

Teradyne, Inc.

Certain Non-GAAP financial measures discussed during the Third Quarter of 2011 Earnings Conference Call October 2011

On the Company's earnings conference call on October 27, 2011, the following non-GAAP financial measures were discussed or presented:

- Q4 2011 non-GAAP operating profit guidance of 6% to 11%
- Model non-GAAP operating profit of 15%
- 2011 cash tax rate of 6%
- Average quarterly non-GAAP income from operations as a % of revenue (operating profit rate) for two years (FY 2011 & FY 2010) of 24%
- Average quarterly non-GAAP operating cash flow ("free cash flow") as a % of revenue for two years (FY 2011 & FY 2010) of 23%
- Q3 2011 non-GAAP diluted EPS of \$0.34
- Q2 2011 non-GAAP gross margin of 52%
- Q3 2011 non-GAAP gross margin of 49%
- Q3 2011 non-GAAP R&D expense amount of \$47 million and as a percentage of sales of 14%
- Q2 2011 non-GAAP R&D expense amount of \$47 million and as a percentage of sales of 12%
- Q3 2011 non-GAAP SG&A expense amount of \$55 million and as a percentage of sales of 16%
- Q2 2011 non-GAAP SG&A expense amount of \$57 million and as a percentage of sales of 14%
- Q3 2011 non-GAAP operating expenses of \$102 million
- \$3 million decrease in non-GAAP operating expenses from Q2 2011 to Q3 2011
- Q3 2011 non-GAAP interest and other expense of zero
- Q3 2011 cash flow used provided by operations after capital additions ("free cash flow") of \$71 million
- Q4 2011 non GAAP diluted EPS guidance of \$0.08 - \$0.16
- Q4 2011 non-GAAP diluted weighted average share guidance of 202 million shares
- Q4 2011 mid point of guidance non-GAAP operating profit of 9%
- Q4 2011 non-GAAP gross margin guidance of 50%
- Q4 2011 non-GAAP guidance R&D expense as a percentage of sales of 19% to 21%
- Q4 2011 non-GAAP guidance SG&A expense as a percentage of sales of 20% to 21%
- Q4 2011 non-GAAP guidance net interest expense of \$2 million
- Q4 2011 non-GAAP guidance cash tax provision of \$1 million
- Q1 2010 non-GAAP gross margin of 53%
- Q1 2010 non-GAAP R&D expense as a percentage of sales of 15%
- Q1 2010 non-GAAP SG&A as a percentage of sales of 17%
- Q1 2010 non-GAAP operating profit as a percentage of sales of 21%
- Q2 2010 non-GAAP gross margin as a percentage of sales of 56%
- Q2 2010 non-GAAP R&D expense as a percentage of sales of 11%
- Q2 2010 non-GAAP SG&A expense as a percentage of sales of 13%
- Q2 2010 non-GAAP operating profit as a percentage of sales of 32%
- Q4 2010 non-GAAP gross margin of 53%
- Q4 2010 non-GAAP R&D expense as a percentage of sales of 15%
- Q4 2010 non-GAAP SG&A expense as a percentage of sales of 17%
- Q4 2010 non-GAAP operating profit as a percentage of sales of 20%
- Q1 2011 non-GAAP gross margin of 51%

- Q1 2011 non-GAAP R&D expense as a percentage of sales of 13%
- Q1 2011 non-GAAP SG&A expense as a percentage of sales of 15%
- Q1 2011 non-GAAP operating profit as a percentage of sales of 23%
- Q3 2010 non-GAAP free cash flow of \$236 million
- Q2 2011 non-GAAP free cash flow of \$80 million
- Q3 2010, Q2 2011 and Q3 2011 non-GAAP gross margin of 55.3%, 52.4% and 49.3%, respectively
- Q3 2010, Q2 2011 and Q3 2011 non-GAAP R&D expense as a percentage of sales of 10.1%, 11.5% and 13.6%, respectively
- Q3 2010, Q2 2011 and Q3 2011 non-GAAP SG&A expense as a percentage of sales of 12.3%, 14.0% and 16.1%, respectively
- Q3 2010, Q2 2011 and Q3 2011 non-GAAP operating profit of 33.0%, 26.8% and 19.7%, respectively
- Q3 2010 non-GAAP diluted EPS of \$0.80
- Q2 2011 non-GAAP diluted EPS of \$0.50
- Q3 2011 non-GAAP diluted EPS of \$0.34
- Q3 2011 non-GAAP income from continuing operations of \$66.1 million
- Q3 2010 non-GAAP diluted weighted average shares of 195 million shares
- Q2 2011 non-GAAP diluted weighted average shares of 208 million shares
- Q3 2011 non-GAAP diluted weighted average shares of 202 million shares
- Q4 2011 non-GAAP gross margin mid guidance of 50%
- Q4 2011 non-GAAP mid guidance R&D expense as a percentage of sales of 20%
- Q4 2011 non-GAAP mid guidance SG&A expense as a percentage of sales of 21%
- Prior Non-GAAP model revenue of \$305 million including \$25 million of Hard Disk Hard and High-Speed Memory revenue
- Current Non-GAAP model revenue of \$350 million including LitePoint

Please see the attached GAAP to Non-GAAP reconciliations for a reconciliation of additional non-GAAP financial measures included in the Company's Third Quarter 2011 earnings release and that were discussed or presented on the Company's earnings conference call on October 27, 2011.

Teradyne determines non-GAAP operating cash flow ("free cash flow") by adjusting GAAP cash flow from operations to include property, plant and equipment additions. Free cash flow is considered a non-GAAP financial measure. Teradyne believes that free cash flow, which measures our ability to generate cash from our business operations, is an important financial measure for use in evaluating Teradyne's financial performance. Free cash flow should be considered in addition to, rather than as a substitute for, net income (loss) as a measure of our performance and net cash provided by operating activities as a measure of our liquidity.

Teradyne believes it is important to view free cash flow as a measure that provides supplemental information to Teradyne's entire statement of cash flows.

Although other companies report their free cash flow, numerous methods may exist for calculating a company's free cash flow. As a result, the method used by Teradyne to calculate free cash flow may differ from the methods other companies use to calculate their free cash flow.

GAAP to non-GAAP reconciliation of third quarter 2011 cash flow from operations:

GAAP cash flow from operations for third quarter of 2011 (in millions)	\$93
Include property, plant and equipment additions	<u>(22)</u>
Non-GAAP cash flow from operations for third quarter of 2011	<u>\$ 71</u>

GAAP to non-GAAP reconciliation of second quarter 2011 cash flow from operations:

GAAP cash flow from operations for second quarter of 2011 (in millions)	\$102
Include property, plant and equipment additions	<u>(22)</u>
Non-GAAP cash flow from operations for second quarter of 2011	<u>\$ 80</u>

GAAP to non-GAAP reconciliation of third quarter 2010 cash flow from operations:

GAAP cash flow from operations for third quarter of 2010 (in millions)	\$254
Include property, plant and equipment additions	<u>(18)</u>
Non-GAAP cash flow from operations for third quarter of 2010	<u>\$ 236</u>

Q1 2010 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q2 2010 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q3 2010 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q4 2010 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q1 2011 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q2 2011 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q3 2011 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q4 2011 Non-GAAP Guidance: R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP guidance

Q4 2011 Non-GAAP Mid Guidance: R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP guidance

Q4 2011 GAAP to Non-GAAP Reconciliation Gross Margin Guidance

GAAP and Non-GAAP fourth quarter revenue guidance:	\$270 million to \$300 million	
GAAP gross margin	47%	47%
Exclude LitePoint purchase accounting inventory step-up	3%	3%
Non-GAAP gross margin	50%	50%

GAAP to Non-GAAP Earnings Reconciliation	Mid Guidance Q4 2011
GAAP gross margin	47%
Exclude LitePoint purchase accounting inventory step-up	3%
Non-GAAP gross margin	<u>50%</u>

The Q4 2011 non-GAAP guidance cash tax provision of \$1 million and the FY 2011 cash tax rate of 6% are the same for GAAP and non-GAAP

GAAP to Non-GAAP Earnings Reconciliation	Income from Operations as a % of Revenue
Average quarterly non-GAAP income from operations for two years (FY 2011 & FY 2010)	
Income from Operations - GAAP	22%
Acquired intangible amortization	2%
Income from Operations - Non-GAAP	<u>24%</u>

GAAP to Non-GAAP Earnings Reconciliation	Free Cash Flow as a % of Revenue
Average quarterly non-GAAP free cash flow for two years (FY 2011 & FY 2010)	
Net cash flows from continuing operations	29%
Include property, plant and equipment additions	-6%
Non-GAAP cash flow from continuing operations	<u>23%</u>

GAAP to non-GAAP reconciliation of Q3 2011 operating expenses:	
Q3 2011 GAAP operating expenses (in millions)	\$110
Exclude intangible asset amortization	(7)
Exclude restructuring and other, net, costs	<u>(1)</u>
Q3 2011 non-GAAP operating expenses	<u>\$102</u>

GAAP to non-GAAP reconciliation of decrease in non-GAAP operating expenses:	
Decrease in GAAP operating expenses from Q2 2011 to Q3 2011	(\$3)
Plus decrease in restructuring and other, net, costs	<u>0</u>
Decrease in non-GAAP operating expenses from Q2 2011 to Q3 2011	<u>(\$3)</u>

GAAP to non-GAAP reconciliation of Q3 2011 interest and other expense:	
Q3 2011 GAAP interest and other expense (in millions)	\$3.1
Exclude non-cash convertible debt interest	<u>(3.1)</u>
Q3 2011 non-GAAP interest and other expense	<u>\$0.0</u>

GAAP to non-GAAP reconciliation of Q4 2011 interest and other expense guidance:	
Q4 2011 GAAP interest and other expense (in millions)	\$5.1
Exclude non-cash convertible debt interest	<u>(3.1)</u>
Q4 2011 Non-GAAP interest and other expense guidance	<u>\$2.0</u>

Teradyne's prior non-GAAP model revenue (15% profit) is \$305 million including \$25 million of Hard Disk Hard and High-Speed Memory revenue. Teradyne's current non-GAAP model revenue is \$350 million. Teradyne determines its model operating profit level, model profit rate, or operating profit target as the average of its quarterly non-GAAP income from operations as a percentage of revenues over a semiconductor buying cycle. Non-GAAP income from operations excludes amortization from acquired intangible assets and any special items, such as restructuring costs. Non-GAAP model revenue excludes projected but uncertain costs of sales and operating expenditures. These model revenue numbers are provided only on a non-GAAP basis because of the inherent difficulty in forecasting and quantifying the amount of the uncertain revenue and costs of sales, operating expenditures, which would be required to be included in the comparable GAAP measure of revenue.

As a result, the GAAP financial measures most directly comparable to these forward looking Non-GAAP financial measures (the model revenue number, if any, under GAAP) are not currently available and a GAAP to Non-GAAP reconciliation has therefore not been presented.

In addition to disclosing results that are determined in accordance with GAAP, Teradyne also discloses on the earnings call these non-GAAP results of operations that exclude certain income items and charges. These results are provided as a complement to results provided in accordance with GAAP. These non-GAAP measures are used to make operational decisions, to determine employee compensation, to forecast future operational results, and for comparison with the Company's business plan, historical operating results and the operating results of the Company's competitors. Management believes each of these non-GAAP measures provides useful supplemental information for investors, allowing greater transparency to the information used by management in its operational decision making and in the review of our financial and operational performance, as well as facilitating meaningful comparisons of the Company's results in the current period compared with those in prior and future periods. This presentation of non-GAAP measures is not meant to be considered in isolation, as a substitute for, or superior to, financial measures or information provided in accordance with GAAP.

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Quarter Ended											
	October 2, 2011	% of Net Revenues	Income per Common Share from Continuing Operations		July 3, 2011	% of Net Revenues	Income per Common Share from Continuing Operations		October 3, 2010	% of Net Revenues	Income per Common Share from Continuing Operations	
Net Revenues	\$ 344.4				\$ 410.5				\$ 491.4			
Income from Operations - GAAP	\$ 59.5	17.3%			\$ 101.6	24.8%			\$ 156.9	31.9%		
Acquired intangible asset amortization	6.8	2.0%			7.3	1.8%			7.3	1.5%		
Restructuring and other, net ⁽¹⁾	1.5	0.4%			1.3	0.3%			(2.0)	-0.4%		
Income from Operations - non-GAAP	\$ 67.8	19.7%			\$ 110.2	26.8%			\$ 162.2	33.0%		
Income from Continuing Operations - GAAP	\$ 54.7	15.9%	\$ 0.30	\$ 0.25	\$ 89.9	21.9%	\$ 0.48	\$ 0.39	\$ 145.7	29.6%	\$ 0.80	\$ 0.65
Acquired intangible asset amortization	6.8	2.0%	0.04	0.03	7.3	1.8%	0.04	0.04	7.3	1.5%	0.04	0.04
Restructuring and other, net ⁽¹⁾	1.5	0.4%	0.01	0.01	1.3	0.3%	0.01	0.01	(2.0)	-0.4%	(0.01)	(0.01)
Convertible share adjustment ⁽²⁾	-	-	-	0.03	-	-	-	0.05	-	-	-	0.11
Interest and other ⁽³⁾	3.1	0.9%	0.02	0.02	3.0	0.7%	0.02	0.01	2.7	0.5%	0.01	0.01
Income from Continuing Operations - non-GAAP	\$ 66.1	19.2%	\$ 0.36	\$ 0.34	\$ 101.5	24.7%	\$ 0.55	\$ 0.50	\$ 153.7	31.3%	\$ 0.85	\$ 0.80
GAAP and Non-GAAP Weighted Average Common Shares - Basic	185.1				185.4				181.2			
GAAP Weighted Average Common Shares - Diluted	221.9				230.5				229.4			
Exclude dilutive shares from convertible note	(19.5)				(22.7)				(34.7)			
Non-GAAP Weighted Average Common Shares - Diluted ⁽²⁾	202.4				207.8				194.7			

(1) Restructuring and other, net consists of (in millions):

	Quarter Ended		
	October 2, 2011	July 3, 2011	October 3, 2010
Acquisition Costs	\$ 1.3	\$ -	\$ -
Employee Severance	0.1	0.3	0.9
Non-U.S. Pension Settlement	-	0.9	-
Facility Related	-	-	(2.9)
	\$ 1.5	\$ 1.3	\$ (2.0)

(2) For the quarters ended October 2, 2011, July 3, 2011 and October 3, 2010, the calculation of non-GAAP diluted earnings per share gives benefit to the Company's call option on its stock for 34.7 million shares at \$5.48. As a result, 13.5 million, 17.9 million and 8.5 million shares, respectively, have been included in non-GAAP diluted shares and net interest expense of \$2.4 million has been added back to non-GAAP net income for the non-GAAP diluted earnings per share calculation.

(3) For the quarters ended October 2, 2011, July 3, 2011 and October 3, 2010, Interest and Other included non-cash convertible debt interest.

GAAP to Non-GAAP Reconciliation of Fourth Quarter 2011 guidance:

GAAP and Non-GAAP fourth quarter revenue guidance:	\$270 million	to	\$300 million
GAAP (loss) from continued operations per diluted share	(\$0.10)		(\$0.02)
Exclude LitePoint purchase accounting charges and intangible asset amortization	0.10		0.10
Exclude LitePoint acquisition related costs	0.02		0.02
Exclude acquired intangible asset amortization	0.03		0.03
Exclude non-cash convertible debt interest	0.02		0.02
Non GAAP weighted average diluted share adjustment	0.01		0.01
Non-GAAP income from continuing operations per diluted share	\$0.08		\$0.16
GAAP (loss) income from operations as a % of revenue	-5%		1%
Exclude LitePoint purchase accounting charges and intangible asset amortization	8%		8%
Exclude LitePoint acquisition related costs	1%		1%
Exclude acquired intangible asset amortization	2%		1%
Non - GAAP income from operations as a % of revenue	6%		11%
GAAP weighted average common shares - Diluted	184M		184M
Non GAAP weighted average diluted share adjustment	8M		8M
Non - GAAP weighted average common shares - Diluted	202M		202M

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	<u>April 3, 2011</u>	<u>% of Net Revenues</u>	<u>December 31, 2010</u>	<u>% of Net Revenues</u>	<u>July 4, 2010</u>	<u>% of Net Revenues</u>	<u>April 4, 2010</u>	<u>% of Net Revenues</u>
Net Revenues	\$ 377.2		\$ 310.2		\$ 445.3		\$ 319.3	
Income from Operations - GAAP	\$ 78.5	20.8%	\$ 55.7	18.0%	\$ 136.1	30.6%	\$ 59.0	18.5%
Acquired intangible asset amortization	7.3	1.9%	7.3	2.4%	7.3	1.6%	7.4	2.3%
Restructuring and other, net ⁽¹⁾	0.4	0.1%	(0.1)	0.0%	0.4	0.1%	0.9	0.3%
Income from Operations - non-GAAP	<u>\$ 86.2</u>	<u>22.9%</u>	<u>\$ 62.9</u>	<u>20.3%</u>	<u>\$ 143.8</u>	<u>32.3%</u>	<u>\$ 67.3</u>	<u>21.1%</u>

(1) Restructuring and other, net consists of (in millions):

	<u>April 3, 2011</u>	<u>December 31, 2010</u>	<u>July 4, 2010</u>	<u>April 4, 2010</u>
Employee Severance	\$ 0.8	\$ 0.2	\$ 0.4	\$ 0.9
Facility Related	(0.4)	(0.3)	-	-
Restructuring and other, net	<u>\$ 0.4</u>	<u>\$ (0.1)</u>	<u>\$ 0.4</u>	<u>\$ 0.9</u>

GAAP to Non-GAAP Earnings Reconciliation

Mid Guidance
Q4 2011

GAAP loss from operations as a % of revenue	-2%
Exclude LitePoint purchase accounting charges and intangible asset amortization	8%
Exclude LitePoint acquisition related costs	1%
Exclude acquired intangible asset amortization	2%
Non-GAAP income from operations as a % of revenue	<hr/> <u>9%</u>