.7%
Total research and development spend (non-GAAP) excluding Marketing Applications³	\$ 58	\$ 55	\$ 165	\$ 171
% of Product Revenue	27.9%	23.7%	26.8%	23.9%

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 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 nine months ended September 30, 2016 include \$0 and \$4 million for acquisition-related transaction, integration and reorganization expenses, and \$1 and \$6 million for amortization of acquired intangible assets. Special items for the three and nine months ended September 30, 2015 include \$5 and \$14 million for acquisition-related transaction, integration and reorganization expenses and amortization of acquired intangible assets.

3) The Marketing Applications business was sold on July 1, 2016 and has been excluded from the non-GAAP results for the three and nine months ended September 30, 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.