

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 December 31

	2017					2016						% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense	Other Special Items ³	Capitalized Software ASC 985-20 ⁵	Non-GAAP ¹	GAAP ²	Equity Compensation Expense	Other Special Items ⁴	Marketing Applications ⁵	Capitalized Software ASC 985-20 ⁵	Non-GAAP ¹	
Revenue												
Product and cloud	\$ 243	\$ -	\$ -	\$ -	\$ 243	\$ 262	\$ -	\$ -	\$ -	\$ -	\$ 262	-7%
Services	383	-	-	-	383	364	-	-	-	-	364	5%
Total revenue	626	-	-	-	626	626	-	-	-	-	626	0%
Gross profit												
Product and cloud	134	-	-	(14)	148	144	-	-	-	(15)	159	-7%
% of Revenue	55.1%				60.9%	55.0%					60.7%	
Services	172	(3)	(1)	-	176	171	(3)	(3)	-	-	177	-1%
% of Revenue	44.9%				46.0%	47.0%					48.6%	
Total gross profit	306	(3)	(1)	(14)	324	315	(3)	(3)	-	(15)	336	-4%
% of Revenue	48.9%				51.8%	50.3%					53.7%	
Selling, general and administrative expenses	171	11	(2)	-	162	159	6	12	-	-	141	15%
Research and development expenses	76	3	2	-	71	58	3	1	-	(10)	64	11%
Total expenses	247	14	-	-	233	217	9	13	-	(10)	205	14%
% of Revenue	39.5%				37.2%	34.7%					32.7%	
Income from operations	59	(17)	(1)	(14)	91	98	(12)	(16)	-	(5)	131	-31%
% of Revenue	9.4%				14.5%	15.7%					20.9%	
Other (expense) income, net	(2)	-	-	-	(2)	(7)	-	3	-	-	(10)	
Income before income taxes	57	(17)	(1)	(14)	89	91	(12)	(13)	-	(5)	121	-26%
Income tax (benefit) expense	131	(7)	126	(5)	17	33	2	4	-	(2)	29	
% Tax rate	229.8%				19.1%	36.3%					24.0%	
Net (loss) income	\$ (74)	\$ (10)	\$ (127)	\$ (9)	\$ 72	\$ 58	\$ (14)	\$ (17)	\$ -	\$ (3)	\$ 92	-22%
% of Revenue	(11.8%)				11.5%	9.3%					14.7%	
Net (loss) income per common share												
Basic	\$ (0.61)	\$ (0.08)	\$ (1.05)	\$ (0.07)	\$ 0.59	\$ 0.45	\$ (0.11)	\$ (0.13)	\$ -	\$ (0.02)	\$ 0.71	-16%
Diluted	\$ (0.61)	\$ (0.08)	\$ (1.04)	\$ (0.07)	\$ 0.58	\$ 0.44	\$ (0.11)	\$ (0.13)	\$ -	\$ (0.02)	\$ 0.70	-16%
Weighted average common shares outstanding												
Basic	121.1				121.1	130.1					130.1	
Diluted	121.1				123.5	132.0					132.0	

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) Effective January 1, 2017, as a result of its business transformation initiative, Teradata implemented a new revenue reporting structure, wherein revenues are now reported under "Product and cloud" and "Services" categories. Prior revenue and gross profit data has been reclassified to conform to the current period presentation.

3) Special items for the three months ended December 31, 2017 include \$3 million (\$2 million after-tax) for amortization of acquired intangible assets and \$2 million (\$1 million after-tax) for acquisition-related transaction, integration, reorganization and transformation-related expense reversals, and \$126 million tax impact related to 2017 U.S. Tax Reform

4) Special items for the three months ended December 31, 2016 include \$1 million (\$1 million after-tax) for amortization of acquired intangible assets, \$12 million (\$8 million after-tax) for acquisition-related transaction, integration and reorganization expenses, and \$8 million of additional tax expense from a change in U.S. tax law.

5) Effective January 1, 2017, the Company is no longer subject to software capitalization policy which requires capitalization and amortization of research and development (R&D) costs in accordance with ASC 985-20, due to the agile nature of its software development. The R&D costs are included and amortization costs are excluded to enable comparison to current period non-GAAP results. Teradata is using these results to manage and evaluate the business, support operating decisions, and determine the effectiveness of its business management.

TERADATA CORPORATION
RECONCILIATION OF RESULTS - GAAP TO NON-GAAP
Reflects the Impact of Special Items
(in millions, except per share amounts - unaudited)
For the Twelve Months Ended December 31

	2017					2016						% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense	Other Special Items ³	Capitalized Software ASC 985-20 ⁶	Non-GAAP ¹	GAAP ²	Equity Compensation Expense	Other Special Items ⁴	Marketing Applications ⁵	Capitalized Software ASC 985-20 ⁶	Non-GAAP ¹	
Revenue												
Product and cloud	\$ 747	\$ -	\$ -	\$ -	\$ 747	\$ 923	\$ -	\$ -	\$ 39	\$ -	\$ 884	-15%
Services	1,409	-	-	-	1,409	1,399	-	-	30	-	1,369	3%
Total revenue	2,156	-	-	-	2,156	2,322	-	-	69	-	2,253	-4%
Gross profit												
Product and cloud	422	-	(1)	(68)	491	540	-	(2)	20	(62)	584	-16%
% of Revenue	56.5%				65.7%	58.5%					66.1%	
Services	600	(13)	(6)	-	619	648	(14)	(9)	14	-	657	-6%
% of Revenue	42.6%				43.9%	46.3%					48.0%	
Total gross profit	1,022	(13)	(7)	(68)	1,110	1,188	(14)	(11)	34	(62)	1,241	-11%
% of Revenue	47.4%				51.5%	51.2%					55.1%	
Selling, general and administrative expenses	652	41	27	-	584	664	33	58	35	-	538	9%
Research and development expenses	306	14	12	-	280	212	14	11	17	(59)	229	22%
Impairment of goodwill and acquired intangibles	-	-	-	-	-	80	-	80	-	-	-	NA
Total expenses	958	55	39	-	864	956	47	149	52	(59)	767	13%
% of Revenue	44.4%				40.1%	41.2%					34.0%	
Income from operations	64	(68)	(46)	(68)	246	232	(61)	(160)	(18)	(3)	474	-48%
% of Revenue	3.0%				11.4%	10.0%					21.0%	
Other expense, net	(6)	-	-	-	(6)	(11)	-	6	-	-	(17)	
Income before income taxes	58	(68)	(46)	(68)	240	221	(61)	(154)	(18)	(3)	457	-47%
Income tax (benefit) expense	125	(21)	105	(26)	67	96	(13)	(26)	17	(1)	119	
% Tax rate	215.5%				27.9%	43.4%					26.0%	
Net (loss) income	\$ (67)	\$ (47)	\$ (151)	\$ (42)	\$ 173	\$ 125	\$ (48)	\$ (128)	\$ (35)	\$ (2)	\$ 338	-49%
% of Revenue	(3.1%)				8.0%	5.4%					15.0%	
Net (loss) income per common share												
Basic	\$ (0.53)	\$ (0.37)	\$ (1.21)	\$ (0.33)	\$ 1.38	\$ 0.96	\$ (0.37)	\$ (0.99)	\$ (0.27)	\$ (0.02)	\$ 2.61	-47%
Diluted	\$ (0.53)	\$ (0.37)	\$ (1.18)	\$ (0.33)	\$ 1.35	\$ 0.95	\$ (0.37)	\$ (0.97)	\$ (0.26)	\$ (0.02)	\$ 2.57	-47%
Weighted average common shares outstanding												
Basic	125.8				125.8	129.7					129.7	
Diluted ⁵	125.8				127.8	131.5					131.5	

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) Effective January 1, 2017, as a result of its business transformation initiative, Teradata implemented a new revenue reporting structure, wherein revenues are now reported under "Product and cloud" and "Services" categories. Prior revenue and gross profit data has been reclassified to conform to the current period presentation.

3) Special items for the twelve months ended December 31, 2017 include \$8 million (\$6 million after-tax) for amortization of acquired intangible assets, \$38 million (\$25 million after-tax) for acquisition-related transaction, integration and reorganization expenses, \$6 million tax impact related to a reversal of TMA uncertain tax positions, and a \$126 million tax impact related to 2017 U.S. Tax Reform.

4) Special items for the twelve months ended December 31, 2016 include \$9 million (\$6 million after-tax) for amortization of acquired intangible assets, \$65 million (\$41 million after-tax) for acquisition-related transaction, integration and reorganization expenses, \$76 million (\$70 million after-tax) for impairment of goodwill and acquired intangibles, \$4 million (\$3 million after-tax) for impairment of other assets, and 8 million of additional tax expense from a change in U.S. tax law.

5) The Marketing Applications business was sold on July 1, 2016 and has been excluded from the non-GAAP results for the twelve months ended December 31, 2016 to enable comparison to current period non-GAAP results. In addition, the marketing applications results for the twelve months ended December 31, 2016, includes a \$22 million tax impact on sale of the business that occurred on July 1, 2016. Teradata is using these results to manage and evaluate the business, support operating decisions, and determine the effectiveness of its business management.

6) Effective January 1, 2017, the Company is no longer subject to software capitalization policy which requires capitalization of research and development (R&D) costs in accordance with ASC 985-20, due to the agile nature of its software development. The R&D costs are included and amortization costs are excluded to enable comparison to 2017 non-GAAP results. Teradata is using these results to manage and evaluate the business, support operating decisions, and determine the effectiveness of its business management.

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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2017	2016	2017	2016
Net (loss) income (GAAP)	\$ (74)	\$ 58	\$ (67)	\$ 125
Net cash provided by operating activities (GAAP)	\$ 23	\$ 52	\$ 324	\$ 446
Less capital expenditures for:				
Expenditures for property and equipment	(19)	(21)	(78)	(53)
Additions to capitalized software	(2)	(11)	(9)	(65)
Free Cash Flow (non-GAAP measure) ¹	\$ 2	\$ 20	\$ 237	\$ 328

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.