

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

	2018					2017					% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense	Other Special Items ³	Capitalized Software ASC 985-20	Non-GAAP ¹	GAAP ²	Equity Compensation Expense	Other Special Items ⁴	Capitalized Software ASC 985-20	Non-GAAP ¹	
Revenue											
Recurring	\$ 312	\$ -	\$ -	\$ -	\$ 312	\$ 281	\$ -	\$ -	\$ -	\$ 281	11%
Perpetual software licenses and hardware	97	-	-	-	97	91	-	-	-	91	7%
Consulting services	135	-	-	-	135	141	-	-	-	141	-4%
Total revenue	544	-	-	-	544	513	-	-	-	513	6%
Gross profit											
Recurring	224	(1)	-	(6)	231	209	(1)	-	(7)	217	6%
% of Revenue	71.8%				74.0%	74.4%				77.2%	
Perpetual software licenses and hardware	24	-	-	(6)	30	34	-	-	(12)	46	-35%
% of Revenue	24.7%				30.9%	37.4%				50.5%	
Consulting services	2	(3)	-	-	5	(1)	(3)	(1)	-	3	67%
% of Revenue	1.5%				3.7%	-0.7%				2.1%	
Total gross profit	250	(4)	-	(12)	266	242	(4)	(1)	(19)	266	0%
% of Revenue	46.0%				48.9%	47.2%				51.9%	
Selling, general and administrative expenses	163	8	6	-	149	165	11	8	-	146	2%
Research and development expenses	77	4	1	-	72	78	4	2	-	72	0%
Total expenses	240	12	7	-	221	243	15	10	-	218	1%
% of Revenue	44.1%				40.6%	47.4%				42.5%	
Income (loss) from operations	10	(16)	(7)	(12)	45	(1)	(19)	(11)	(19)	48	-6%
% of Revenue	1.8%				8.3%	(0.2%)				9.4%	
Other expense, net	(4)	-	-	-	(4)	(2)	-	1	-	(3)	
Income (loss) before income taxes	6	(16)	(7)	(12)	41	(3)	(19)	(10)	(19)	45	-9%
Income tax expense	2	(3)	(1)	(3)	9	1	(5)	(4)	(7)	17	
% Tax rate	33.3%				22.0%	(33.3%)				37.8%	
Net income (loss)	\$ 4	\$ (13)	\$ (6)	\$ (9)	\$ 32	\$ (4)	\$ (14)	\$ (6)	\$ (12)	\$ 28	14%
% of Revenue	0.7%				5.9%	(0.8%)				5.5%	
Net income (loss) per common share											
Basic	\$ 0.03	\$ (0.11)	\$ (0.05)	\$ (0.08)	\$ 0.27	\$ (0.03)	\$ (0.11)	\$ (0.05)	\$ (0.09)	\$ 0.22	22%
Diluted	\$ 0.03	\$ (0.11)	\$ (0.06)	\$ (0.07)	\$ 0.26	\$ (0.03)	\$ (0.11)	\$ (0.05)	\$ (0.09)	\$ 0.22	22%
Weighted average common shares outstanding											
Basic	119.5				119.5	127.9				127.9	
Diluted ⁵	121.5				121.5	127.9				129.5	

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, 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 June 30, 2018 include \$1 million (\$1 million after-tax) for amortization of acquired intangible assets and \$5 million (\$4 million after-tax) for integration, and transformation activities including the Dayton office closure, and \$1 million (\$1 million after tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018.

4) Special items for the three months ended June 30, 2017 include \$2 million (\$2 million after-tax) for amortization of acquired intangible assets, \$8 million (\$4 million after-tax) for acquisition-related transaction, integration, reorganization and transformation-related expenses.

5) Diluted shares are excluded from the GAAP diluted share count for 2017 because their effect would have been anti-dilutive

TERADATA CORPORATION
RECONCILIATION OF RESULTS - GAAP TO NON-GAAP
Reflects the Impact of Special Items
(in millions, except per share amounts - unaudited)
For the Six Months Ended June 30

	2018					2017					% Change Non-GAAP Yr/Yr
	GAAP	Equity Compensation Expense	Other Special Items ³	Capitalized Software ASC 985-20	Non-GAAP ¹	GAAP ²	Equity Compensation Expense	Other Special Items ⁴	Capitalized Software ASC 985-20	Non-GAAP ¹	
Revenue											
Recurring	\$ 614	\$ -	\$ -	\$ -	\$ 614	\$ 554	\$ -	\$ -	\$ -	\$ 554	11%
Perpetual software licenses and hardware	166	-	-	-	166	181	-	-	-	181	
Consulting services	270	-	-	-	270	269	-	-	-	269	0%
Total revenue	1,050	-	-	-	1,050	1,004	-	-	-	1,004	5%
Gross profit											
Recurring	436	(2)	-	(14)	452	415	(1)	-	(14)	430	5%
% of Revenue	71.0%				73.6%	74.9%				77.6%	
Perpetual software licenses and hardware	45	-	-	(13)	58	63	-	(1)	(26)	90	
% of Revenue	27.1%				34.9%	34.8%				49.7%	
Consulting services	(8)	(6)	(3)	-	1	(11)	(6)	(2)	-	(3)	-133%
% of Revenue	-3.0%				0.4%	-4.1%				-1.1%	
Total gross profit	473	(8)	(3)	(27)	511	467	(7)	(3)	(40)	517	-1%
% of Revenue	45.0%				48.7%	46.5%				51.5%	
Selling, general and administrative expenses	315	18	6	-	291	320	20	27	-	273	7%
Research and development expenses	152	9	3	-	140	148	7	4	-	137	2%
Total expenses	467	27	9	-	431	468	27	31	-	410	5%
% of Revenue	44.5%				41.0%	46.6%				40.8%	
Income (loss) from operations	6	(35)	(12)	(27)	80	(1)	(34)	(34)	(40)	107	-25%
% of Revenue	0.6%				7.6%	(0.1%)				10.7%	
Other expense, net	(8)	-	-	-	(8)	(4)	-	1	-	(5)	
(Loss) income before income taxes	(2)	(35)	(12)	(27)	72	(5)	(34)	(33)	(40)	102	-29%
Income tax expense	1	(7)	(2)	(7)	17	1	(10)	(11)	(15)	37	
% Tax rate	(50.0%)				23.6%	(20.0%)				36.3%	
Net (loss) income	\$ (3)	\$ (28)	\$ (10)	\$ (20)	\$ 55	\$ (6)	\$ (24)	\$ (22)	\$ (25)	\$ 65	-15%
% of Revenue	(0.3%)				5.2%	(0.6%)				6.5%	
Net (loss) income per common share											
Basic	\$ (0.02)	\$ (0.23)	\$ (0.09)	\$ (0.17)	\$ 0.46	\$ (0.05)	\$ (0.19)	\$ (0.17)	\$ (0.19)	\$ 0.50	-9%
Diluted	\$ (0.02)	\$ (0.23)	\$ (0.08)	\$ (0.16)	\$ 0.45	\$ (0.05)	\$ (0.19)	\$ (0.17)	\$ (0.19)	\$ 0.50	-10%
Weighted average common shares outstanding											
Basic	120.4				120.4	129.2				129.2	
Diluted ⁵	120.4				122.5	129.2				130.7	

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) 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 six months ended June 30, 2018 include \$3 million (\$3 million after-tax) for amortization of acquired intangible assets, \$8 million (\$6 million after-tax) for integration, and transformation activities, including the Dayton office closure, and \$1 million (\$1 million after tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018.

4) Special items for the six months ended June 30, 2017 include \$3 million (\$3 million after-tax) for amortization of acquired intangible assets, \$30 million (\$19 million after-tax) for acquisition-related transaction, integration and reorganization 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 for 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	
	2018	2017	2018	2017
Net loss (GAAP)	\$ 4	\$ (4)	\$ (3)	\$ (6)
Net cash provided by operating activities (GAAP)	\$ 106	\$ 61	\$ 290	\$ 309
Less capital expenditures for:				
Expenditures for property and equipment	(32)	(14)	(58)	(30)
Additions to capitalized software	(2)	(2)	(4)	(4)
Free Cash Flow (non-GAAP measure) ¹	\$ 72	\$ 45	\$ 228	\$ 275

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.