

**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 March 31**

	2018					2017					% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense	Other Special Items <sup>3</sup>	Capitalized Software ASC 985-20	Non-GAAP <sup>1</sup>	GAAP <sup>2</sup>	Equity Compensation Expense	Other Special Items <sup>4</sup>	Capitalized Software ASC 985-20	Non-GAAP <sup>1</sup>	
<b>Revenue</b>											
Recurring	\$ 302	\$ -	\$ -	\$ -	\$ 302	\$ 273	\$ -	\$ -	\$ -	\$ 273	11%
Perpetual software licenses and hardware	69	-	-	-	69	90	-	-	-	90	-23%
Consulting services	135	-	-	-	135	128	-	-	-	128	5%
<b>Total revenue</b>	<b>506</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>506</b>	<b>491</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>491</b>	<b>3%</b>
<b>Gross profit</b>											
Recurring	212	(1)	-	(8)	221	206	-	-	(7)	213	4%
% of Revenue	70.2%				73.2%	75.5%				78.0%	
Perpetual software licenses and hardware	21	-	-	(7)	28	29	-	(1)	(14)	44	-36%
% of Revenue	30.4%				40.6%	32.2%				48.9%	
Consulting services	(10)	(3)	(3)	-	(4)	(10)	(3)	(1)	-	(6)	-33%
% of Revenue	-7.4%				-3.0%	-7.8%				-4.7%	
<b>Total gross profit</b>	<b>223</b>	<b>(4)</b>	<b>(3)</b>	<b>(15)</b>	<b>245</b>	<b>225</b>	<b>(3)</b>	<b>(2)</b>	<b>(21)</b>	<b>251</b>	<b>-2%</b>
% of Revenue	44.1%				48.4%	45.8%				51.1%	
Selling, general and administrative expenses	152	10	-	-	142	155	9	19	-	127	12%
Research and development expenses	75	5	2	-	68	70	3	2	-	65	5%
<b>Total expenses</b>	<b>227</b>	<b>15</b>	<b>2</b>	<b>-</b>	<b>210</b>	<b>225</b>	<b>12</b>	<b>21</b>	<b>-</b>	<b>192</b>	<b>9%</b>
% of Revenue	44.9%				41.5%	45.8%				39.1%	
<b>(Loss) income from operations</b>	<b>(4)</b>	<b>(19)</b>	<b>(5)</b>	<b>(15)</b>	<b>35</b>	<b>-</b>	<b>(15)</b>	<b>(23)</b>	<b>(21)</b>	<b>59</b>	<b>-41%</b>
% of Revenue	(0.8%)				6.9%	0.0%				12.0%	
Other expense, net	(4)	-	-	-	(4)	(2)	-	-	-	(2)	
<b>(Loss) income before income taxes</b>	<b>(8)</b>	<b>(19)</b>	<b>(5)</b>	<b>(15)</b>	<b>31</b>	<b>(2)</b>	<b>(15)</b>	<b>(23)</b>	<b>(21)</b>	<b>57</b>	<b>-46%</b>
Income tax (benefit) expense	(1)	(4)	(1)	(4)	8	-	(5)	(7)	(8)	20	
% Tax rate	12.5%				25.8%	0.0%				35.1%	
<b>Net (loss) income</b>	<b>\$ (7)</b>	<b>\$ (15)</b>	<b>\$ (4)</b>	<b>\$ (11)</b>	<b>\$ 23</b>	<b>\$ (2)</b>	<b>\$ (10)</b>	<b>\$ (16)</b>	<b>\$ (13)</b>	<b>\$ 37</b>	<b>-38%</b>
% of Revenue	(1.4%)				4.5%	(0.4%)				7.5%	
<b>Net (loss) income per common share</b>											
Basic	\$ (0.06)	\$ (0.12)	\$ (0.03)	\$ (0.09)	\$ 0.19	\$ (0.02)	\$ (0.08)	\$ (0.12)	\$ (0.10)	\$ 0.28	-33%
Diluted	\$ (0.06)	\$ (0.12)	\$ (0.04)	\$ (0.09)	\$ 0.19	\$ (0.02)	\$ (0.08)	\$ (0.12)	\$ (0.10)	\$ 0.28	-34%
<b>Weighted average common shares outstanding</b>											
Basic	121.4				121.4	130.4				130.4	
Diluted	121.4				123.4	130.4				131.9	

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, 2018, as a result of its business transformation initiative, Teradata implemented a new revenue reporting structure, wherein revenues are now reported under "Recurring", "Perpetual software licenses and hardware" and "Consulting 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 March 31, 2018 include \$2 million (\$2 million after-tax) for amortization of acquired intangible assets and \$3 million (\$2 million after-tax) for acquisition-related transaction, integration, and transformation activities.

4) Special items for the three months ended March 31, 2017 include \$2 million (\$1 million after-tax) for amortization of acquired intangible assets, \$21 million (\$15 million after-tax) for acquisition-related transaction, integration, reorganization and transformation-related expenses, which includes an \$8 million (\$6 million after-tax) transformation charge related to the discontinuation of our prior hardware platforms.

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

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

	Three Months Ended March 31	
	2018	2017
Net loss (GAAP)	\$ (7)	\$ (2)
<b>Net cash provided by operating activities (GAAP)</b>	<b>\$ 184</b>	<b>\$ 248</b>
Less capital expenditures for:		
Expenditures for property and equipment	(26)	(16)
Additions to capitalized software	(2)	(2)
<b>Free Cash Flow (non-GAAP measure) <sup>1</sup></b>	<b>\$ 156</b>	<b>\$ 230</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.