

**TERADATA CORPORATION**  
**RECONCILIATION OF RESULTS - NON-GAAP TO GAAP**

**Reflects the Impact of Special Items**  
(in millions, except per share amounts - unaudited)  
**For the Three Months Ended September 30**

	2014				2013				% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense <sup>2</sup>	Other Special Items <sup>2</sup>	Non-GAAP Excluding Stock Comp. Expense and Special Items <sup>1</sup>	GAAP	Equity Compensation Expense <sup>3</sup>	Other Special Items <sup>3</sup>	Non-GAAP Excluding Stock Comp. Expense and Special Items <sup>1</sup>	
<b>Revenue</b>									
Products	\$ 294	\$ -	\$ -	\$ 294	\$ 306	\$ -	\$ -	\$ 306	-4%
Services	373	-	-	373	360	-	-	360	4%
<b>Total revenue</b>	<b>667</b>	<b>-</b>	<b>-</b>	<b>667</b>	<b>666</b>	<b>-</b>	<b>-</b>	<b>666</b>	<b>0%</b>
<b>Gross margin</b>									
Products	175	-	(4)	179	188	-	(4)	192	-7%
% of Revenue	59.5%			60.9%	61.4%			62.7%	
Services	175	(2)	(3)	180	170	(2)	(2)	174	3%
% of Revenue	46.9%			48.3%	47.2%			48.3%	
<b>Total gross margin</b>	<b>350</b>	<b>(2)</b>	<b>(7)</b>	<b>359</b>	<b>358</b>	<b>(2)</b>	<b>(6)</b>	<b>366</b>	<b>-2%</b>
% of Revenue	52.5%			53.8%	53.8%			55.0%	
Selling, general and administrative expenses	181	7	5	169	183	8	5	170	-1%
Research and development expenses	46	2	4	40	43	2	3	38	5%
<b>Total expenses</b>	<b>227</b>	<b>9</b>	<b>9</b>	<b>209</b>	<b>226</b>	<b>10</b>	<b>8</b>	<b>208</b>	<b>0%</b>
% of Revenue	34.0%			31.3%	33.9%			31.2%	
<b>Income from operations</b>	<b>123</b>	<b>(11)</b>	<b>(16)</b>	<b>150</b>	<b>132</b>	<b>(12)</b>	<b>(14)</b>	<b>158</b>	<b>-5%</b>
% of Revenue	18.4%			22.5%	19.8%			23.7%	
Other expense, net	-	-	-	-	-	-	-	-	
<b>Income before income taxes</b>	<b>123</b>	<b>(11)</b>	<b>(16)</b>	<b>150</b>	<b>132</b>	<b>(12)</b>	<b>(14)</b>	<b>158</b>	<b>-5%</b>
Income tax expense	29	(4)	(6)	39	34	(4)	(4)	42	
% Tax rate	23.6%			26.0%	25.8%			26.6%	
<b>Net income</b>	<b>\$ 94</b>	<b>\$ (7)</b>	<b>\$ (10)</b>	<b>\$ 111</b>	<b>\$ 98</b>	<b>\$ (8)</b>	<b>\$ (10)</b>	<b>\$ 116</b>	<b>-4%</b>
% of Revenue	14.1%			16.6%	14.7%			17.4%	
<b>Net income per common share</b>									
Basic income per share	\$ 0.61	\$ (0.05)	\$ (0.06)	\$ 0.72	\$ 0.60	\$ (0.05)	\$ (0.06)	\$ 0.71	1%
Diluted income per share	\$ 0.60	\$ (0.05)	\$ (0.06)	\$ 0.71	\$ 0.59	\$ (0.05)	\$ (0.06)	\$ 0.70	1%
<b>Weighted average common shares outstanding</b>									
Basic	154.5			154.5	163.2			163.2	
Diluted	157.1			157.1	166.4			166.4	

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, 2014 include \$11 million (\$7 million after-tax) for equity compensation expense, \$12 million (\$8 million after-tax) for amortization of acquired intangible assets and \$4 million (\$2 million after-tax) for acquisition-related transaction, integration and reorganization expenses.

3) Special items for the three months ended September 30, 2013 include \$12 million (\$8 million after-tax) for equity compensation expense, \$11 million (\$8 million after-tax) for amortization of acquired intangible assets, and \$3 million (\$2 million after-tax) for acquisition-related transaction and integration expenses.

**TERADATA CORPORATION**  
**RECONCILIATION OF RESULTS - NON-GAAP TO GAAP**

Reflects The Impact of Special Items

(in millions, except per share amounts - unaudited)

For the Nine Months Ended September 30

	2014				2013				
	GAAP	Equity Compensation Expense <sup>2</sup>	Other Special Items <sup>2</sup>	Non-GAAP Excluding Stock Comp. Expense and Special Items <sup>1</sup>	GAAP	Equity Compensation Expense <sup>3</sup>	Other Special Items <sup>3</sup>	Non-GAAP Excluding Stock Comp. Expense and Special Items <sup>1</sup>	% Change Non-GAAP Yr/Yr
<b>Revenue</b>									
Products	\$ 867	\$ -	\$ -	\$ 867	\$ 858	\$ -	\$ -	\$ 858	1%
Services	1,104	-	-	1,104	1,065	-	-	1,065	4%
<b>Total revenue</b>	<b>1,971</b>	<b>-</b>	<b>-</b>	<b>1,971</b>	<b>1,923</b>	<b>-</b>	<b>-</b>	<b>1,923</b>	<b>2%</b>
<b>Gross margin</b>									
Products	551	-	(12)	563	\$ 546	-	(13)	559	1%
% of Revenue	63.6%			64.9%	63.6%			65.2%	
Services	503	(8)	(9)	520	496	(5)	(7)	508	2%
% of Revenue	45.6%			47.1%	46.6%			47.7%	
<b>Total gross margin</b>	<b>1,054</b>	<b>(8)</b>	<b>(21)</b>	<b>1,083</b>	<b>1,042</b>	<b>(5)</b>	<b>(20)</b>	<b>1,067</b>	<b>1%</b>
% of Revenue	53.5%			54.9%	54.2%			55.5%	
Selling, general and administrative expenses	557	22	18	517	547	27	15	505	2%
Research and development expenses	152	6	14	132	140	7	7	126	5%
<b>Total expenses</b>	<b>709</b>	<b>28</b>	<b>32</b>	<b>649</b>	<b>687</b>	<b>34</b>	<b>22</b>	<b>631</b>	<b>3%</b>
% of Revenue	36.0%			32.9%	35.7%			32.8%	
<b>Income from operations</b>	<b>345</b>	<b>(36)</b>	<b>(53)</b>	<b>434</b>	<b>355</b>	<b>(39)</b>	<b>(42)</b>	<b>436</b>	<b>0%</b>
% of Revenue	17.5%			22.0%	18.5%			22.7%	
Other expense, net	(8)	-	(8)	-	(1)	-	-	(1)	
<b>Income before income taxes</b>	<b>337</b>	<b>(36)</b>	<b>(61)</b>	<b>434</b>	<b>354</b>	<b>(39)</b>	<b>(42)</b>	<b>435</b>	<b>0%</b>
Income tax expense	88	(12)	(22)	122	89	(13)	(18)	120	
% Tax rate	26.1%			28.1%	25.1%			27.6%	
<b>Net income</b>	<b>\$ 249</b>	<b>\$ (24)</b>	<b>\$ (39)</b>	<b>\$ 312</b>	<b>\$ 265</b>	<b>\$ (26)</b>	<b>\$ (24)</b>	<b>\$ 315</b>	<b>-1%</b>
% of Revenue	12.6%			15.8%	13.8%			16.4%	
<b>Net income per common share</b>									
Basic income per share	\$ 1.59	\$ (0.15)	\$ (0.25)	\$ 1.99	\$ 1.62	\$ (0.16)	\$ (0.14)	\$ 1.92	4%
Diluted income per share	\$ 1.57	\$ (0.15)	\$ (0.24)	\$ 1.96	\$ 1.59	\$ (0.16)	\$ (0.14)	\$ 1.89	4%
<b>Weighted average common shares outstanding</b>									
Basic	156.6			156.6	164.0			164.0	
Diluted	159.1			159.1	167.1			167.1	

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 nine months ended September 30, 2014 include \$36 million (\$24 million after-tax) for equity compensation expense, \$35 million (\$23 million after-tax) for amortization of acquired intangible assets, \$18 million (\$10 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.

3) Special items for the nine months ended September 30, 2013 include \$39 million (\$26 million after-tax) for equity compensation expense, \$33 million (\$22 million after-tax) for amortization of acquired intangible assets, and \$9 million (\$6 million after-tax) for acquisition-related transaction and integration expenses, offset by a \$4 million tax credit due to the 2012 U.S. R&D tax credit, which was not enacted until 2013.

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

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net Income (GAAP)	\$ 94	\$ 98	\$ 249	\$ 265
<b>Net cash provided by operating activities (GAAP)</b>	<b>\$ 102</b>	<b>\$ 64</b>	<b>\$ 583</b>	<b>\$ 447</b>
Less capital expenditures for:				
Expenditures for property and equipment	(16)	(13)	(37)	(44)
Additions to capitalized software	(20)	(22)	(57)	(56)
<b>Free Cash Flow (non-GAAP measure)<sup>1</sup></b>	<b>\$ 66</b>	<b>\$ 29</b>	<b>\$ 489</b>	<b>\$ 347</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.

Teradata calculates total research and development spend, a non-GAAP financial measure, as follows:

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Research and development expenses (GAAP)</b>	<b>\$ 46</b>	<b>\$ 43</b>	<b>\$ 152</b>	<b>\$ 140</b>
Less				
Equity compensation expense <sup>2</sup>	(2)	(2)	(6)	(7)
Other special items <sup>2</sup>	(4)	(3)	(14)	(7)
<b>Research and development expenses (non-GAAP)<sup>1</sup></b>	<b>\$ 40</b>	<b>\$ 38</b>	<b>\$ 132</b>	<b>\$ 126</b>
<b>Additions to capitalized software (GAAP)</b>	<b>20</b>	<b>22</b>	<b>57</b>	<b>56</b>
Less				
Internal-use software	(2)	(1)	(5)	(4)
<b>External-use software</b>	<b>18</b>	<b>21</b>	<b>52</b>	<b>52</b>
<b>Total research and development spend (non-GAAP)<sup>1</sup></b>	<b>\$ 58</b>	<b>\$ 59</b>	<b>\$ 184</b>	<b>\$ 178</b>
% of Product Revenue	19.7%	19.3%	21.2%	20.7%

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 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, 2014 include \$2 and \$4 million for equity compensation expense, as well as \$6 and \$14 million for acquisition-related transaction, integration and reorganization expenses, and amortization of acquired intangible assets. Special items for the three and nine months ended September 30, 2013 include \$2 and \$7 million for equity compensation expense, as well as \$3 and \$7 million for acquisition-related transaction and integration expenses, and amortization of acquired intangible assets.