

Teradyne, Inc.

Certain Non-GAAP financial measures discussed during the Fourth Quarter of 2010 Earnings Conference Call January 2011

On the Company's earnings conference call on January 26, 2011, the following non-GAAP financial measures were discussed or presented:

- FY 2010 28% non-GAAP operating profit
- FY 2010 free cash flow of \$491 million
- FY 2010 non-GAAP diluted EPS \$2.20
- FY 2010 non-GAAP quarterly diluted EPS: Q4 2010 - \$0.37; Q3 2010 - \$0.82; Q2 2010 - \$0.69; Q1 2010 - \$0.33
- FY 2009 non-GAAP quarterly diluted EPS: Q4 2009 - \$0.17; Q3 2009 - \$0.14; Q2 2009 - (\$0.21); Q1 2009 - (\$0.38)
- FY 2008 non-GAAP quarterly diluted EPS: Q4 2008 - (\$0.19); Q3 2008 - \$0.09; Q2 2008 - \$0.16; Q1 2008 - \$0.12
- FY 2007 non-GAAP quarterly diluted EPS: Q4 2007 - \$0.10; Q3 2007 - \$0.18; Q2 2007 - \$0.15; Q1 2007 - \$0.05
- FY 2006 non-GAAP quarterly diluted EPS: Q4 2006 - \$0.07; Q3 2006 - \$0.25; Q2 2006 - \$0.31; Q1 2006 - \$0.25
- FY 2010 & FY 2009 combined two year period non-GAAP operating profit of 16.7%
- FY 2010 & FY 2009 combined two year period non-GAAP operating profit of \$406 million
- FY 2010 & FY 2009 combined two year period non-GAAP gross margin of \$1,199 million
- FY 2010 & FY 2009 combined two year period non-GAAP gross margin of 49.4%
- FY 2008 & FY 2007 combined two year period non-GAAP operating profit of 4.5%
- FY 2008 & FY 2007 combined two year period non-GAAP operating profit of \$100 million
- FY 2008 & FY 2007 combined two year period non-GAAP gross margin of \$1,107 million
- FY 2008 & FY 2007 combined two year period non-GAAP gross margin of 46.0%
- FY 2006 & FY 2005 combined two year period non-GAAP operating profit of 4.4%
- FY 2006 & FY 2005 combined two year period non-GAAP operating profit of \$106 million
- FY 2006 & FY 2005 combined two year period non-GAAP gross margin of \$1,047 million.
- FY 2006 & FY 2005 combined two year period non-GAAP gross margin of 43.6%
- Q4 2010 non-GAAP operating profit 20.8%
- Q4 2010 non-GAAP diluted earnings per share of \$0.37
- Q4 2010 non-GAAP diluted weighted average shares of 201 million shares
- Q3 2010 non-GAAP operating profit 32.8%
- Q3 2010 non-GAAP diluted earnings per share of \$0.82
- Q3 2010 non-GAAP diluted weighted average shares of 195 million shares
- Q4 2009 non-GAAP operating profit 13.1%
- Q4 2009 non-GAAP diluted earnings per share of \$0.17
- Q4 2009 non-GAAP diluted weighted average shares of 180 million shares
- Q4 2010 non-GAAP free cash flow of \$155 million

- Q3 2010 non-GAAP free cash flow of \$237 million
- Q4 2009 non-GAAP free cash flow of \$50 million
- Q1 2011 non-GAAP earnings per share guidance of \$0.33 to \$0.39
- Q1 2011 non-GAAP operating profit guidance of 21% to 23%
- Q1 2011 non-GAAP diluted weighted average share guidance of 206 million shares
- FY 2009 non-GAAP diluted earnings per share of \$0.27
- FY 2006 free cash flow of \$343 million
- FY 2000 non-GAAP operating profit of 23%
- Q4 2010 non-GAAP operating expenses of \$102 million
- Decrease in non-GAAP operating expenses of \$9 million from Q3 2010 to Q4 2010
- Q4 2010 non-GAAP interest and other expense of \$2.2 million
- Q4 2010 cash flow from operations after capital additions (“free cash flow”) of \$155 million
- Q1 2011 mid point of guidance non-GAAP operating profit of about 22%
- Q1 2011 non-GAAP gross margin guidance of 51% to 52%
- Q1 2011 non-GAAP guidance R&D expense as a percentage of sales of 14% to 13%
- Q1 2011 non-GAAP guidance SG&A expense as a percentage of sales of 16% to 15%
- Q1 2011 non-GAAP guidance net interest expense of \$2.3 million
- Q4 2010, Q3 2010 and Q4 2009 non-GAAP gross margin of 52.5%, 54.9% and 48.2%, respectively
- Q4 2010, Q3 2010 and Q4 2009 non-GAAP R&D expense as a percentage of sales of 14.7%, 10.0% and 15.3%, respectively
- Q4 2010, Q3 2010 and Q4 2009 non-GAAP SG&A expense as a percentage of sales of 17.0%, 12.2% and 19.3%, respectively
- Non-GAAP model revenue of \$275 million including no Hard Disk Hard and High-Speed Memory revenue
- Non-GAAP model revenue of \$290 million including \$25 million of Hard Disk Hard and High-Speed Memory revenue
- Non-GAAP model revenue of \$305 million including \$50 million of Hard Disk Hard and High-Speed Memory revenue
- Non-GAAP model revenue of \$320 million including \$75 million of Hard Disk Hard and High-Speed Memory revenue

Please see the attached GAAP to Non-GAAP reconciliations for a reconciliation of additional non-GAAP financial measures included in the Company’s Fourth Quarter 2010 earnings release and that were discussed or presented on the Company’s earnings conference call on January 26, 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 fiscal year 2010 cash flow from operations:

GAAP cash flow from operations for fiscal year 2010 (in millions)	\$567
Include property, plant and equipment additions	<u>(76)</u>
Non-GAAP cash flow from operations for fiscal year 2010	<u>\$491</u>

GAAP to non-GAAP reconciliation of fiscal year 2006 cash flow from operations:

GAAP cash flow from operations for fiscal year 2006 (in millions)	\$454
Include property, plant and equipment additions	<u>(110)</u>
Non-GAAP cash flow from operations for fiscal year 2006	<u>\$343</u>

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

GAAP cash flow from operations for fourth quarter of 2010 (in millions)	\$177
Include property, plant and equipment additions	<u>(22)</u>
Non-GAAP cash flow from operations for fourth quarter of 2010	<u>\$ 155</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)	\$255
Include property, plant and equipment additions	<u>(18)</u>
Non-GAAP cash flow from operations for third quarter of 2010	<u>\$237</u>

GAAP to non-GAAP reconciliation of fourth quarter 2009 cash flow from operations:

GAAP cash flow from operations for fourth quarter of 2009 (in millions)	\$65
Include property, plant and equipment additions	<u>(15)</u>
Non-GAAP cash flow from operations for fourth quarter of 2009	<u>\$ 50</u>

Q4 2010 Gross Margin % of 52.5% is the same % for GAAP and non-GAAP results

Q4 2010 R&D expense as a % of sales of 14.7% is the same % for GAAP and non-GAAP results

Q4 2010 SG&A expense as a % of sales of 117.0% is the same % for GAAP and non-GAAP results

Q3 2010 Gross Margin % of 54.9% is the same % for GAAP and non-GAAP results

Q3 2010 R&D expense as a % of sales of 10.0% is the same % for GAAP and non-GAAP results

Q3 2010 SG&A expense as a % of sales of 12.2% is the same % for GAAP and non-GAAP results

Q4 2009 R&D expense as a % of sales of 15.3% is the same % for GAAP and non-GAAP results

Q4 2009 SG&A expense as a % of sales of 19.3% is the same % for GAAP and non-GAAP results

For Q4 2010, Q3 2010 and Q4 2009, R&D and SG&A dollar amounts are the same for GAAP and Non-GAAP

For Q1 2011 non-GAAP guidance: Gross Margin, R&D and SG&A as a % of sales are the same % for GAAP and non-GAAP guidance

For 24 months ended December 31, 2010 R&D and SG&A amounts and % of sales are the same for GAAP and Non-GAAP results

For 24 months ended December 31, 2008 R&D and SG&A amounts and % of sales are the same for GAAP and Non-GAAP results

For 24 months ended December 31, 2006 R&D and SG&A amounts and % of sales are the same for GAAP and Non-GAAP results

FY 2000 operating profit of 23% is the same for GAAP and non-GAAP results

GAAP to non-GAAP reconciliation of Q4 2010 operating expenses:

Q4 2010 GAAP operating expenses (in millions)	\$110
Exclude intangible asset amortization	(7)
Exclude restructuring and other, net, costs	<u>(1)</u>
Q4 2010 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 Q3 2010 to Q4 2010	\$8
Plus decrease in restructuring and other, net, costs	<u>1</u>
Decrease in non-GAAP operating expenses from Q3 2010 to Q4 2010	<u>\$9</u>

GAAP to non-GAAP reconciliation of Q4 2010 interest and other expense:

Q4 2010 GAAP interest and other expense (in millions)	\$5.0
Exclude non-cash convertible debt interest	<u>(2.8)</u>
Q4 2010 non-GAAP interest and other expense	<u>\$2.2</u>

GAAP to non-GAAP reconciliation of Q1 2011 interest and other expense guidance:

Q1 2011 GAAP interest and other expense (in millions)	\$5.1
Exclude non-cash convertible debt interest	<u>(2.8)</u>
Q1 2011 Non-GAAP interest and other expense guidance	<u>\$2.3</u>

Teradyne's non-GAAP model revenue (15% profit) is \$275 million including no Hard Disk Hard and High-Speed Memory revenue, \$290 million including \$25 million of Hard Disk Hard and High-Speed Memory revenue, \$305 million including \$50 million of Hard Disk Hard and High-Speed Memory revenue and \$320 million including \$75 million of Hard Disk Hard and High-Speed Memory revenue. 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					
	December 31, 2010		October 3, 2010		December 31, 2009	
		% of Net Revenues		% of Net Revenues		% of Net Revenues
Net Revenues	\$ 322.2		\$ 502.1		\$ 267.1	
Gross Margin - GAAP	\$ 169.1	52.5%	\$ 275.8	54.9%	\$ 124.4	46.6%
Inventory step-up reversal ⁽¹⁾	-	-	-	-	4.6	1.7%
Profit sharing adjustment ⁽²⁾	-	-	-	-	(0.3)	-0.1%
Gross Margin - non-GAAP	\$ 169.1	52.5%	\$ 275.8	54.9%	\$ 128.7	48.2%
Income from Operations - GAAP	\$ 58.8	18.2%	\$ 158.1	31.5%	\$ 24.3	9.1%
Acquired intangible asset amortization	7.3	2.3%	7.3	1.5%	7.6	2.8%
Restructuring and other, net ⁽³⁾	0.8	0.2%	(0.9)	-0.2%	0.1	0.0%
Inventory step-up reversal ⁽¹⁾	-	-	-	-	4.6	1.7%
Profit sharing adjustment ⁽²⁾	-	-	-	-	(1.7)	-0.6%
Income from Operations - non-GAAP	\$ 66.9	20.8%	\$ 164.5	32.8%	\$ 34.9	13.1%

	December 31, 2010		October 3, 2010		December 31, 2009							
	% of Net Revenues	Basic	Diluted	% of Net Revenues	Basic	Diluted						
Net Income - GAAP	\$ 60.1	18.7%	\$ 0.33	\$ 0.27	\$ 147.3	29.3%	\$ 0.81	\$ 0.66	\$ 16.9	6.3%	\$ 0.10	\$ 0.09
Acquired intangible asset amortization	7.3	2.3%	0.04	0.04	7.3	1.5%	0.04	0.04	7.6	2.8%	0.04	0.04
Interest and other ⁽⁴⁾	2.8	0.9%	0.02	0.01	2.7	0.5%	0.01	0.01	2.6	1.0%	0.01	0.01
Restructuring and other, net ⁽³⁾	0.8	0.2%	-	-	(0.9)	-0.2%	-	-	0.1	0.0%	0.00	0.00
Convertible share adjustment ⁽⁵⁾	-	-	-	0.05	-	-	-	0.11	-	-	-	-
Inventory step-up reversal ⁽¹⁾	-	-	-	-	-	-	-	-	4.6	1.7%	0.03	0.03
Profit sharing adjustment ⁽²⁾	-	-	-	-	-	-	-	-	(1.7)	-0.6%	(0.01)	(0.01)
Net Income - non-GAAP	\$ 71.0	22.0%	\$ 0.39	\$ 0.37	\$ 156.4	31.1%	\$ 0.86	\$ 0.82	\$ 30.1	11.3%	\$ 0.17	\$ 0.17

GAAP and Non-GAAP Weighted Average Common Shares - Basic

181.6

181.2

174.8

GAAP Weighted Average Common Shares - Diluted

220.0

229.4

187.2

Exclude dilutive shares from convertible note

(19.3)

(34.7)

-
| Exclude dilutive shares from convertible note hedge warrant | - | | - | | - | | (6.9) | |
| Non-GAAP Weighted Average Common Shares - Diluted ⁽⁵⁾ | 200.7 | | 194.7 | | 180.3 | |

(1) Reversal of Eagle Test purchase accounting inventory step-up.

(2) Profit sharing adjustment for non-GAAP items. Commencing January 1, 2010, this adjustment is no longer made.

(3) Restructuring and other, net consists of:

	Quarter Ended		
	December 31, 2010	October 3, 2010	December 31, 2009
Employee Severance	\$ 1.1	\$ 1.9	\$ 0.6
Facility Related	(0.3)	(2.8)	(0.5)
Eagle Test Purchase Accounting Adjustment	-	-	-
	\$ 0.8	\$ (0.9)	\$ 0.1

(4) For the quarters ended December 31, 2010, October 3, 2010 and December 31, 2009 Interest and Other included non-cash convertible debt interest.

(5) For the quarters ended December 31, 2010 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, 13.1 million and 8.5 million shares, respectively, have been included in non-GAAP diluted shares and net interest expense of \$2.3 million has been added back to non-GAAP net income for the non-GAAP diluted earnings per share calculation.

	Twelve Months Ended			
	December 31, 2010	% of Net Revenues	December 31, 2009	% of Net Revenues
Net Revenues	\$ 1,608.7		\$ 819.4	
Gross Margin - GAAP	\$ 872.7	54.2%	\$ 311.6	38.0%
Inventory step-up reversal ⁽¹⁾	-	-	15.4	1.9%
Insurance recovery	-	-	(1.0)	-0.1%
Profit sharing adjustment ⁽²⁾	-	-	(0.7)	-0.1%
Gross Margin - non-GAAP	\$ 872.7	54.2%	\$ 325.3	39.7%
Income/(Loss) from Operations - GAAP	\$ 413.5	25.7%	\$ (122.4)	-14.9%
Acquired intangible asset amortization	29.3	1.8%	32.3	3.9%
Restructuring and other, net ⁽³⁾	2.9	0.2%	36.5	4.5%
Inventory step-up reversal ⁽¹⁾	-	-	15.4	1.9%
Insurance recovery	-	-	(1.0)	-0.1%
Profit sharing adjustment ⁽²⁾	-	-	(3.9)	-0.5%
Income/(Loss) from Operations - non-GAAP	\$ 445.7	27.7%	\$ (43.1)	-5.3%

	December 31, 2010	% of Net Revenues	Net Income per Common Share		December 31, 2009	% of Net Revenues	Net Income/(Loss) per Common Share	
			Basic	Diluted			Basic	Diluted
Net Income/(Loss) - GAAP	\$ 379.7	23.6%	\$ 2.11	\$ 1.73	\$ (133.8)	-16.3%	\$ (0.77)	\$ (0.77)
Acquired intangible asset amortization	29.3	1.8%	0.16	0.15	32.3	3.9%	0.19	0.19
Interest and other ⁽⁴⁾	10.5	0.7%	0.06	0.05	11.7	1.4%	0.07	0.07
Restructuring and other, net ⁽³⁾	2.9	0.2%	0.02	0.01	36.5	4.5%	0.21	0.21
Convertible share adjustment ⁽⁵⁾	-	-	-	0.25	-	-	-	-
Inventory step-up reversal ⁽¹⁾	-	-	-	-	15.4	1.9%	0.09	0.09
Insurance recovery	-	-	-	-	(1.0)	-0.1%	(0.01)	(0.01)
Profit sharing adjustment ⁽²⁾	-	-	-	-	(3.9)	-0.5%	(0.02)	(0.02)
Income tax adjustment ⁽⁶⁾	-	-	-	-	(2.9)	-0.4%	(0.02)	(0.02)
Net Income/(Loss) - non-GAAP	\$ 422.4	26.3%	\$ 2.35	\$ 2.20	\$ (45.7)	-5.6%	\$ (0.27)	\$ (0.27)

GAAP and Non-GAAP Weighted Average Common Shares - Basic	179.9	173.6
GAAP Weighted Average Common Shares - Diluted	226.8	173.6
Exclude dilutive shares from convertible note	(30.8)	-
Non-GAAP Weighted Average Common Shares - Diluted ⁽⁵⁾	196.0	173.6

(1) Reversal of Eagle Test purchase accounting inventory step-up.

(2) Profit sharing adjustment for non-GAAP items. Commencing January 1, 2010, this adjustment is no longer made.

(3) Restructuring and other, net consists of:

	Twelve Months Ended	
	December 31, 2010	December 31, 2009
Employee Severance	\$ 5.1	\$ 33.5
Facility Related	(2.2)	3.9
Eagle Test Purchase Accounting Adjustment	-	(2.0)
Long-Lived Asset Impairment	-	1.1
	\$ 2.9	\$ 36.5

(4) For the year ended December 31, 2010 Interest and Other included non-cash convertible debt interest. For the year ended December 31, 2009, Interest and Other included a charge to expense deferred debt financing costs as a result of the repayment and termination of Teradyne's revolving line of credit, non-cash convertible debt interest, and a charge for other-than-temporary impairment and realized losses on marketable securities.

(5) For the year ended December 31, 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, 10.5 million shares have been included in non-GAAP diluted shares and net interest expense of \$9.4 million has been added back to non-GAAP net income for the non-GAAP diluted earnings per share calculation.

(6) Income tax adjustment related to a discrete foreign exchange item.

GAAP to Non-GAAP Reconciliation of first quarter 2011 guidance:

GAAP and Non-GAAP first quarter revenue guidance:	\$350 million	to	\$375 million
GAAP net income per diluted share	\$0.26		\$0.31
Exclude acquired intangible asset amortization	\$0.04		\$0.04
Exclude non-cash convertible debt interest	\$0.01		\$0.01
Exclude dilutive shares from convertible note	<u>\$0.02</u>		<u>\$0.03</u>
Non-GAAP net income per diluted share	\$0.33		\$0.39

GAAP income from operations as a % of revenue	19%		21%
Exclude acquired intangible asset amortization	<u>2%</u>		<u>2%</u>
Non - GAAP income from operations as a % of revenue	21%		23%

GAAP weighted average common shares - Diluted	228.0		
Exclude dilutive shares from convertible debt	<u>(22.0)</u>		
Non - GAAP weighted average common shares - Diluted	<u>206.0</u>		

GAAP to Non-GAAP Reconciliation of first quarter 2011 Mid guidance:

GAAP income from operations as a % of revenue	20%		
Exclude acquired intangible asset amortization	<u>2%</u>		
Non - GAAP income from operations as a % of revenue	22%		

GAAP to Non-GAAP Reconciliation

Income (Loss) from Continuing Operations per Diluted Common Share

	Quarter Ended								
	July 4, 2010	April 4, 2010	October 4, 2009	July 5, 2009	April 5, 2009	December 31, 2008	September 28, 2008	June 29, 2008	March 30, 2008
Income/(Loss) from Continuing Operations per Diluted Common Share - GAAP	\$ 0.55	\$ 0.24	\$ 0.04	\$ (0.39)	\$ (0.53)	\$ (2.28)	\$ (0.14)	\$ 0.06	\$ 0.01
Acquired intangible asset amortization	0.04	0.04	0.05	0.05	0.05	0.04	0.03	0.03	0.02
Interest and other	0.01	0.01	0.01	0.03	0.02	0.03	0.03	-	-
Restructuring and other, net	0.01	0.01	0.03	0.09	0.09	0.06	0.17	0.07	0.07
Convertible share adjustment	0.08	0.03	-	-	-	-	-	-	-
Inventory step-up reversal	-	-	0.03	0.02	0.01	-	-	-	0.02
Profit sharing adjustment	-	-	(0.01)	-	-	-	-	-	-
In-process research and development	-	-	-	-	-	-	-	-	0.01
Income tax adjustment	-	-	-	-	(0.02)	-	-	-	-
Goodwill impairment	-	-	-	-	-	1.95	-	-	-
Inventory provision reversal	-	-	-	-	-	(0.01)	-	-	(0.01)
Income/(Loss) from Continuing Operations per Diluted Common Share - Non-GAAP	\$ 0.69	\$ 0.33	\$ 0.14	\$ (0.21)	\$ (0.38)	\$ (0.19)	\$ 0.09	\$ 0.16	\$ 0.12

	December 31, 2007	September 30, 2007	July 1, 2007	April 1, 2007	December 31, 2006	October 1, 2006	July 2, 2006	April 2, 2006
Income/(Loss) from Continuing Operations per Diluted Common Share - GAAP	\$ 0.10	\$ 0.19	\$ 0.14	\$ (0.04)	\$ 0.07	\$ 0.34	\$ 0.41	\$ 0.22
Acquired intangible asset amortization	-	0.01	0.01	-	-	-	-	-
Interest and other	-	-	-	(0.01)	-	-	-	-
Restructuring and other, net	-	(0.02)	-	0.01	-	(0.07)	(0.10)	(0.01)
Profit sharing adjustment	-	-	-	(0.01)	-	-	-	-
In-process research and development	-	-	-	0.09	-	-	-	-
Inventory provision	-	-	-	-	-	-	-	0.04
Tax benefit from gain of disposal of TCS	-	-	-	-	-	(0.02)	-	-
Income/(Loss) from Continuing Operations per Diluted Common Share - Non-GAAP	\$ 0.10	\$ 0.18	\$ 0.15	\$ 0.05	\$ 0.07	\$ 0.25	\$ 0.31	\$ 0.25

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	24 Months Ended:					
	December 31, 2010	% of Net Revenues	December 31, 2008	% of Net Revenues	December 31, 2006	% of Net Revenues
Net Revenues	\$ 2,428.1		\$ 2,209.3		\$ 2,401.4	
Gross Margin - GAAP	\$ 1,184.3	48.8%	\$ 1,011.6	45.8%	\$ 1,046.9	43.6%
Inventory step-up reversal ⁽¹⁾	15.4	0.6%	5.0	0.2%	-	0.0%
Insurance recovery	(1.0)	0.0%	-	0.0%	-	0.0%
Gross Margin - non-GAAP	\$ 1,198.7	49.4%	\$ 1,016.6	46.0%	\$ 1,046.9	43.6%
Income/(Loss) from Operations - GAAP	\$ 291.1	12.0%	\$ (339.5)	-15.4%	\$ 117.5	4.9%
Acquired intangible asset amortization	61.5	2.5%	24.3	1.1%	7.3	0.3%
Restructuring and other, net ⁽²⁾	39.4	1.6%	62.1	2.8%	(18.4)	-0.8%
Inventory step-up reversal ⁽¹⁾	15.4	0.6%	5.0	0.2%	-	0.0%
Insurance recovery	(1.0)	0.0%	-	0.0%	-	0.0%
In-process Research and Development	-	-	18.3	0.01	-	-
Goodwill Impairment	-	-	329.7	0.15	-	-
Income/(Loss) from Operations - non-GAAP	\$ 406.4	16.7%	\$ 99.9	4.5%	\$ 106.4	4.4%

(1) Reversal of Nextest and Eagle Test purchase accounting inventory step-up.

(2) Restructuring and other, net consists of:

	24 Months Ended:		
	December 31, 2010	December 31, 2008	December 31, 2006
Employee Severance	\$ 38.6	\$ 30.6	\$ 25.4
Facility Related	1.7	18.1	1.5
Eagle Test Purchase Accounting Adjustment	(2.0)	-	-
Acquisition Financing Costs	-	0.8	-
Long-Lived Asset Impairment	1.1	0.6	10.3
Loss (Gain) on Sale of Real Estate	-	17.3	(54.4)
Insurance Gain from Taiwan fire	-	(4.3)	-
Gain of Sale of Product Lines	-	(0.9)	(4.5)
Divestiture-Related Fees	-	-	3.1
Other	-	-	0.2
	\$ 39.4	\$ 62.1	\$ (18.4)

GAAP to Non-GAAP Operating Income Reconciliation
(In millions)

	Quarter Ended:							
	December 31, 2010	% of Net Revenues	October 3, 2010	% of Net Revenues	July 4, 2010	% of Net Revenues	April 4, 2010	% of Net Revenues
Net Revenues	\$ 322.2		\$ 502.1		\$ 454.8		\$ 329.6	
Income/(Loss) from Operations - GAAP	\$ 58.8	18.2%	\$ 158.1	31.5%	\$ 136.6	30.0%	\$ 60.0	18.2%
Acquired intangible asset amortization	7.3	2.3%	7.3	1.5%	7.3	1.6%	7.4	2.2%
Inventory step-up reversal ⁽¹⁾	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Restructuring and other, net ⁽²⁾	0.8	0.2%	(0.9)	-0.2%	1.7	0.4%	1.3	0.4%
Insurance Recovery	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Income/(Loss) from Operations - non-GAAP	<u>\$ 66.9</u>	<u>20.8%</u>	<u>\$ 164.5</u>	<u>32.8%</u>	<u>\$ 145.6</u>	<u>32.0%</u>	<u>\$ 68.7</u>	<u>20.8%</u>

(1) Reversal of Eagle Test purchase accounting inventory step-up.

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

	Quarter Ended:			
	December 31, 2010	October 3, 2010	July 4, 2010	April 4, 2010
Employee Severance	\$ 1.1	\$ 1.9	\$ 0.7	\$ 1.3
Facility Related	(0.3)	(2.8)	1.0	-
Eagle Test Purchase Accounting Adjustment	-	-	-	-
Long-Lived Asset Impairment	-	-	-	-
	<u>\$ 0.8</u>	<u>\$ (0.9)</u>	<u>\$ 1.7</u>	<u>\$ 1.3</u>

GAAP to Non-GAAP Operating Income Reconciliation

(In millions)

	Quarter Ended:							
	December 31, 2009	% of Net Revenues	October 4, 2009	% of Net Revenues	July 5, 2009	% of Net Revenues	April 5, 2009	% of Net Revenues
Net Revenues	\$ 267.1		\$ 262.3		\$ 169.6		\$ 120.6	
Income/(Loss) from Operations - GAAP	\$ 24.3	9.1%	\$ 8.8	3.4%	\$ (62.1)	-23.7%	\$ (93.4)	-55.1%
Acquired intangible asset amortization	7.6	2.8%	8.2	3.1%	8.2	3.1%	8.2	4.8%
Inventory step-up reversal ⁽¹⁾	4.6	1.7%	5.7	2.2%	3.9	1.5%	1.2	0.7%
Restructuring and other, net ⁽²⁾	0.1	0.0%	5.2	2.0%	15.3	5.8%	16.0	9.4%
Insurance Recovery	-	0.0%	-	0.0%	(1.0)	-0.4%	-	0.0%
Income/(Loss) from Operations - non-GAAP	<u>\$ 36.6</u>	<u>13.7%</u>	<u>\$ 27.9</u>	<u>10.6%</u>	<u>\$ (35.7)</u>	<u>-13.6%</u>	<u>\$ (68.0)</u>	<u>-40.1%</u>

(1) Reversal of Eagle Test purchase accounting inventory step-up.

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

	Quarter Ended:			
	December 31, 2009	October 4, 2009	July 5, 2009	April 5, 2009
Employee Severance	\$ 0.6	\$ 1.2	\$ 15.0	\$ 16.7
Facility Related	(0.5)	4.4	-	-
Eagle Test Purchase Accounting Adjustment	-	(0.4)	(0.8)	(0.7)
Long-Lived Asset Impairment	-	-	1.1	-
	<u>\$ 0.1</u>	<u>\$ 5.2</u>	<u>\$ 15.3</u>	<u>\$ 16.0</u>

GAAP to Non-GAAP Operating Income Reconciliation

(In millions)

	Quarter Ended:							
	December 31, 2008	% of Net Revenues	September 28, 2008	% of Net Revenues	Jun 29, 2008	% of Net Revenues	March 30, 2008	% of Net Revenues
Net Revenues	\$ 194.8		\$ 297.3		\$ 317.7		\$ 297.3	
Income/(Loss) from Operations - GAAP	\$ (379.6)	-194.9%	\$ (17.3)	-5.8%	\$ 14.7	4.6%	\$ 1.4	0.5%
Acquired intangible asset amortization	7.0	3.6%	5.0	1.7%	4.8	1.5%	3.9	1.3%
Restructuring and other, net ⁽²⁾	9.7	5.0%	28.6	9.6%	12.7	4.0%	11.8	4.0%
Inventory step-up reversal ⁽¹⁾	0.7	0.4%	-	0.0%	-	0.0%	4.3	1.4%
In-process research and development ⁽³⁾	0.5	0.3%	-	0.0%	-	0.0%	1.1	0.4%
Goodwill Impairment	329.7	169.3%	-	0.0%	-	0.0%	-	0.0%
Income/(Loss) from Operations - non-GAAP	<u>\$ (32.0)</u>	<u>-16.4%</u>	<u>\$ 16.3</u>	<u>5.5%</u>	<u>\$ 32.2</u>	<u>10.1%</u>	<u>\$ 22.5</u>	<u>7.6%</u>

(1) Reversal of Nextest and Eagle Test purchase accounting inventory step-up.

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

	Quarter Ended:			
	December 31, 2008	September 28, 2008	Jun 29, 2008	March 30, 2008
Employee Severance	\$ 8.9	\$ 2.6	\$ 5.5	\$ 7.1
Facility Related	-	3.4	8.3	4.7
Acquisition costs	0.8	-	-	-
Loss/(Gain) on sale of real estate	-	22.6	(1.7)	-
Long-Lived Asset Impairment	-	-	0.6	-
	<u>\$ 9.7</u>	<u>\$ 28.6</u>	<u>\$ 12.7</u>	<u>\$ 11.8</u>

(3) In-process research and development included charges related to the EagleTest and Nextest acquisitions.

GAAP to Non-GAAP Operating Income Reconciliation

(In millions)

	Quarter Ended:							
	December 31, 2007	% of Net Revenues	September 28, 2007	% of Net Revenues	July 1, 2007	% of Net Revenues	April 1, 2007	% of Net Revenues
Net Revenues	\$ 260.4		\$ 299.5		\$ 288.7		\$ 253.7	
Income/(Loss) from Operations - GAAP	\$ 6.9	2.6%	\$ 32.0	10.7%	\$ 21.1	7.3%	\$ (18.7)	-7.4%
Acquired intangible asset amortization	0.8	0.3%	1.0	0.3%	1.0	0.3%	0.9	0.4%
Restructuring and other, net ⁽²⁾	(0.4)	-0.2%	(3.1)	-1.0%	0.6	0.2%	2.2	0.9%
In-process research and development ⁽³⁾	-	0.0%	-	0.0%	-	0.0%	16.7	6.6%
Income/(Loss) from Operations - non-GAAP	<u>\$ 7.3</u>	<u>2.8%</u>	<u>\$ 29.9</u>	<u>10.0%</u>	<u>\$ 22.7</u>	<u>7.9%</u>	<u>\$ 1.1</u>	<u>0.4%</u>

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

	Quarter Ended:			
	December 31, 2007	September 28, 2007	July 1, 2007	April 1, 2007
Employee Severance	\$ 0.5	\$ 2.3	\$ 1.5	\$ 2.2
Facility Related	1.6	-	-	-
Gain on Sale of Product Lines	-	-	(0.9)	-
Insurance Gain from Taiwan Fire	(2.5)	(1.8)	-	-
Loss/(Gain) on Sale of Real Estate	-	(3.6)	-	-
	<u>\$ (0.4)</u>	<u>\$ (3.1)</u>	<u>\$ 0.6</u>	<u>\$ 2.2</u>

(3) For the quarter ended April 1, 2007, in-process research and development included a charge related to the acquisition of enabling test technology from MOSAID Technologies.

GAAP to Non-GAAP Operating Income Reconciliation

(In millions)

	Quarter Ended:							
	December 31, 2006	% of Net Revenues	October 1, 2006	% of Net Revenues	July 2, 2006	% of Net Revenues	April 2, 2006	% of Net Revenues
Net Revenues	\$ 258.7		\$ 354.7		\$ 386.8		\$ 356.0	
Income/(Loss) from Operations - GAAP	\$ 2.5	1.0%	\$ 67.3	19.0%	\$ 85.4	22.1%	\$ 47.2	13.3%
Restructuring and other, net (2)	0.8	0.3%	(15.1)	-4.3%	(20.6)	-5.3%	(1.1)	-0.3%
Amortization of Intangibles	0.9	0.3%	0.9	0.3%	0.9	0.2%	0.9	0.3%
Income/(Loss) from Operations - non-GAAP	<u>\$ 4.2</u>	<u>1.6%</u>	<u>\$ 53.1</u>	<u>15.0%</u>	<u>\$ 65.7</u>	<u>17.0%</u>	<u>\$ 47.0</u>	<u>13.2%</u>

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

	Quarter Ended:			
	December 31, 2006	October 1, 2006	July 2, 2006	April 2, 2006
Employee Severance	\$ 1.6	\$ 1.0	\$ 1.5	\$ 0.1
Facility Related	-	0.4	(0.2)	(1.2)
Gain on Sale of Real Estate	(0.8)	(16.5)	(21.7)	-
Gain on Sale of Product Lines	-	-	(0.2)	(0.2)
Long-Lived Asset Impairment	-	-	-	0.1
Other	-	-	-	0.1
	<u>\$ 0.8</u>	<u>\$ (15.1)</u>	<u>\$ (20.6)</u>	<u>\$ (1.1)</u>

GAAP to Non-GAAP Operating Income Reconciliation

(In millions)

	Quarter Ended:							
	December 31, 2005	% of Net Revenues	October 2, 2005	% of Net Revenues	July 4, 2005	% of Net Revenues	April 2, 2005	% of Net Revenues
Net Revenues	\$ 337.2		\$ 285.8		\$ 219.4		\$ 202.7	
Income/(Loss) from Operations - GAAP	\$ 59.1	17.5%	\$ (42.3)	-14.8%	\$ (46.5)	-21.2%	\$ (55.2)	-27.2%
Restructuring and other, net (2)	(10.4)	-3.1%	13.8	4.8%	7.9	3.6%	6.4	3.1%
Amortization of Intangibles	0.9	0.3%	0.9	0.3%	0.9	0.4%	0.9	0.4%
Income/(Loss) from Operations - non-GAAP	<u>\$ 49.6</u>	<u>14.7%</u>	<u>\$ (27.6)</u>	<u>-9.7%</u>	<u>\$ (37.7)</u>	<u>-17.2%</u>	<u>\$ (48.0)</u>	<u>-23.7%</u>

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

	Quarter Ended:			
	December 31, 2005	October 2, 2005	July 4, 2005	April 2, 2005
Employee Severance	\$ 2.9	\$ 11.9	\$ 2.6	\$ 4.0
Facility Related	-	-	0.9	2.3
Divestiture Fees	-	1.6	1.5	-
Gain on Sale of Product Lines	(2.8)	(0.5)	(0.5)	(0.4)
Long-Lived Asset Impairment	-	-	7.8	0.5
Lease obligation	0.2	0.8	-	-
Other	0.2	-	-	-
Gain on sale of Real Estate	(10.9)	-	(4.4)	-
	<u>\$ (10.4)</u>	<u>\$ 13.8</u>	<u>\$ 7.9</u>	<u>\$ 6.4</u>

The following table sets forth a reconciliation of free cash flow, a non-GAAP financial measure, to net cash provided by operating activities, a GAAP measure, which we believe to be the GAAP financial measure most directly comparable to free cash flow.

in millions of (\$)

	<u>Q4'09</u>	<u>Q3'10</u>	<u>Q4'10</u>	<u>FY2010</u>
Net cash flows from continuing operating activities	65	255	177	\$ 567M
Include property, plant and equipment additions	<u>(15)</u>	<u>(18)</u>	<u>(22)</u>	<u>\$ (76M)</u>
Non-GAAP cash flow from operations for fiscal quarter	50	237	155	\$ 491M