

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 June 30

	2016					2015				
	GAAP	Equity Compensation Expense	Other Special Items ²	Marketing Applications	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	% Change Non-GAAP Yr/Yr
Revenue										
Products	\$ 228	\$ -	\$ -	\$ 8	\$ 220	\$ 256	\$ -	\$ -	\$ 256	-14%
Services	371	-	-	27	344	367	-	-	367	-6%
Total revenue	599	-	-	35	564	623	-	-	623	-9%
Gross margin										
Products	139	-	-	7	132	163	-	(5)	168	-21%
% of Revenue	61.0%				60.0%	63.7%			65.6%	
Services	171	(4)	(2)	10	167	164	(3)	(3)	170	-2%
% of Revenue	46.1%				48.5%	44.7%			46.3%	
Total gross margin	310	(4)	(2)	17	299	327	(3)	(8)	338	-12%
% of Revenue	51.8%				53.0%	52.5%			54.3%	
Selling, general and administrative expenses	172	5	17	18	132	190	8	3	179	-26%
Research and development expenses	51	3	3	9	36	59	2	5	52	-31%
Impairment of goodwill and other assets	-	-	-	-	-	340	-	340	-	
Total expenses	223	8	20	27	168	589	10	348	231	-27%
% of Revenue	37.2%				29.8%	94.5%			37.1%	
Income (loss) from operations	87	(12)	(22)	(10)	131	(262)	(13)	(356)	107	22%
% of Revenue	14.5%				23.2%	(42.1%)			17.2%	
Other (expense) income, net	(2)	-	-	-	(2)	13	-	15	(2)	
Income (loss) before income taxes	85	(12)	(22)	(10)	129	(249)	(13)	(341)	105	23%
Income tax expense	21	(3)	(8)	(3)	35	16	(4)	(9)	29	
% Tax rate	24.7%				27.1%	(6.4%)			27.6%	
Net income (loss)	\$ 64	\$ (9)	\$ (14)	\$ (7)	\$ 94	\$ (265)	\$ (9)	\$ (332)	\$ 76	24%
% of Revenue	10.7%				16.7%	(42.5%)			12.2%	
Net income (loss) per common share										
Basic	\$ 0.49	\$ (0.07)	\$ (0.11)	\$ (0.05)	\$ 0.72	\$ (1.87)	\$ (0.06)	\$ (2.35)	\$ 0.54	33%
Diluted	\$ 0.49	\$ (0.07)	\$ (0.10)	\$ (0.05)	\$ 0.71	\$ (1.87)	\$ (0.06)	\$ (2.34)	\$ 0.53	34%
Weighted average common shares outstanding										
Basic	129.8				129.8	141.9			141.9	
Diluted ⁴	131.5				131.5	141.9			144.4	

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, 2016 include \$2 million (\$1 million after-tax) for amortization of acquired intangible assets and \$20 million (\$13 million after-tax) for acquisition-related transaction, integration and reorganization expenses

3) Special items for the three months ended June 30, 2015 include \$11 million (\$6 million after-tax) for amortization of acquired intangible assets, \$5 million (\$3 million after-tax) for acquisition-related transaction, integration and reorganization expenses, \$15 million (\$9 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

TERADATA CORPORATION
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(in millions, except per share amounts - unaudited)
For the Six Months Ended June 30

	2016					2015				
	GAAP	Equity Compensation Expense ²	Other Special Items ²	Marketing Applications	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	% Change Non-GAAP Yr/Yr
Revenue										
Products	\$ 422	\$ -	\$ -	\$ 14	\$ 408	\$ 497	\$ -	\$ -	\$ 497	-18%
Services	722	-	-	55	667	708	-	-	708	-6%
Total revenue	1,144	-	-	69	1,075	1,205	-	-	1,205	-11%
Gross margin										
Products	255	-	(2)	13	244	295	-	(9)	304	-20%
% of Revenue	60.4%				59.8%	59.4%			61.2%	
Services	324	(8)	(5)	21	316	309	(7)	(5)	321	-2%
% of Revenue	44.9%				47.4%	43.6%			45.3%	
Total gross margin	579	(8)	(7)	34	560	604	(7)	(14)	625	-10%
% of Revenue	50.6%				52.1%	50.1%			51.9%	
Selling, general and administrative expenses	346	17	31	35	263	374	18	7	349	-25%
Research and development expenses	108	8	9	17	74	122	5	9	108	-31%
Impairment of goodwill and acquired intangibles	80	-	80	-	-	340	-	340	-	
Total expenses	534	25	120	52	337	836	23	356	457	-26%
% of Revenue	46.7%				31.3%	69.4%			37.9%	
Income (loss) from operations	45	(33)	(127)	(18)	223	(232)	(30)	(370)	168	33%
% of Revenue	3.9%				20.7%	(19.3%)			13.9%	
Other (expense) income, net	(5)	-	-	-	(5)	13	-	15	(2)	
Income (loss) before income taxes	40	(33)	(127)	(18)	218	(219)	(30)	(355)	166	31%
Income tax expense	22	(11)	(24)	(5)	62	24	(9)	(13)	46	
% Tax rate	55.0%				28.4%	(11.0%)			27.7%	
Net income (loss)	\$ 18	\$ (22)	\$ (103)	\$ (13)	\$ 156	\$ (243)	\$ (21)	\$ (342)	\$ 120	30%
% of Revenue	1.6%				14.5%	(20.2%)			10.0%	
Net income (loss) per common share										
Basic	\$ 0.14	\$ (0.17)	\$ (0.79)	\$ (0.10)	\$ 1.20	\$ (1.69)	\$ (0.15)	\$ (2.38)	\$ 0.84	43%
Diluted	\$ 0.14	\$ (0.17)	\$ (0.78)	\$ (0.10)	\$ 1.19	\$ (1.69)	\$ (0.15)	\$ (2.36)	\$ 0.82	45%
Weighted average common shares outstanding										
Basic	129.6				129.6	143.6			143.6	
Diluted ⁴	131.2				131.2	143.6			146.1	

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2) Special items for the six months ended June 30, 2016 include \$7 million (\$4 million after-tax) for amortization of acquired intangible assets, \$40 million (\$26 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 six months ended June 30, 2015 include \$22 million (\$14 million after-tax) for amortization of acquired intangible assets, \$8 million (\$5 million after-tax) for acquisition-related transaction, integration and reorganization expenses, \$15 million (\$9 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

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

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Net (loss) income (GAAP)	\$ 64	\$ (265)	\$ 18	\$ (243)
Net cash provided by operating activities (GAAP)	\$ 99	\$ 80	\$ 350	\$ 302
Less capital expenditures for:				
Expenditures for property and equipment	(9)	(12)	(17)	(29)
Additions to capitalized software	(18)	(15)	(36)	(30)
Free Cash Flow (non-GAAP measure) ¹	\$ 72	\$ 53	\$ 297	\$ 243

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	
	2016	2015	2016	2015
Research and development expenses (GAAP)	\$ 51	\$ 59	\$ 108	\$ 122
Less				
Equity compensation expense	(3)	(2)	(8)	(5)
Other special items ²	(3)	(5)	(9)	(9)
Marketing Applications	(9)	-	(17)	
Research and development expenses (non-GAAP)¹	\$ 36	\$ 52	\$ 74	\$ 108
Additions to capitalized software (GAAP)	18	15	36	30
Less				
Internal-use software	(1)	(2)	(3)	(4)
External-use software	17	13	33	26
Total research and development spend (non-GAAP)¹	\$ 53	\$ 65	\$ 107	\$ 134
% of Product Revenue	23.2%	25.4%	25.4%	27.0%

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2) Special items for the three and six months ended June 30, 2016 include \$1 and \$4 million for acquisition-related transaction, integration and reorganization expenses, and \$2 and \$5 million for amortization of acquired intangible assets. Special items for the three and six months ended June 30, 2015 include \$1 and \$2 million for acquisition-related transaction, integration and reorganization expenses, and \$4 and \$7 million for amortization of acquired intangible assets