

TERADATA CORPORATION
(in millions, except per share amounts - unaudited)

| | 2017 | | | | | 2018 | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Q1 | Q2 | Q3 | Q4 | T/Y | Q1 | Q2 | Q3 | Q4 | T/Y |
| Revenue | | | | | | | | | | |
| Recurring | \$ 273 | \$ 281 | \$ 292 | \$ 299 | \$ 1,145 | \$ 302 | \$ 312 | \$ 312 | \$ 328 | \$ 1,254 |
| Growth Rate as Reported | NA | NA | NA | NA | NA | 11% | 11% | 7% | 10% | 10% |
| Growth Rate Constant Currency (non-GAAP)* | NA | NA | NA | NA | NA | 7% | 10% | 9% | 13% | 10% |
| Perpetual software licenses and hardware | 90 | 91 | 90 | 158 | 429 | 69 | 97 | 77 | 97 | 340 |
| Growth Rate as Reported | NA | NA | NA | NA | NA | (23%) | 7% | (14%) | (39%) | (21%) |
| Growth Rate Constant Currency (non-GAAP)* | NA | NA | NA | NA | NA | (27%) | 5% | (13%) | (39%) | (22%) |
| Consulting services | 128 | 141 | 144 | 169 | 582 | 135 | 135 | 137 | 163 | 570 |
| Growth Rate as Reported | NA | NA | NA | NA | NA | 5% | (4%) | (5%) | (4%) | (2%) |
| Growth Rate Constant Currency (non-GAAP)* | NA | NA | NA | NA | NA | 0% | (6%) | (3%) | 0% | (2%) |
| Total revenue | 491 | 513 | 526 | 626 | 2,156 | 506 | 544 | 526 | 425 | 2,164 |
| Growth Rate as Reported | (10%) | (14%) | (5%) | 0% | (7%) | 3% | 6% | 0% | (6%) | 0% |
| Growth Rate Constant Currency (non-GAAP)* | (9%) | (13%) | (5%) | (2%) | (7%) | (1%) | 4% | 2% | (4%) | 0% |
| Gross profit | | | | | | | | | | |
| Recurring | 206 | 209 | 208 | 218 | 841 | 212 | 224 | 219 | 225 | 880 |
| % of Revenue | 75.5% | 74.4% | 71.2% | 72.9% | 73.4% | 70.2% | 71.8% | 70.2% | 68.6% | 70.2% |
| Perpetual software licenses and hardware | 29 | 34 | 39 | 68 | 170 | 21 | 24 | 34 | 39 | 118 |
| % of Revenue | 32.2% | 37.4% | 43.3% | 43.0% | 39.6% | 30.4% | 24.7% | 44.2% | 40.2% | 34.7% |
| Consulting services | (10) | (1) | 3 | 21 | 13 | (10) | 2 | 11 | 25 | 28 |
| % of Revenue | (7.8%) | (0.7%) | 2.1% | 12.4% | 2.2% | (7.4%) | 1.5% | 8.0% | 15.3% | 4.9% |
| Total gross profit | 225 | 242 | 250 | 307 | 1,024 | 223 | 250 | 264 | 289 | 1,026 |
| % of Revenue | 45.8% | 47.2% | 47.5% | 49.0% | 47.5% | 44.1% | 46.0% | 50.2% | 49.1% | 47.4% |
| Selling, general and administrative expenses | 155 | 165 | 161 | 170 | 651 | 152 | 163 | 166 | 185 | 666 |
| Research and development expenses | 70 | 78 | 80 | 77 | 305 | 75 | 77 | 84 | 81 | 317 |
| Total operating expense | 225 | 243 | 241 | 247 | 956 | 227 | 240 | 250 | 266 | 983 |
| % of Revenue | 45.8% | 47.4% | 45.8% | 39.5% | 44.3% | 44.9% | 44.1% | 47.5% | 45.2% | 45.4% |
| Income (loss) from operations | - | (1) | 9 | 60 | 68 | (4) | 10 | 14 | 23 | 43 |
| % of Revenue | 0.0% | (0.2%) | 1.7% | 9.6% | 3.2% | (0.8%) | 1.8% | 2.7% | 3.9% | 2.0% |
| Other expense, net | (2) | (2) | (3) | (3) | (10) | (4) | (4) | (4) | (4) | (16) |
| Income (loss) before income taxes | (2) | (3) | 6 | 57 | 58 | (8) | 6 | 10 | 19 | 27 |
| Income tax expense (benefit) | - | 1 | (7) | 131 | 125 | (1) | 2 | (8) | 4 | (3) |
| % Income tax | 0.0% | (33.3%) | (116.7%) | 229.8% | 215.5% | 12.5% | 33.3% | (80.0%) | 21.1% | (11.1%) |
| Net income (loss) | \$ (2) | \$ (4) | \$ 13 | \$ (74) | \$ (67) | \$ (7) | \$ 4 | \$ 18 | \$ 15 | \$ 30 |
| % of Revenue | (0.4%) | (0.8%) | 2.5% | (11.8%) | (3.1%) | (1.4%) | 0.7% | 3.4% | 2.6% | 1.4% |
| Net income (loss) per common share** | | | | | | | | | | |
| Basic | \$ (0.02) | \$ (0.03) | \$ 0.11 | \$ (0.61) | \$ (0.53) | \$ (0.06) | \$ 0.03 | \$ 0.15 | \$ 0.13 | \$ 0.25 |
| Diluted | \$ (0.02) | \$ (0.03) | \$ 0.10 | \$ (0.61) | \$ (0.53) | \$ (0.06) | \$ 0.03 | \$ 0.15 | \$ 0.13 | \$ 0.25 |
| Weighted average common shares outstanding | | | | | | | | | | |
| Basic | 130.4 | 127.9 | 123.7 | 121.1 | 125.8 | 121.4 | 119.5 | 118.7 | 117.3 | 119.2 |
| Diluted | 130.4 | 127.9 | 125.8 | 121.1 | 125.8 | 121.4 | 121.5 | 120.7 | 119.1 | 121.2 |
| Equity compensation expense (after-tax) | \$ (10) | \$ (14) | \$ (13) | \$ (10) | \$ (47) | \$ (15) | \$ (13) | \$ (12) | \$ (14) | \$ (54) |
| Special items (after-tax) (see Notes) | \$ (16) | \$ (6) | \$ - | \$ (126) | \$ (148) | \$ (4) | \$ (6) | \$ (5) | \$ (21) | \$ (36) |
| Capitalized software - ASC 985-20 | \$ (13) | \$ (12) | \$ (10) | \$ (10) | \$ (45) | \$ (11) | \$ (9) | \$ (8) | \$ (8) | \$ (36) |
| Net income (Non-GAAP)* | \$ 37 | \$ 28 | \$ 36 | \$ 72 | \$ 173 | \$ 23 | \$ 32 | \$ 43 | \$ 58 | \$ 156 |
| Non-GAAP Diluted EPS* | \$ 0.28 | \$ 0.22 | \$ 0.29 | \$ 0.58 | \$ 1.35 | \$ 0.19 | \$ 0.26 | \$ 0.36 | \$ 0.49 | \$ 1.29 |

Notes

Q1 2017 - \$1 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.

Q2 2017 - \$2 million (\$2 million after-tax) for amortization of acquired intangible assets, and \$8 million (\$4 million after-tax) for acquisition-related transaction, integration, reorganization and transformation-related expenses.

Q3 2017 - \$2 million (\$1 million after-tax) for amortization of acquired intangible assets, \$13 million (\$9 million after-tax) for acquisition-related transaction, integration, reorganization and transformation-related expenses, \$5 million (\$4 million after-tax) for reversal of previously expensed transformation charge related to the discontinuation of our prior hardware platforms, and \$6 million tax impact related to a reversal of TMA uncertain tax positions

Q4 2017 - \$3 million (\$2 million after-tax) for amortization of acquired intangible assets, \$3 million (\$2 million after-tax) for acquisition-related transaction, integration, reorganization and transformation-related expense reversals, and \$126 million for the tax impact related to 2017 U.S. Tax Reform.

Q1 2018 - \$2 million (\$2 million after-tax) for amortization of acquired intangible assets and \$3 million (\$2 million after-tax) for acquisition-related transaction, integration, reorganization and transformation-related expenses.

Q2 2018 - \$1 million (\$1 million after-tax) for amortization of acquired intangible assets, \$5 million (\$4 million after-tax) for integration and transformation activities, including the Dayton office, and \$1 million (\$1 million after tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018.

Q3 2018 - \$1 million (\$1 million after-tax) for amortization of acquired intangible assets, \$14 million (\$10 million after-tax) for integration and transformation activities, including the Dayton office, \$1 million (\$1 million after tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018, and \$7 million tax benefit for tax reform rate difference and SAB 118 adjustments.

Q4 2018 - \$2 million (\$2 million after-tax) for amortization of acquired intangible assets, \$21 million (\$15 million after-tax) for integration and transformation activities, including the Dayton office, \$1 million (\$1 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018, and \$3 million tax adjustment for SAB 118 adjustments related to tax reform.

* While Teradata reports its results using generally accepted accounting principles in the U.S. (GAAP), certain non-GAAP financial measurements may be used to reflect operational performance. 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. Similarly constant currency growth rate for revenues eliminates the foreign exchange rate fluctuations. Although non-GAAP measures should not be used as a substitute for, or superior to, the company's reported GAAP results, Teradata uses non-GAAP measures to manage and determine the effectiveness of its business management.

** Net income per share in each quarter is computed using the weighted-average number of shares outstanding during that quarter while net income per share for the full year is computed using the weighted-average number of shares outstanding during the year. Thus the sum of the four quarters' net income per share does not necessarily equal the full-year net income per share.

TERADATA CORPORATION
HISTORICAL NON-GAAP (Excluding Software Capitalization and Reflecting the Impact of Special Items) - Supplemental schedule***
(Unaudited)
(in millions, except per share amounts - unaudited)

| | 2017* | | | | | 2018* | | | | |
|---|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | T/Y | Q1 | Q2 | Q3 | Q4 | T/Y |
| Revenue (non-GAAP) | | | | | | | | | | |
| Recurring | \$ 273 | \$ 281 | \$ 292 | \$ 299 | \$ 1,145 | \$ 302 | \$ 312 | \$ 312 | \$ 328 | \$ 1,254 |
| Growth Rate as Reported | NA | NA | NA | NA | NA | 11% | 11% | 7% | 10% | 10% |
| Growth Rate Constant Currency (non-GAAP)** | NA | NA | NA | NA | NA | 7% | 10% | 9% | 13% | 10% |
| Perpetual software licenses and hardware | 90 | 91 | 90 | 158 | 429 | 69 | 97 | 77 | 97 | 340 |
| Growth Rate as Reported | NA | NA | NA | NA | NA | (23%) | 7% | (14%) | (39%) | (21%) |
| Growth Rate Constant Currency (non-GAAP)** | NA | NA | NA | NA | NA | (27%) | 5% | (13%) | (39%) | (22%) |
| Consulting services | 128 | 141 | 144 | 169 | 582 | 135 | 135 | 137 | 163 | 570 |
| Growth Rate as Reported | NA | NA | NA | NA | NA | 5% | (4%) | (5%) | (4%) | (2%) |
| Growth Rate Constant Currency (non-GAAP)** | NA | NA | NA | NA | NA | 0% | (6%) | (3%) | 0% | (2%) |
| Total revenue | 491 | 513 | 526 | 626 | 2,156 | 506 | 544 | 526 | 588 | 2,164 |
| Growth Rate as Reported | (4%) | (9%) | (5%) | 0% | (4%) | 3% | 6% | 0% | (6%) | 0% |
| Growth Rate Constant Currency (non-GAAP)** | (3%) | (8%) | (5%) | (2%) | (4%) | (1%) | 4% | 2% | (4%) | 0% |
| Gross profit (non-GAAP) | | | | | | | | | | |
| Recurring | 213 | 217 | 214 | 224 | 868 | 221 | 231 | 226 | 235 | 913 |
| % of Revenue | 78.0% | 77.2% | 73.3% | 74.9% | 75.8% | 73.2% | 74.0% | 72.4% | 71.6% | 72.8% |
| Perpetual software licenses and hardware | 44 | 46 | 49 | 78 | 217 | 28 | 30 | 39 | 43 | 140 |
| % of Revenue | 48.9% | 50.5% | 54.4% | 49.4% | 50.6% | 40.6% | 30.9% | 50.6% | 44.3% | 41.2% |
| Consulting services | (6) | 3 | 7 | 23 | 27 | (4) | 5 | 13 | 28 | 42 |
| % of Revenue | (4.7%) | 2.1% | 4.9% | 13.6% | 4.6% | (3.0%) | 3.7% | 9.5% | 17.2% | 7.4% |
| Total gross profit | 251 | 266 | 270 | 325 | 1,112 | 245 | 266 | 278 | 306 | 1,095 |
| % of Revenue | 51.1% | 51.9% | 51.3% | 51.9% | 51.6% | 48.4% | 48.9% | 52.9% | 52.0% | 50.6% |
| Selling, general and administrative expenses | 127 | 146 | 148 | 162 | 583 | 142 | 149 | 144 | 160 | 595 |
| Research and development expenses | 65 | 72 | 70 | 70 | 277 | 68 | 72 | 78 | 72 | 290 |
| Total operating expense (non-GAAP) | 192 | 218 | 218 | 232 | 860 | 210 | 221 | 222 | 232 | 885 |
| % of Revenue | 39.1% | 42.5% | 41.4% | 37.1% | 39.9% | 41.5% | 40.6% | 42.2% | 39.5% | 40.9% |
| Income from operations (non-GAAP) | 59 | 48 | 52 | 93 | 252 | 35 | 45 | 56 | 74 | 210 |
| % of Revenue | 12.0% | 9.4% | 9.9% | 14.9% | 11.7% | 6.9% | 8.3% | 10.6% | 12.6% | 9.7% |
| Other expense, net | (2) | (3) | (3) | (4) | (12) | (4) | (4) | (4) | (4) | (16) |
| Income before income taxes (non-GAAP) | 57 | 45 | 49 | 89 | 240 | 31 | 41 | 52 | 70 | 194 |
| Income tax expense | 20 | 17 | 13 | 17 | 67 | 8 | 9 | 9 | 12 | 38 |
| % Income tax | 35.1% | 37.8% | 26.5% | 19.1% | 27.9% | 25.8% | 22.0% | 17.3% | 17.1% | 19.6% |
| Net income (non-GAAP)*** | \$ 37 | \$ 28 | \$ 36 | \$ 72 | \$ 173 | \$ 23 | \$ 32 | \$ 43 | \$ 58 | \$ 156 |
| % of Revenue | 7.5% | 5.5% | 6.8% | 11.5% | 8.0% | 4.5% | 5.9% | 8.2% | 9.9% | 7.2% |
| Net income per common share (non-GAAP)**** | | | | | | | | | | |
| Basic | \$ 0.28 | \$ 0.22 | \$ 0.29 | \$ 0.59 | \$ 1.38 | \$ 0.19 | \$ 0.27 | \$ 0.36 | \$ 0.49 | \$ 1.31 |
| Diluted | \$ 0.28 | \$ 0.22 | \$ 0.29 | \$ 0.58 | \$ 1.35 | \$ 0.19 | \$ 0.26 | \$ 0.36 | \$ 0.49 | \$ 1.29 |
| Weighted average common shares outstanding | | | | | | | | | | |
| Basic | 130.4 | 127.9 | 123.7 | 121.1 | 125.8 | 121.4 | 119.5 | 118.7 | 117.3 | 119.2 |
| Diluted | 131.9 | 129.5 | 125.8 | 123.5 | 127.8 | 123.4 | 121.5 | 120.7 | 119.1 | 121.2 |

*Non-GAAP financial measures - See the Appendices to this summary for a reconciliation of total revenue, total gross profit, operating expense, operating income, net income and diluted EPS to the most directly comparable U.S. generally accepted accounting principles (GAAP) financial measure.

**The impact of currency is determined by calculating the prior period results using the current-period monthly average currency rates.

*** While Teradata reports its results using GAAP, certain non-GAAP financial measures may be used to reflect operational performance.

These non-GAAP measures may exclude the impact of stock compensation expense and certain special items or discontinued business operations, including the sale of Teradata's marketing applications business, which are used to support our GAAP results from time-to-time to reflect the on-going Earnings Per Share performance of the company. Although non-GAAP measures should not be used in isolation or as a substitute for, or superior to, the company's reported GAAP results, and should be read only in conjunction with our condensed consolidated financial statements prepared in accordance with GAAP. Teradata uses non-GAAP measures to manage and determine the effectiveness of its business management. A reconciliation of Teradata's GAAP results to these non-GAAP financial measures for each period included in this summary is found in the supplemental appendices hereto.

**** Net income per share in each quarter is computed using the weighted-average number of shares outstanding during that quarter while net income per share for the full year is computed using the weighted-average number of shares outstanding during the year. Thus the sum of the four quarters' net income per share does not necessarily equal the full-year net income per share.

Appendix 1
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

| | 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 | \$ 328 | \$ - | \$ - | \$ - | \$ 328 | \$ 299 | \$ - | \$ - | \$ - | \$ 299 | 10% |
| Perpetual software licenses and hardware | 97 | - | - | - | 97 | 158 | - | - | - | 158 | -39% |
| Consulting services | 163 | - | - | - | 163 | 169 | - | - | - | 169 | -4% |
| Total revenue | 588 | - | - | - | 588 | 626 | - | - | - | 626 | -6% |
| Gross profit | | | | | | | | | | | |
| Recurring | 225 | (2) | (2) | (6) | 235 | 218 | (1) | - | (5) | 224 | 5% |
| % of Revenue | 68.6% | | | | 71.6% | 72.9% | | | | 74.9% | |
| Perpetual software licenses and hardware | 39 | - | 1 | (5) | 43 | 68 | - | - | (10) | 78 | -45% |
| % of Revenue | 40.2% | | | | 44.3% | 43.0% | | | | 49.4% | |
| Consulting services | 25 | (2) | (1) | - | 28 | 21 | (2) | - | - | 23 | 22% |
| % of Revenue | 15.3% | | | | 17.2% | 12.4% | | | | 13.6% | |
| Total gross profit | 289 | (4) | (2) | (11) | 306 | 307 | (3) | - | (15) | 325 | -6% |
| % of Revenue | 49.1% | | | | 52.0% | 49.0% | | | | 51.9% | |
| Selling, general and administrative expenses | 185 | 7 | 18 | - | 160 | 170 | 10 | (2) | - | 162 | -1% |
| Research and development expenses | 81 | 5 | 4 | - | 72 | 77 | 4 | 3 | - | 70 | 3% |
| Total expenses | 266 | 12 | 22 | - | 232 | 247 | 14 | 1 | - | 232 | 0% |
| % of Revenue | 45.2% | | | | 39.5% | 39.5% | | | | 37.1% | |
| Income from operations | 23 | (16) | (24) | (11) | 74 | 60 | (17) | (1) | (15) | 93 | -20% |
| % of Revenue | 3.9% | | | | 12.6% | 9.6% | | | | 14.9% | |
| Other expense, net | (4) | - | - | - | (4) | (3) | - | 1 | - | (4) | |
| Income before income taxes | 19 | (16) | (24) | (11) | 70 | 57 | (17) | - | (15) | 89 | -21% |
| Income tax (benefit) expense | 4 | (2) | (3) | (3) | 12 | 131 | (7) | 126 | (5) | 17 | |
| % Tax rate | 21.1% | | | | 17.1% | 229.8% | | | | 19.1% | |
| Net income | \$ 15 | \$ (14) | \$ (21) | \$ (8) | \$ 58 | \$ (74) | \$ (10) | \$ (126) | \$ (10) | \$ 72 | -19% |
| % of Revenue | 2.6% | | | | 9.9% | (11.8%) | | | | 11.5% | |
| Net income per common share | | | | | | | | | | | |
| Basic | \$ 0.13 | \$ (0.12) | \$ (0.17) | \$ (0.07) | \$ 0.49 | \$ (0.61) | \$ (0.08) | \$ (1.04) | \$ (0.08) | \$ 0.59 | -17% |
| Diluted | \$ 0.13 | \$ (0.12) | \$ (0.17) | \$ (0.07) | \$ 0.49 | \$ (0.61) | \$ (0.08) | \$ (1.03) | \$ (0.08) | \$ 0.58 | -16% |
| Weighted average common shares outstanding | | | | | | | | | | | |
| Basic | 117.3 | | | | 117.3 | 121.1 | | | | 121.1 | |
| Diluted ⁵ | 119.1 | | | | 119.1 | 121.1 | | | | 123.5 | |

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 December 31, 2018 include \$2 million (\$2 million after-tax) for amortization of acquired intangible assets, \$21 million (\$15 million after-tax) for integration and transformation activities, including the Dayton office closure, \$1 million (\$1 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018, and \$3 million tax adjustment for SAB 118 adjustments related to tax reform.

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

5) For 2017, diluted shares are excluded from the GAAP diluted share count 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 Twelve Months Ended December 31

| | 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 | \$ 1,254 | \$ - | \$ - | \$ - | \$ 1,254 | \$ 1,145 | \$ - | \$ - | \$ - | \$ 1,145 | 10% |
| Perpetual software licenses and hardware | 340 | - | - | - | 340 | 429 | - | - | - | 429 | |
| Consulting services | 570 | - | - | - | 570 | 582 | - | - | - | 582 | -2% |
| Total revenue | 2,164 | - | - | - | 2,164 | 2,156 | - | - | - | 2,156 | 0% |
| Gross profit | | | | | | | | | | | |
| Recurring | 880 | (5) | (2) | (26) | 913 | 841 | (3) | - | (24) | 868 | 5% |
| % of Revenue | 70.2% | | | | 72.8% | 73.4% | | | | 75.8% | |
| Perpetual software licenses and hardware | 118 | - | 1 | (23) | 140 | 170 | - | - | (47) | 217 | |
| % of Revenue | 34.7% | | | | 41.2% | 39.6% | | | | 50.6% | |
| Consulting services | 28 | (10) | (4) | - | 42 | 13 | (10) | (4) | - | 27 | 56% |
| % of Revenue | 4.9% | | | | 7.4% | 2.2% | | | | 4.6% | |
| Total gross profit | 1,026 | (15) | (5) | (49) | 1,095 | 1,024 | (13) | (4) | (71) | 1,112 | -2% |
| % of Revenue | 47.4% | | | | 50.6% | 47.5% | | | | 51.6% | |
| Selling, general and administrative expenses | 666 | 33 | 38 | - | 595 | 651 | 40 | 28 | - | 583 | 2% |
| Research and development expenses | 317 | 18 | 9 | - | 290 | 305 | 15 | 13 | - | 277 | 5% |
| Total expenses | 983 | 51 | 47 | - | 885 | 956 | 55 | 41 | - | 860 | 3% |
| % of Revenue | 45.4% | | | | 40.9% | 44.3% | | | | 39.9% | |
| Income from operations | 43 | (66) | (52) | (49) | 210 | 68 | (68) | (45) | (71) | 252 | -17% |
| % of Revenue | 2.0% | | | | 9.7% | 3.2% | | | | 11.7% | |
| Other expense, net | (16) | - | - | - | (16) | (10) | - | 2 | - | (12) | |
| Income before income taxes | 27 | (66) | (52) | (49) | 194 | 58 | (68) | (43) | (71) | 240 | -19% |
| Income tax (benefit) expense | (3) | (12) | (16) | (13) | 38 | 125 | (21) | 105 | (26) | 67 | |
| % Tax rate | (11.1%) | | | | 19.6% | 215.5% | | | | 27.9% | |
| Net income | \$ 30 | \$ (54) | \$ (36) | \$ (36) | \$ 156 | \$ (67) | \$ (47) | \$ (148) | \$ (45) | \$ 173 | -10% |
| % of Revenue | 1.4% | | | | 7.2% | (3.1%) | | | | 8.0% | |
| Net income per common share | | | | | | | | | | | |
| Basic | \$ 0.25 | \$ (0.46) | \$ (0.30) | \$ (0.30) | \$ 1.31 | \$ (0.53) | \$ (0.37) | \$ (1.18) | \$ (0.36) | \$ 1.38 | -5% |
| Diluted | \$ 0.25 | \$ (0.44) | \$ (0.30) | \$ (0.30) | \$ 1.29 | \$ (0.53) | \$ (0.37) | \$ (1.16) | \$ (0.35) | \$ 1.35 | -5% |
| Weighted average common shares outstanding | | | | | | | | | | | |
| Basic | 119.2 | | | | 119.2 | 125.8 | | | | 125.8 | |
| Diluted ⁵ | 121.2 | | | | 121.2 | 125.8 | | | | 127.8 | |

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 twelve months ended December 31, 2018 include \$6 million (\$6 million after-tax) for amortization of acquired intangible assets, \$43 million (\$31 million after-tax) for integration and transformation activities, including the Dayton office closure, \$3 million (\$3 million after tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018, and \$4 million tax benefit for SAB 118 adjustments related to tax reform.

4) Special items for the twelve months ended December 31, 2017 include \$8 million (\$6 million after-tax) for amortization of acquired intangible assets, \$35 million (\$22 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.

5) For 2017, 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 December 31 | | Twelve Months Ended December 31 | |
|---|--------------------------------|--------------|---------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net Income (GAAP) | \$ 15 | \$ (74) | \$ 30 | \$ (67) |
| Net cash provided by operating activities (GAAP) | \$ 107 | \$ 23 | \$ 364 | \$ 324 |
| Less capital expenditures for: | | | | |
| Expenditures for property and equipment | (61) | (19) | (153) | (78) |
| Additions to capitalized software | (2) | (2) | (7) | (9) |
| Free Cash Flow (non-GAAP measure) ¹ | \$ 44 | \$ 2 | \$ 204 | \$ 237 |

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.

Appendix 2
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

| | 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 | \$ 292 | \$ - | \$ - | \$ - | \$ 292 | 7% |
| Perpetual software licenses and hardware | 77 | - | - | - | 77 | 90 | - | - | - | 90 | -14% |
| Consulting services | 137 | - | - | - | 137 | 144 | - | - | - | 144 | -5% |
| Total revenue | 526 | - | - | - | 526 | 526 | - | - | - | 526 | 0% |
| Gross profit | | | | | | | | | | | |
| Recurring | 219 | (1) | - | (6) | 226 | 208 | (1) | - | (5) | 214 | 6% |
| % of Revenue | 70.2% | | | | 72.4% | 71.2% | | | | 73.3% | |
| Perpetual software licenses and hardware | 34 | - | - | (5) | 39 | 39 | - | 1 | (11) | 49 | -20% |
| % of Revenue | 44.2% | | | | 50.6% | 43.3% | | | | 54.4% | |
| Consulting services | 11 | (2) | - | - | 13 | 3 | (2) | (2) | - | 7 | 86% |
| % of Revenue | 8.0% | | | | 9.5% | 2.1% | | | | 4.9% | |
| Total gross profit | 264 | (3) | - | (11) | 278 | 250 | (3) | (1) | (16) | 270 | 3% |
| % of Revenue | 50.2% | | | | 52.9% | 47.5% | | | | 51.3% | |
| Selling, general and administrative expenses | 166 | 8 | 14 | - | 144 | 161 | 10 | 3 | - | 148 | -3% |
| Research and development expenses | 84 | 4 | 2 | - | 78 | 80 | 4 | 6 | - | 70 | 11% |
| Total expenses | 250 | 12 | 16 | - | 222 | 241 | 14 | 9 | - | 218 | 2% |
| % of Revenue | 47.5% | | | | 42.2% | 45.8% | | | | 41.4% | |
| Income from operations | 14 | (15) | (16) | (11) | 56 | 9 | (17) | (10) | (16) | 52 | 8% |
| % of Revenue | 2.7% | | | | 10.6% | 1.7% | | | | 9.9% | |
| Other expense, net | (4) | - | - | - | (4) | (3) | - | - | - | (3) | |
| Income before income taxes | 10 | (15) | (16) | (11) | 52 | 6 | (17) | (10) | (16) | 49 | 6% |
| Income tax (benefit) expense | (8) | (3) | (11) | (3) | 9 | (7) | (4) | (10) | (6) | 13 | |
| % Tax rate | (80.0%) | | | | 17.3% | (116.7%) | | | | 26.5% | |
| Net income | \$ 18 | \$ (12) | \$ (5) | \$ (8) | \$ 43 | \$ 13 | \$ (13) | \$ - | \$ (10) | \$ 36 | 19% |
| % of Revenue | 3.4% | | | | 8.2% | 2.5% | | | | 6.8% | |
| Net income per common share | | | | | | | | | | | |
| Basic | \$ 0.15 | \$ (0.10) | \$ (0.04) | \$ (0.07) | \$ 0.36 | \$ 0.11 | \$ (0.11) | \$ 0.01 | \$ (0.08) | \$ 0.29 | 24% |
| Diluted | \$ 0.15 | \$ (0.10) | \$ (0.05) | \$ (0.07) | \$ 0.36 | \$ 0.10 | \$ (0.10) | \$ (0.01) | \$ (0.08) | \$ 0.29 | 24% |
| Weighted average common shares outstanding | | | | | | | | | | | |
| Basic | 118.7 | | | | 118.7 | 123.7 | | | | 123.7 | |
| Diluted | 120.7 | | | | 120.7 | 125.8 | | | | 125.8 | |

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 September 30, 2018 include \$1 million (\$1 million after-tax) for amortization of acquired intangible assets and \$14 million (\$10 million after-tax) for integration, and transformation activities including the Dayton office closure, \$1 million (\$1 million after-tax) for legal fees associated with the lawsuit that we initiated in the second quarter of 2018 and \$7 million tax benefit for tax reform rate difference and SAB 118 adjustments.

4) Special items for the three months ended September 30, 2017 include \$2 million (\$1 million after-tax) for amortization of acquired intangible assets, \$13 million (\$9 million after-tax) for acquisition-related transaction, integration, reorganization and

transformation-related expenses, \$5 million (\$4 million after tax) for reversal of previously expensed transformation charge related to the discontinuation of our prior hardware platforms and a \$6 million tax impact related to a reversal of TMA uncertain tax positions

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---------------------------------|----------------|--------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net Income (GAAP) | \$ 18 | \$ 13 | \$ 15 | \$ 7 |
| Net cash (used in) provided by operating activities (GAAP) | \$ (33) | \$ (8) | \$ 257 | \$ 301 |
| Less capital expenditures for: | | | | |
| Expenditures for property and equipment | (34) | (29) | (92) | (59) |
| Additions to capitalized software | (1) | (3) | (5) | (7) |
| Free Cash Flow (non-GAAP measure) ¹ | \$ (68) | \$ (40) | \$ 160 | \$ 235 |

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.

Appendix 3
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 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.

Appendix 4
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 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 | \$ 302 | \$ - | \$ - | \$ - | \$ 302 | \$ 273 | \$ - | \$ - | \$ - | \$ 273 | 11% |
| Perpetual software licenses and hardware | 69 | - | - | - | 69 | 90 | - | - | - | 90 | -23% |
| Consulting services | 135 | - | - | - | 135 | 128 | - | - | - | 128 | 5% |
| Total revenue | 506 | - | - | - | 506 | 491 | - | - | - | 491 | 3% |
| Gross profit | | | | | | | | | | | |
| 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% | |
| Total gross profit | 223 | (4) | (3) | (15) | 245 | 225 | (3) | (2) | (21) | 251 | -2% |
| % 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% |
| Total expenses | 227 | 15 | 2 | - | 210 | 225 | 12 | 21 | - | 192 | 9% |
| % of Revenue | 44.9% | | | | 41.5% | 45.8% | | | | 39.1% | |
| (Loss) income from operations | (4) | (19) | (5) | (15) | 35 | - | (15) | (23) | (21) | 59 | -41% |
| % of Revenue | (0.8%) | | | | 6.9% | 0.0% | | | | 12.0% | |
| Other expense, net | (4) | - | - | - | (4) | (2) | - | - | - | (2) | |
| (Loss) income before income taxes | (8) | (19) | (5) | (15) | 31 | (2) | (15) | (23) | (21) | 57 | -46% |
| Income tax (benefit) expense | (1) | (4) | (1) | (4) | 8 | - | (5) | (7) | (8) | 20 | |
| % Tax rate | 12.5% | | | | 25.8% | 0.0% | | | | 35.1% | |
| Net (loss) income | \$ (7) | \$ (15) | \$ (4) | \$ (11) | \$ 23 | \$ (2) | \$ (10) | \$ (16) | \$ (13) | \$ 37 | -38% |
| % of Revenue | (1.4%) | | | | 4.5% | (0.4%) | | | | 7.5% | |
| Net (loss) income per common share | | | | | | | | | | | |
| 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% |
| Weighted average common shares outstanding | | | | | | | | | | | |
| 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 revenue", "Software licenses and hardware" and "Consulting revenue" 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) |
| Net cash provided by operating activities (GAAP) | \$ 184 | \$ 248 |
| Less capital expenditures for: | | |
| Expenditures for property and equipment | (26) | (16) |
| Additions to capitalized software | (2) | (2) |
| Free Cash Flow (non-GAAP measure) ¹ | \$ 156 | \$ 230 |

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.