

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

	2015				2014				% 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	\$ 240	\$ -	\$ -	\$ 240	\$ 294	\$ -	\$ -	\$ 294	-18%
Services	366	-	-	366	373	-	-	373	-2%
Total revenue	606	-	-	606	667	-	-	667	-9%
Gross margin									
Products	142	-	(3)	145	175	-	(4)	179	-19%
% of Revenue	59.2%			60.4%	59.5%			60.9%	
Services	165	(3)	(3)	171	175	(2)	(3)	180	-5%
% of Revenue	45.1%			46.7%	46.9%			48.3%	
Total gross margin	307	(3)	(6)	316	350	(2)	(7)	359	-12%
% of Revenue	50.7%			52.1%	52.5%			53.8%	
Selling, general and administrative expenses	179	9	5	165	181	7	5	169	-2%
Research and development expenses	51	2	5	44	46	2	4	40	10%
Impairment of goodwill	-	-	-	-	-	-	-	-	
Total expenses	230	11	10	209	227	9	9	209	0%
% of Revenue	38.0%			34.5%	34.0%			31.3%	
Income from operations	77	(14)	(16)	107	123	(11)	(16)	150	-29%
% of Revenue	12.7%			17.7%	18.4%			22.5%	
Other income (expense), net	33	-	35	(2)	-	-	-	-	
Income before income taxes	110	(14)	19	105	123	(11)	(16)	150	-30%
Income tax expense	32	(4)	9	27	29	(4)	(6)	39	
% Tax rate	29.1%			25.7%	23.6%			26.0%	
Net income	\$ 78	\$ (10)	\$ 10	\$ 78	\$ 94	\$ (7)	\$ (10)	\$ 111	-30%
% of Revenue	12.9%			12.9%	14.1%			16.6%	
Net income per common share									
Basic	\$ 0.56	\$ (0.07)	\$ 0.07	\$ 0.56	\$ 0.61	\$ (0.05)	\$ (0.06)	\$ 0.72	-22%
Diluted	\$ 0.55	\$ (0.07)	\$ 0.07	\$ 0.55	\$ 0.60	\$ (0.05)	\$ (0.06)	\$ 0.71	-23%
Weighted average common shares outstanding									
Basic	139.2			139.2	154.5			154.5	
Diluted	141.4			141.4	157.1			157.1	

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 three months ended September 30, 2015 include \$14 million (\$10 million after-tax) for equity compensation expense, \$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

3) 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

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

	2015				2014				% 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	\$ 737	\$ -	\$ -	\$ 737	\$ 867	\$ -	\$ -	\$ 867	-15%
Services	1,074	-	-	1,074	1,104	-	-	1,104	-3%
Total revenue	1,811	-	-	1,811	1,971	-	-	1,971	-8%
Gross margin									
Products	437	-	(12)	449	551	-	(12)	563	-20%
% of Revenue	59.3%			60.9%	63.6%			64.9%	
Services	474	(10)	(8)	492	503	(8)	(9)	520	-5%
% of Revenue	44.1%			45.8%	45.6%			47.1%	
Total gross margin	911	(10)	(20)	941	1,054	(8)	(21)	1,083	-13%
% of Revenue	50.3%			52.0%	53.5%			54.9%	
Selling, general and administrative expenses	553	27	12	514	557	22	18	517	-1%
Research and development expenses	173	7	14	152	152	6	14	132	15%
Impairment of goodwill	340	-	340	-	-	-	-	-	
Total expenses	1,066	34	366	666	709	28	32	649	3%
% of Revenue	58.9%			36.8%	36.0%			32.9%	
(Loss) income from operations	(155)	(44)	(386)	275	345	(36)	(53)	434	-37%
% of Revenue	(8.6%)			15.2%	17.5%			22.0%	
Other income (expense), net	46	-	50	(4)	(8)	-	(8)	-	
(Loss) income before income taxes	(109)	(44)	(336)	271	337	(36)	(61)	434	-38%
Income tax expense	56	(13)	(4)	73	88	(12)	(22)	122	
% Tax rate	(51.4%)			26.9%	26.1%			28.1%	
Net (loss) income	\$ (165)	\$ (31)	\$ (332)	\$ 198	\$ 249	\$ (24)	\$ (39)	\$ 312	-37%
% of Revenue	(9.1%)			10.9%	12.6%			15.8%	
Net (loss) income per common share									
Basic	\$ (1.16)	\$ (0.22)	\$ (2.33)	\$ 1.39	\$ 1.59	\$ (0.15)	\$ (0.25)	\$ 1.99	-30%
Diluted	\$ (1.16)	\$ (0.22)	\$ (2.31)	\$ 1.37	\$ 1.57	\$ (0.15)	\$ (0.24)	\$ 1.96	-30%
Weighted average common shares outstanding									
Basic	142.1			142.1	156.6			156.6	
Diluted ⁴	142.1			144.5	159.1			159.1	

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, 2015 include \$44 million (\$31 million after-tax) for equity compensation expense, \$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 gains on equity investments, and \$340 million (\$332 million after-tax) for impairment of goodwill.

3) 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.

4) Diluted shares are excluded from the GAAP diluted share count for 2015 because their effect would have been anti-dilutive

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Net income (loss) (GAAP)	\$ 78	\$ 94	\$ (165)	\$ 249
Net cash provided by operating activities (GAAP)	\$ 68	\$ 102	\$ 370	\$ 583
Less capital expenditures for:				
Expenditures for property and equipment	(14)	(16)	(43)	(37)
Additions to capitalized software	(21)	(20)	(51)	(57)
Free Cash Flow (non-GAAP measure) ¹	\$ 33	\$ 66	\$ 276	\$ 489

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	
	2015	2014	2015	2014
Research and development expenses (GAAP)	\$ 51	\$ 46	\$ 173	\$ 152
Less				
Equity compensation expense ²	(2)	(2)	(7)	(6)
Other special items ²	(5)	(4)	(14)	(14)
Research and development expenses (non-GAAP)¹	\$ 44	\$ 40	\$ 152	\$ 132
Additions to capitalized software (GAAP)	21	20	51	57
Less				
Internal-use software	(2)	(2)	(6)	(5)
External-use software	19	18	45	52
Total research and development spend (non-GAAP)¹	\$ 63	\$ 58	\$ 197	\$ 184
% of Product Revenue	26.3%	19.7%	26.7%	21.2%

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2) Special items for the three and nine months ended September 30, 2015 include \$2 and \$7 million for equity compensation expense, as well as \$5 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, 2014 include \$2 and \$6 million for equity compensation expense, as well as \$4 and \$14 million for acquisition-related transaction and integration expenses, and amortization of acquired intangible assets.