



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 September 30

	2012				2011				% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense ²	Other Special Items ²	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	
Revenue									
Products	\$ 306	\$ -	\$ -	\$ 306	\$ 287	\$ -	\$ (3)	\$ 290	6%
Services	341	-	(1)	342	315	-	(1)	316	8%
Total revenue	647	-	(1)	648	602	-	(4)	606	7%
Gross margin									
Products	211	-	(4)	215	188	-	(6)	194	11%
% of Revenue	69.0%			70.3%	65.5%			66.9%	
Services	150	(1)	(3)	154	140	(1)	(1)	142	8%
% of Revenue	44.0%			45.0%	44.4%			44.9%	
Total gross margin	361	(1)	(7)	369	328	(1)	(7)	336	10%
% of Revenue	55.8%			56.9%	54.5%			55.4%	
Selling, general and administrative expenses	174	7	4	163	163	6	3	154	6%
Research and development expenses	44	2	2	40	43	1	3	39	3%
Total expenses	218	9	6	203	206	7	6	193	5%
% of Revenue	33.7%			31.3%	34.2%			31.8%	
Income from operations	143	(10)	(13)	166	122	(8)	(13)	143	16%
% of Revenue	22.1%			25.6%	20.3%			23.6%	
Other income (expense), net	-	-	-	-	(1)	-	-	(1)	
Income before income taxes	143	(10)	(13)	166	121	(8)	(13)	142	17%
Income tax expense	39	(4)	(4)	47	34	(3)	(4)	41	
% Tax rate	27.3%			28.3%	28.1%			28.9%	
Net income	\$ 104	\$ (6)	\$ (9)	\$ 119	\$ 87	\$ (5)	\$ (9)	\$ 101	18%
% of Revenue	16.1%			18.4%	14.5%			16.7%	
Net income per common share									
Basic income per share	\$ 0.62	\$ (0.03)	\$ (0.05)	\$ 0.70	\$ 0.52	\$ (0.03)	\$ (0.05)	\$ 0.60	17%
Diluted income per share	\$ 0.60	\$ (0.04)	\$ (0.05)	\$ 0.69	\$ 0.51	\$ (0.03)	\$ (0.05)	\$ 0.59	17%
Weighted average common shares outstanding									
Basic	168.8			168.8	167.9			167.9	
Diluted	172.4			172.4	171.7			171.7	

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 September 30, 2012 include \$10 million (\$6 million after-tax) for equity compensation expense, as well as \$11 million for amortization of acquired intangible assets, and \$2 million for acquisition-related transaction and integration expenses, with a cumulative offsetting tax impact of \$4 million.

3) Special items for the three months ended September 30, 2011 include \$8 million (\$5 million after-tax) for equity compensation expense, as well as \$3 million for acquisition-related purchase accounting adjustments, \$4 million for acquisition-related transaction, integration and reorganization expenses, and \$6 million for amortization of acquired intangible assets, with a cumulative offsetting tax impact of \$4 million.



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RECONCILIATION OF RESULTS - NON-GAAP TO GAAP
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For the Periods Ended September 30
Nine Months

	2012				2011				% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense ²	Other Special Items ²	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	
Revenue									
Products	\$ 935	\$ -	\$ -	\$ 935	\$ 791	\$ -	\$ (13)	\$ 804	16%
Services	990	-	(5)	995	898	-	(5)	903	10%
Total revenue	1,925	-	(5)	1,930	1,689	-	(18)	1,707	13%
Gross margin									
Products	638	-	(12)	650	520	-	(24)	544	19%
% of Revenue	68.2%			69.5%	65.7%			67.7%	
Services	443	(3)	(7)	453	399	(3)	(4)	406	12%
% of Revenue	44.7%			45.5%	44.4%			45.0%	
Total gross margin	1,081	(3)	(19)	1,103	919	(3)	(28)	950	16%
% of Revenue	56.2%			57.2%	54.4%			55.7%	
Selling, general and administrative expenses	518	23	16	479	478	19	20	439	9%
Research and development expenses	133	5	5	123	118	3	6	109	13%
Total expenses	651	28	21	602	596	22	26	548	10%
% of Revenue	33.8%			31.2%	35.3%			32.1%	
Income from operations	430	(31)	(40)	501	323	(25)	(54)	402	25%
% of Revenue	22.3%			26.0%	19.1%			23.6%	
Other (expense) income, net	(1)	-	-	(1)	25	-	28	(3)	
Income before income taxes	429	(31)	(40)	500	348	(25)	(26)	399	25%
Income tax expense	122	(12)	(12)	146	93	(9)	(11)	113	
% Tax rate	28.4%			29.2%	26.7%			28.3%	
Net income	\$ 307	\$ (19)	\$ (28)	\$ 354	\$ 255	\$ (16)	\$ (15)	\$ 286	24%
% of Revenue	15.9%			18.3%	15.1%			16.8%	
Net income per common share									
Basic income per share	\$ 1.82	\$ (0.11)	\$ (0.17)	\$ 2.10	\$ 1.52	\$ (0.09)	\$ (0.09)	\$ 1.70	24%
Diluted income per share	\$ 1.78	\$ (0.11)	\$ (0.17)	\$ 2.06	\$ 1.48	\$ (0.09)	\$ (0.09)	\$ 1.66	24%
Weighted average common shares outstanding									
Basic	168.4			168.4	168.3			168.3	
Diluted	172.1			172.1	172.1			172.1	

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2) Special items for the nine months ended September 30, 2012 includes \$31 million (\$19 million after-tax) for equity compensation expense, as well as \$2 million for acquisition-related purchase accounting adjustments, \$12 million for acquisition-related transaction, integration and reorganization expenses, and \$26 million for amortization of acquired intangible assets, offset by a cumulative offsetting tax impact of \$12 million.

3) Special items for the nine months ended September 30, 2011 includes \$25 million (\$16 million after-tax) for equity compensation expense, as well as \$15 million for acquisition-related purchase accounting adjustments, \$21 million for acquisition-related transaction, integration and reorganization expenses, and \$18 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 \$11 million.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	2012	2011
Net Income (GAAP)	\$ 104	\$ 87	\$ 307	\$ 255
Net cash provided by operating activities (GAAP)	\$ 107	\$ 102	\$ 451	\$ 387
Less capital expenditures for:				
Expenditures for property and equipment	(18)	(9)	(49)	(31)
Additions to capitalized software	(22)	(18)	(60)	(56)
Free Cash Flow (non-GAAP measure)¹	\$ 67	\$ 75	\$ 342	\$ 300

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	
	2012	2011	2012	2011
Research and development expenses (GAAP)	\$ 44	\$ 43	\$ 133	\$ 118
Less				
Equity compensation expense ²	(2)	(1)	(5)	(3)
Other special items ²	(2)	(3)	(5)	(6)
Research and development expenses (non-GAAP)¹	40	39	123	109
Additions to capitalized software (GAAP)	22	18	60	56
Less				
Internal-use software	(2)	(2)	(5)	(4)
External-use software	20	16	55	52
Total research and development spend (non-GAAP)¹	\$ 60	\$ 55	\$ 178	\$ 161

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2) Special items for the three and nine months ended September 30, 2012 include \$2 and \$5 million for equity compensation expense, as well as \$2 and \$5 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, 2011 include \$1 and \$3 million for equity compensation expense, as well as \$3 and \$6 million for acquisition-related transaction, integration and reorganization expenses, and amortization of acquired intangible assets.