



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

(Unaudited)

**Reflects the Impact of Special Items**  
(in millions, except per share amounts)

For the Periods Ended June 30

Three Months

	2012				2011				% 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	\$ 321	\$ -	\$ -	\$ 321	\$ 269	\$ -	\$ (4)	\$ 273	18%
Services	344	-	(2)	346	312	-	(4)	316	9%
<b>Total revenue</b>	<b>665</b>	<b>-</b>	<b>(2)</b>	<b>667</b>	<b>581</b>	<b>-</b>	<b>(8)</b>	<b>589</b>	<b>13%</b>
<b>Gross margin</b>									
Products	222	-	(4)	226	176	-	(11)	187	21%
% of Revenue	69.2%			70.4%	65.4%			68.5%	
Services	160	(1)	(3)	164	140	(1)	(1)	142	15%
% of Revenue	46.5%			47.4%	44.9%			44.9%	
<b>Total gross margin</b>	<b>382</b>	<b>(1)</b>	<b>(7)</b>	<b>390</b>	<b>316</b>	<b>(1)</b>	<b>(12)</b>	<b>329</b>	<b>19%</b>
% of Revenue	57.4%			58.5%	54.4%			55.9%	
Selling, general and administrative expenses	179	8	9	162	165	6	10	149	
Research and development expenses	43	1	2	40	41	1	3	37	
<b>Total expenses</b>	<b>222</b>	<b>9</b>	<b>11</b>	<b>202</b>	<b>206</b>	<b>7</b>	<b>13</b>	<b>186</b>	<b>9%</b>
% of Revenue	33.4%			30.3%	35.5%			31.6%	
<b>Income from operations</b>	<b>160</b>	<b>(10)</b>	<b>(18)</b>	<b>188</b>	<b>110</b>	<b>(8)</b>	<b>(25)</b>	<b>143</b>	<b>31%</b>
% of Revenue	24.1%			28.2%	18.9%			24.3%	
Other income (expense), net	-	-	-	-	27	-	28	(1)	
<b>Income before income taxes</b>	<b>160</b>	<b>(10)</b>	<b>(18)</b>	<b>188</b>	<b>137</b>	<b>(8)</b>	<b>3</b>	<b>142</b>	<b>32%</b>
Income tax expense	48	(4)	(4)	56	34	(3)	(2)	39	
% Tax rate	30%			30%	25%			27%	
<b>Net income</b>	<b>\$ 112</b>	<b>\$ (6)</b>	<b>\$ (14)</b>	<b>\$ 132</b>	<b>\$ 103</b>	<b>\$ (5)</b>	<b>\$ 5</b>	<b>\$ 103</b>	<b>28%</b>
% of Revenue	16.8%			19.8%	17.7%			17.5%	
<b>Net income per common share</b>									
Basic income per share	\$ 0.66	\$ (0.04)	\$ (0.08)	\$ 0.78	\$ 0.61	\$ (0.03)	\$ 0.03	\$ 0.61	28%
Diluted income per share	\$ 0.65	\$ (0.04)	\$ (0.08)	\$ 0.77	\$ 0.60	\$ (0.03)	\$ 0.03	\$ 0.60	28%
<b>Weighted average common shares outstanding</b>									
Basic	168.7			168.7	168.7			168.7	
Diluted	172.3			172.3	172.4			172.4	

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 June 30, 2012 include \$10 million (\$6 million after-tax) for equity compensation expense, as well as \$8 million for amortization of acquired intangible assets, \$1 million for acquisition-related purchase accounting adjustments, and \$9 million for acquisition-related transaction and integration expenses, offset by a cumulative offsetting tax impact of \$4 million.

3) Special items for the three months ended June 30, 2011 include \$8 million (\$5 million after-tax) for equity compensation expense, as well as \$6 million for acquisition-related purchase accounting adjustments, \$10 million for acquisition-related transaction, integration and reorganization expenses, and \$9 million for amortization of acquired intangible assets, offset by a \$28 million gain on equity investments due to purchase and sale transactions, and a cumulative offsetting tax impact of \$2 million.



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(in millions, except per share amounts)

For the Periods Ended June 30

Six Months

	2012				2011				% 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	\$ 629	\$ -	\$ -	\$ 629	\$ 504	\$ -	\$ (10)	\$ 514	22%
Services	649	-	(4)	653	583	-	(4)	587	11%
<b>Total revenue</b>	<b>1,278</b>	<b>-</b>	<b>(4)</b>	<b>1,282</b>	<b>1,087</b>	<b>-</b>	<b>(14)</b>	<b>1,101</b>	<b>16%</b>
<b>Gross margin</b>									
Products	427	-	(8)	435	332	-	(18)	350	24%
% of Revenue	67.9%			69.2%	65.9%			68.1%	
Services	293	(2)	(4)	299	259	(2)	(3)	264	13%
% of Revenue	45.1%			45.8%	44.4%			45.0%	
<b>Total gross margin</b>	<b>720</b>	<b>(2)</b>	<b>(12)</b>	<b>734</b>	<b>591</b>	<b>(2)</b>	<b>(21)</b>	<b>614</b>	<b>20%</b>
% of Revenue	56.3%			57.3%	54.4%			55.8%	
Selling, general and administrative expenses	344	16	12	316	315	13	17	285	
Research and development expenses	89	3	3	83	75	2	3	70	
<b>Total expenses</b>	<b>433</b>	<b>19</b>	<b>15</b>	<b>399</b>	<b>390</b>	<b>15</b>	<b>20</b>	<b>355</b>	<b>12%</b>
% of Revenue	33.9%			31.1%	35.9%			32.2%	
<b>Income from operations</b>	<b>287</b>	<b>(21)</b>	<b>(27)</b>	<b>335</b>	<b>201</b>	<b>(17)</b>	<b>(41)</b>	<b>259</b>	<b>29%</b>
% of Revenue	22.5%			26.1%	18.5%			23.5%	
Other (expense) income, net	(1)	-	-	(1)	26	-	28	(2)	
<b>Income before income taxes</b>	<b>286</b>	<b>(21)</b>	<b>(27)</b>	<b>334</b>	<b>227</b>	<b>(17)</b>	<b>(13)</b>	<b>257</b>	<b>30%</b>
Income tax expense	83	(8)	(8)	99	59	(6)	(7)	72	
% Tax rate	29%			30%	26%			28%	
<b>Net income</b>	<b>\$ 203</b>	<b>\$ (13)</b>	<b>\$ (19)</b>	<b>\$ 235</b>	<b>\$ 168</b>	<b>\$ (11)</b>	<b>\$ (6)</b>	<b>\$ 185</b>	<b>27%</b>
% of Revenue	15.9%			18.3%	15.5%			16.8%	
<b>Net income per common share</b>									
Basic income per share	\$ 1.21	\$ (0.08)	\$ (0.11)	\$ 1.40	\$ 1.00	\$ (0.06)	\$ (0.04)	\$ 1.10	27%
Diluted income per share	\$ 1.18	\$ (0.08)	\$ (0.11)	\$ 1.37	\$ 0.98	\$ (0.06)	\$ (0.03)	\$ 1.07	28%
<b>Weighted average common shares outstanding</b>									
Basic	168.3			168.3	168.5			168.5	
Diluted	172.0			172.0	172.1			172.1	

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 six months ended June 30, 2012 includes \$21 million (\$13 million after-tax) for equity compensation expense, as well as \$2 million for acquisition-related purchase accounting adjustments, \$10 million for acquisition-related transaction, integration and reorganization expenses, and \$15 million for amortization of acquired intangible assets, offset by a cumulative offsetting tax impact of \$8 million.

3) Special items for the six months ended June 30, 2011 includes \$17 million (\$11 million after-tax) for equity compensation expense, as well as \$12 million for acquisition-related purchase accounting adjustments, \$17 million for acquisition-related transaction, integration and reorganization expenses, and \$12 million for amortization of acquired intangible assets, offset by a \$28 million gain on equity investments due to purchase and sale transactions, and a cumulative offsetting tax impact of \$7 million.

# TERADATA

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

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Net Income (GAAP)	\$ 112	\$ 103	\$ 203	\$ 168
<b>Net cash provided by operating activities (GAAP)</b>	<b>\$ 152</b>	<b>\$ 179</b>	<b>\$ 344</b>	<b>\$ 285</b>
Less capital expenditures for:				
Expenditures for property and equipment	(19)	(14)	(31)	(22)
Additions to capitalized software	(20)	(19)	(38)	(38)
<b>Free Cash Flow (non-GAAP measure)<sup>1</sup></b>	<b>\$ 113</b>	<b>\$ 146</b>	<b>\$ 275</b>	<b>\$ 225</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:

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
<b>Research and development expenses (GAAP)</b>	<b>\$ 43</b>	<b>\$ 41</b>	<b>\$ 89</b>	<b>\$ 75</b>
Less				
Equity compensation expense <sup>2</sup>	(1)	(1)	(3)	(2)
Other special items <sup>2</sup>	(2)	(3)	(3)	(3)
<b>Research and development expenses (non-GAAP)<sup>1</sup></b>	<b>40</b>	<b>37</b>	<b>83</b>	<b>70</b>
<b>Additions to capitalized software (GAAP)</b>	<b>20</b>	<b>19</b>	<b>38</b>	<b>38</b>
Less				
Internal-use software	(1)	(1)	(3)	(2)
<b>External-use software</b>	<b>19</b>	<b>18</b>	<b>35</b>	<b>36</b>
<b>Total research and development spend (non-GAAP)<sup>1</sup></b>	<b>\$ 59</b>	<b>\$ 55</b>	<b>\$ 118</b>	<b>\$ 106</b>

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2) Special items for the three and six months ended June 30, 2012 include \$1 and \$3 million for equity compensation expense, as well as \$2 and \$3 million for for acquisition-related transaction, integration and reorganization expenses, and amortization of acquired intangible assets. Special items for the three and six months ended June 30, 2011 include \$1 and \$2 million for equity compensation expense, as well as \$3 and \$3 million for for acquisition-related transaction, integration and reorganization expenses, and amortization of acquired intangible assets.