

Teradyne Reports Third Quarter 2015 Results

- Total company orders up 15%, test orders up 9% compared with Q3'14
- Company revenue driven by strength in mobility, storage test and collaborative robots
- Record quarterly revenue at Universal Robots powered by growing customer base and new product success

NORTH READING, Mass.--(BUSINESS WIRE)--

Teradyne, Inc. (NYSE: TER):

| | Q3'15 | Q3'14 | Q2'15 |
|---------------|--------|--------|--------|
| Orders (mil) | \$314 | \$273 | \$529 |
| Revenue (mil) | \$466 | \$478 | \$513 |
| Non-GAAP EPS | \$0.40 | \$0.44 | \$0.53 |
| GAAP EPS | \$0.34 | \$0.38 | \$0.48 |

Teradyne, Inc. (NYSE: TER) reported revenue of \$466 million for the third quarter of 2015 of which \$326 million was in Semiconductor Test, \$69 million in System Test, \$55 million in Wireless Test, and \$16 million in Industrial Automation. Industrial Automation consists of Universal Robots' results for the full quarter. On a non-GAAP basis, Teradyne's net income in the third quarter was \$84.9 million, or \$0.40 per diluted share, which excluded acquired intangible assets amortization and discrete income tax adjustments, and included the related tax impact on non-GAAP adjustments. GAAP net income for the third quarter was \$71.5 million or \$0.34 per share.

Orders in the third quarter of 2015 were \$314 million of which \$211 million were in Semiconductor Test, \$47 million in System Test, \$40 million in Wireless Test, and \$16 million in Industrial Automation.

"We're on track to deliver our 6th straight year of above model financial results driven by strong tester sales for mobile devices, improving storage test demand, and a growing contribution from industrial automation," said CEO and President Mark Jagiela. "While our fourth quarter guidance reflects the normal seasonal slow down in tester deliveries, we are making selective inventory investments to capture the expected growth in 2016 customer demand."

"Our strong financial results also support our ongoing capital return plan as we repurchased 5.4 million shares for \$98.5 million and paid \$12.6 million in dividends in the third quarter," continued Jagiela.

Guidance for the fourth quarter of 2015 is revenue of \$295 million to \$320 million, with non-GAAP net income of \$0.07 to \$0.12 per diluted share and GAAP net (loss) income of (\$0.01) to \$0.04 per diluted share. Non-GAAP guidance excludes acquired intangible assets amortization and includes the related tax impact on non-GAAP adjustments.

Webcast

A conference call to discuss the third quarter results, along with management's business outlook, will follow at 10 a.m. ET, Wednesday, October 28. Interested investors should access the webcast at www.teradyne.com and click on "Investors" at least five minutes before the call begins. Presentation materials will be available starting at 10 a.m. ET. A replay will be available on the Teradyne website at www.teradyne.com/investors.

Non-GAAP Results

In addition to disclosing results that are determined in accordance with GAAP, Teradyne also discloses 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. Non-GAAP income from operations and non-GAAP net income exclude acquired intangible assets amortization, fair value inventory step-up related to Universal Robots, retired CEO equity charge, non-cash convertible debt interest, discrete income tax adjustments, restructuring and other, and a gain from the sale of an equity investment. GAAP requires that these items be included in determining income from operations and net income. Non-GAAP income from operations, non-GAAP net income, non-GAAP income from operations and non-GAAP net income as a percentage of revenue, and non-GAAP net income per share are non-GAAP measures presented to provide meaningful supplemental information regarding Teradyne's baseline performance before gains, losses or other charges that may not be indicative of Teradyne's current core business or future outlook. These non-GAAP measures are used to make operational decisions, to determine employee compensation, to forecast future operational results, and for comparison with Teradyne's business plan, historical operating results and the operating results of Teradyne's competitors. Non-GAAP gross margin excludes fair value inventory step-up related to Universal Robots. GAAP requires that this item be included in determining gross margin. Non-GAAP gross margin dollar amount and percentage are non-GAAP measures that management believes provide useful supplemental information for management and the investor. Management uses non-GAAP gross margin as a performance measure for Teradyne's current core business and future outlook and for comparison with Teradyne's business plan, historical gross margin results and the gross margin results of Teradyne's competitors. Prior to September 29, 2014, non-GAAP diluted shares included the impact of Teradyne's call option and warrant on its shares. 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 Teradyne's financial and operational performance, as well as facilitating meaningful comparisons of Teradyne's results in the current period compared with those in prior and future periods. A reconciliation of each available GAAP to non-GAAP financial measure discussed in this press release is contained in the attached exhibits and on the Teradyne website at www.teradyne.com by clicking on "Investors" and then selecting the "GAAP to Non-GAAP Reconciliation" link. The non-GAAP financial measures discussed in this press release may not be comparable to similarly titled measures used by other companies. The 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.

About Teradyne

Teradyne (NYSE:TER) is a leading supplier of automation solutions for test and industrial applications. Teradyne Automatic Test Equipment (ATE) is used to test semiconductors, wireless products, data storage and complex electronic systems, which serve consumer, communications, industrial and government customers. Our Industrial Automation solutions include Collaborative Robots used by global manufacturing and light industrial customers to improve quality and increase manufacturing efficiency. In 2014, Teradyne had revenue of \$1.65 billion and currently employs approximately 4,000 people worldwide. For more information, visit www.teradyne.com. Teradyne (R) is a registered trademark of Teradyne, Inc. in the U.S. and other countries.

Safe Harbor Statement

This release contains forward-looking statements regarding future business prospects, Teradyne's results of operations, market conditions, the payment of a quarterly dividend, the repurchase of Teradyne common stock pursuant to a share repurchase program and a senior secured credit facility. Such statements are based on the current assumptions and expectations of Teradyne's management and are neither promises nor guarantees of future performance, future events, future payment of dividends, future repurchases of common stock or future availability of, or borrowing under, a credit facility. There can be no assurance that management's estimates of Teradyne's future results or other forward-looking statements will be achieved. Additionally, the current dividend and share repurchase programs may be modified, suspended or discontinued at any time. Important factors that could cause actual results, dividend payments, repurchases of common stock or borrowings under the credit facility to differ materially from those presently expected include: conditions affecting the markets in which Teradyne operates; decreased or delayed product demand; market acceptance of new products; the ability to grow Universal Robots' business; increased research and development spending; deterioration of Teradyne's financial condition; the business judgment of the board of directors that a declaration of a dividend, the repurchase of common stock or debt under the credit facility is not in the company's best interests; and other events, factors and risks disclosed in filings with the SEC, including, but not limited to, the "Risk Factors" section of Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and the Quarterly Report on Form 10-Q for the period ended July 5, 2015. The forward-looking statements provided by Teradyne in this press release represent management's views as of the date of this release. Teradyne anticipates that subsequent events and developments may cause management's views to change. However, while Teradyne may elect to update these forward-looking statements at some point in the future, Teradyne specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Teradyne's views as of any date subsequent to the date of this release.

TERADYNE, INC. REPORT FOR THIRD FISCAL QUARTER OF 2015

CONDENSED CONSOLIDATED OPERATING STATEMENTS
(In thousands, except per share amounts)

| | Quarter Ended | | | Nine Months Ended | |
|--|-----------------|--------------|--------------------|-------------------|--------------------|
| | October 4, 2015 | July 5, 2015 | September 28, 2014 | October 4, 2015 | September 28, 2014 |
| Net revenues | \$ 465,994 | \$ 512,739 | \$ 478,010 | \$ 1,321,133 | \$ 1,324,587 |
| Cost of revenues (exclusive of acquired intangible assets amortization shown separately below) (1) | 207,368 | 214,171 | 216,889 | 571,517 | 606,006 |
| Gross profit | 258,626 | 298,568 | 261,121 | 749,616 | 718,581 |
| Operating expenses: | | | | | |
| Engineering and development | 74,027 | 75,832 | 71,953 | 221,309 | 212,452 |
| Selling and administrative (2) | 77,481 | 77,073 | 73,064 | 226,595 | 228,556 |
| Acquired intangible assets amortization | 20,053 | 15,258 | 18,271 | 49,119 | 54,813 |
| Restructuring and other (3) | 261 | (385) | (405) | (124) | 167 |
| Operating expenses | 171,822 | 167,778 | 162,883 | 496,899 | 495,988 |
| Income from operations | 86,804 | 130,790 | 98,238 | 252,717 | 222,593 |
| Interest and other (4) | 604 | 1,346 | 2,432 | 9,264 | (2,404) |
| Income before income taxes | 87,408 | 132,136 | 100,670 | 261,981 | 220,189 |
| Income tax provision | 15,955 | 29,257 | 17,721 | 54,863 | 35,106 |
| Net income | \$ 71,453 | \$ 102,879 | \$ 82,949 | \$ 207,118 | \$ 185,083 |
| Net income per common share: | | | | | |
| Basic | \$ 0.34 | \$ 0.48 | \$ 0.40 | \$ 0.97 | \$ 0.93 |
| Diluted | \$ 0.34 | \$ 0.48 | \$ 0.38 | \$ 0.96 | \$ 0.83 |
| Weighted average common shares - basic | 210,032 | 213,845 | 207,381 | 213,688 | 198,367 |
| Weighted average common shares - diluted (5) | 211,736 | 215,496 | 218,333 | 215,348 | 223,795 |
| Cash dividend declared per common share | \$ 0.06 | \$ 0.06 | \$ 0.06 | \$ 0.18 | \$ 0.12 |

| | | | | | | |
|------------|---|-----------------|--------------|--------------------|-------------------|--------------------|
| Net orders | | \$ 314,222 | \$ 528,693 | \$ 273,043 | \$ 1,333,272 | \$ 1,349,957 |
| (1) | Cost of revenues includes: | Quarter Ended | | | Nine Months Ended | |
| | | October 4, 2015 | July 5, 2015 | September 28, 2014 | October 4, 2015 | September 28, 2014 |
| | Provision for excess and obsolete inventory | \$ 3,011 | \$ 14,441 | \$ 6,434 | \$ 18,892 | \$ 21,505 |
| | Sale of previously written down inventory | (1,936) | (2,745) | (6,332) | (6,612) | (9,726) |
| | Inventory step-up | 972 | 595 | - | 1,567 | - |
| | | \$ 2,047 | \$ 12,291 | \$ 102 | \$ 13,847 | \$ 11,779 |
| (2) | For the nine months ended September 28, 2014, selling and administrative expenses include an equity charge of \$6,598 for the modification of Teradyne's retired CEO's outstanding equity awards to allow continued vesting and maintain the original term in connection with his January 31, 2014 retirement. | | | | | |
| (3) | Restructuring and other consists of: | Quarter Ended | | | Nine Months Ended | |
| | | October 4, 2015 | July 5, 2015 | September 28, 2014 | October 4, 2015 | September 28, 2014 |
| | Employee severance | \$ 1,117 | \$ 255 | \$ 225 | \$ 1,372 | \$ 797 |
| | Acquisition costs (a) | 144 | 960 | - | 1,104 | - |
| | Contingent consideration fair value adjustment | (1,000) | (1,600) | (630) | (2,600) | (630) |
| | | \$ 261 | \$ (385) | \$ (405) | \$ (124) | \$ 167 |
| (a) | Costs related to Universal Robots acquisition. The results of Universal Robots are included in Teradyne's results starting June 12, 2015. | | | | | |
| (4) | Interest and other includes: | Quarter Ended | | | Nine Months Ended | |
| | | October 4, 2015 | July 5, 2015 | September 28, 2014 | October 4, 2015 | September 28, 2014 |
| | Gain from the sale of an equity investment | \$ - | \$ (624) | \$ - | \$ (5,406) | \$ - |
| | Non-cash convertible debt interest expense | - | - | - | - | 4,290 |
| | | \$ - | \$ (624) | \$ - | \$ (5,406) | \$ 4,290 |
| (5) | Under GAAP, when calculating diluted earnings per share, convertible debt must be assumed to have converted if the effect on EPS would be dilutive. Diluted shares assume the conversion of the convertible debt as the effect would be dilutive. Accordingly, for the nine months ended September 28, 2014, 6.7 million shares have been included in diluted shares. | | | | | |

CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands)

| | October 4, 2015 | December 31, 2014 |
|--|-----------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 294,217 | \$ 294,256 |
| Marketable securities | 525,381 | 533,787 |
| Accounts receivable | 245,233 | 151,034 |
| Inventories, net | 128,432 | 105,129 |
| Deferred tax assets | 58,480 | 57,239 |
| Prepayments | 80,779 | 95,819 |
| Other current assets | 4,135 | 6,582 |
| Total current assets | 1,336,657 | 1,243,846 |
| Net property, plant and equipment | 275,089 | 329,038 |
| Marketable securities | 257,560 | 470,789 |
| Deferred tax assets | 6,909 | 7,494 |
| Other assets | 13,096 | 10,419 |
| Retirement plans assets | 13,933 | 12,896 |
| Intangible assets, net | 260,294 | 190,600 |
| Goodwill | 498,346 | 273,438 |
| Total assets | \$ 2,661,884 | \$ 2,538,520 |
| Liabilities | | |
| Accounts payable | \$ 81,642 | \$ 47,763 |
| Accrued employees' compensation and withholdings | 98,252 | 100,994 |
| Deferred revenue and customer advances | 74,318 | 71,603 |
| Other accrued liabilities | 83,823 | 50,247 |
| Contingent consideration | 14,447 | 895 |
| Accrued income taxes | 43,259 | 20,049 |
| Total current liabilities | 395,741 | 291,551 |
| Long-term deferred revenue and customer advances | 29,490 | 19,929 |
| Retirement plans liabilities | 107,102 | 108,460 |
| Deferred tax liabilities | 35,494 | 23,315 |
| Long-term other accrued liabilities | 28,304 | 13,830 |
| Long-term contingent consideration | 20,148 | 2,455 |
| Total liabilities | 616,279 | 459,540 |
| Shareholders' equity | 2,045,605 | 2,078,980 |
| Total liabilities and shareholders' equity | \$ 2,661,884 | \$ 2,538,520 |

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands)

| | Quarter Ended | | Nine Months Ended | |
|---|-----------------|--------------------|-------------------|--------------------|
| | October 4, 2015 | September 28, 2014 | October 4, 2015 | September 28, 2014 |
| Cash flows from operating activities: | | | | |
| Net income | \$ 71,453 | \$ 82,949 | \$ 207,118 | \$ 185,083 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation | 16,301 | 19,047 | 52,531 | 52,832 |
| Amortization | 20,764 | 19,132 | 52,159 | 62,122 |
| Stock-based compensation | 7,675 | 8,343 | 23,080 | 31,873 |
| Provision for excess and obsolete inventory | 3,011 | 6,434 | 18,892 | 21,505 |
| Gain from the sale of an equity investment | - | - | (5,406) | - |
| Deferred taxes | (3,602) | (3,050) | (13,973) | (8,747) |
| Non cash charge for the sale of inventories revalued at the date of acquisition | 972 | - | 1,567 | - |
| Contingent consideration adjustment | (1,000) | (630) | (2,600) | (630) |
| Tax benefit related to employee stock compensation awards | (2,321) | (55) | (3,213) | (1,726) |
| Other | 1,368 | 183 | 2,523 | 2,110 |
| Changes in operating assets and liabilities, net of business acquired: | | | | |
| Accounts receivable | 51,376 | (20,545) | (91,117) | (163,670) |
| Inventories | 9,923 | 19,798 | 33,423 | 38,267 |
| Prepayments and other assets | 1,475 | 20,784 | 15,529 | 47,784 |
| Accounts payable and accrued expenses | (729) | (23,687) | 52,663 | 29,109 |
| Deferred revenue and customer advances | 1,066 | 466 | 6,751 | 14,266 |
| Retirement plans contributions | (999) | (893) | (2,998) | (3,281) |
| Accrued income taxes | 2,416 | 4,713 | 25,677 | 10,208 |
| Net cash provided by operating activities | 179,149 | 132,989 | 372,606 | 317,105 |
| Cash flows from investing activities: | | | | |
| Purchases of property, plant and equipment | (20,617) | (54,963) | (66,727) | (146,352) |
| Purchases of available-for-sale marketable securities | (367,356) | (319,348) | (957,606) | (844,056) |
| Proceeds from maturities of available-for-sale marketable securities | 98,947 | 118,129 | 330,363 | 495,565 |
| Proceeds from sales of available-for-sale marketable securities | 212,334 | 82,602 | 843,734 | 236,060 |
| Acquisition of business, net of cash acquired | (409) | - | (282,741) | - |
| Proceeds from the sale of an equity investment | - | - | 5,406 | - |

| | | | | |
|---|------------|------------|------------|------------|
| Proceeds from life insurance | - | - | 1,098 | 4,391 |
| Net cash used for investing activities | (77,101) | (173,580) | (126,473) | (254,392) |
| Cash flows from financing activities: | | | | |
| Issuance of common stock under employee stock purchase and stock option plans | 267 | 10,387 | 18,145 | 21,030 |
| Repurchase of common stock | (98,527) | - | (226,843) | - |
| Tax benefit related to stock options and restricted stock units | 2,321 | 55 | 3,213 | 1,726 |
| Dividend payments | (12,577) | (12,772) | (38,434) | (24,428) |
| Payment of revolving credit facility costs | - | - | (2,253) | - |
| Payments of long-term debt | - | - | - | (190,975) |
| Net cash used for financing activities | (108,516) | (2,330) | (246,172) | (192,647) |
| Decrease in cash and cash equivalents | (6,468) | (42,921) | (39) | (129,934) |
| Cash and cash equivalents at beginning of period | 300,685 | 254,625 | 294,256 | 341,638 |
| Cash and cash equivalents at end of period | \$ 294,217 | \$ 211,704 | \$ 294,217 | \$ 211,704 |

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

| | Quarter Ended | | Quarter Ended | | Quarter Ended | |
|---|-----------------|-------------------|---------------|-------------------|--------------------|-------------------|
| | October 4, 2015 | % of Net Revenues | July 5, 2015 | % of Net Revenues | September 28, 2014 | % of Net Revenues |
| Net revenues | \$ 466.0 | | \$ 512.7 | | \$ 478.0 | |
| Gross profit - GAAP | \$ 258.6 | 55.5% | \$ 298.6 | 58.2% | \$ 261.1 | 54.6% |
| Inventory Step-Up | 1.0 | 0.2% | 0.6 | 0.1% | - | - |
| Gross profit - non-GAAP | \$ 259.6 | 55.7% | \$ 299.2 | 58.4% | \$ 261.1 | 54.6% |
| Income from operations - GAAP | \$ 86.8 | 18.6% | \$ 130.8 | 25.5% | \$ 98.2 | 20.5% |
| Acquired intangible assets amortization | 20.1 | 4.3% | 15.3 | 3.0% | 18.3 | 3.8% |
| Restructuring and other ⁽¹⁾ | 0.3 | 0.1% | (0.4) | -0.1% | (0.4) | -0.1% |
| Inventory step-up | 1.0 | 0.2% | 0.6 | 0.1% | - | - |
| Income from operations - non-GAAP | \$ 108.2 | 23.2% | \$ 146.3 | 28.5% | \$ 116.1 | 24.3% |

| | Quarter Ended | | Quarter Ended | | Quarter Ended | | Quarter Ended | |
|--|-----------------|-------------------|---------------|-------------------|--------------------|-------------------|---------------|---------|
| | October 4, 2015 | % of Net Revenues | July 5, 2015 | % of Net Revenues | September 28, 2014 | % of Net Revenues | Basic | Diluted |
| Net income - GAAP | \$ 71.5 | 15.3% | \$ 102.9 | 20.1% | \$ 82.9 | 17.3% | \$ 0.40 | \$ 0.38 |
| Acquired intangible assets amortization | 20.1 | 4.3% | 15.3 | 3.0% | 18.3 | 3.8% | 0.09 | 0.08 |
| Inventory step-up | 1.0 | 0.2% | 0.6 | 0.1% | - | - | - | - |
| Restructuring and other ⁽¹⁾ | 0.3 | 0.1% | (0.4) | -0.1% | (0.4) | -0.1% | (0.00) | (0.00) |
| Interest and other ⁽²⁾ | - | - | (0.6) | -0.1% | - | - | - | - |
| Exclude discrete tax adjustments ⁽³⁾ | (3.3) | -0.7% | 0.2 | 0.0% | (1.6) | -0.3% | (0.01) | (0.01) |
| Tax effect of non-GAAP adjustments | (4.7) | -1.0% | (3.4) | -0.7% | (3.4) | -0.7% | (0.02) | (0.02) |
| Net income - non-GAAP | \$ 84.9 | 18.2% | \$ 114.6 | 22.4% | \$ 95.8 | 20.0% | \$ 0.46 | \$ 0.44 |
| GAAP and non-GAAP weighted average common shares - basic | 210.0 | | 213.8 | | 207.4 | | | |
| GAAP and non-GAAP weighted average common shares - diluted | 211.7 | | 215.5 | | 218.3 | | | |

(1) Restructuring and other consists of:

| | Quarter Ended | | Quarter Ended | | Quarter Ended | | |
|--|-----------------|--------------|--------------------|-------|---------------|-------|---------|
| | October 4, 2015 | July 5, 2015 | September 28, 2014 | Basic | Diluted | Basic | Diluted |
| Employee severance | \$ 1.2 | \$ 0.2 | \$ 0.2 | | | | |
| Acquisition costs | 0.1 | 1.0 | - | | | | |
| Contingent consideration fair value adjustment | (1.0) | (1.6) | (0.6) | | | | |
| | \$ 0.3 | \$ (0.4) | \$ (0.4) | | | | |

(2) For the quarter ended July 5, 2015, Interest and other included a gain from the sale of an equity investment.

(3) For the quarters ended October 4, 2015, July 5, 2015 and September 28, 2014, adjustment to exclude discrete income tax items.

| | Nine Months Ended | | Nine Months Ended | | Nine Months Ended | |
|---|-------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | October 4, 2015 | % of Net Revenues | September 28, 2014 | % of Net Revenues | September 28, 2014 | % of Net Revenues |
| Net Revenues | \$ 1,321.1 | | \$ 1,324.6 | | \$ 1,324.6 | |
| Gross profit - GAAP | \$ 749.6 | 56.7% | \$ 718.6 | 54.3% | \$ 718.6 | 54.3% |
| Inventory step-up | 1.6 | 0.1% | - | - | - | - |
| Gross profit - non-GAAP | \$ 751.2 | 56.9% | \$ 718.6 | 54.3% | \$ 718.6 | 54.3% |
| Income from operations - GAAP | \$ 252.7 | 19.1% | \$ 222.6 | 16.8% | \$ 222.6 | 16.8% |
| Acquired intangible assets amortization | 49.1 | 3.7% | 54.8 | 4.1% | 54.8 | 4.1% |
| Restructuring and other ⁽¹⁾ | (0.1) | 0.0% | 0.2 | 0.0% | 0.2 | 0.0% |
| Inventory step-up | 1.6 | 0.1% | - | - | - | - |
| Equity modification charge ⁽²⁾ | - | - | 6.6 | 0.5% | 6.6 | 0.5% |
| Income from operations - non-GAAP | \$ 303.3 | 23.0% | \$ 284.2 | 21.5% | \$ 284.2 | 21.5% |

| | Nine Months Ended | | Nine Months Ended | | Nine Months Ended | | Nine Months Ended | |
|--|-------------------|-------------------|--------------------|-------------------|--------------------|-------------------|-------------------|---------|
| | October 4, 2015 | % of Net Revenues | September 28, 2014 | % of Net Revenues | September 28, 2014 | % of Net Revenues | Basic | Diluted |
| Net income - GAAP | \$ 207.1 | 15.7% | \$ 185.1 | 14.0% | \$ 185.1 | 14.0% | \$ 0.93 | \$ 0.83 |
| Acquired intangible assets amortization | 49.1 | 3.7% | 54.8 | 4.1% | 54.8 | 4.1% | 0.28 | 0.24 |
| Interest and other ⁽³⁾ | (5.4) | -0.4% | 4.3 | 0.3% | 4.3 | 0.3% | 0.02 | 0.02 |
| Restructuring and other ⁽¹⁾ | (0.1) | 0.0% | 0.2 | 0.0% | 0.2 | 0.0% | 0.00 | 0.00 |
| Inventory step-up | 1.6 | 0.1% | - | - | - | - | - | - |
| Equity modification charge ⁽²⁾ | - | - | 6.6 | 0.5% | 6.6 | 0.5% | 0.03 | 0.03 |
| Exclude discrete tax adjustments ⁽⁴⁾ | (4.9) | -0.4% | (4.5) | -0.3% | (4.5) | -0.3% | (0.02) | (0.02) |
| Tax effect of non-GAAP adjustments | (10.5) | -0.8% | (11.9) | -0.9% | (11.9) | -0.9% | (0.06) | (0.05) |
| Convertible share adjustment ⁽⁵⁾ | - | - | - | - | - | - | - | 0.04 |
| Net income - non-GAAP | \$ 236.9 | 17.9% | \$ 234.6 | 17.7% | \$ 234.6 | 17.7% | \$ 1.18 | \$ 1.09 |
| GAAP and non-GAAP weighted average common shares - basic | 213.7 | | 198.4 | | 198.4 | | | |
| GAAP weighted average common shares - diluted | 215.3 | | 223.8 | | 223.8 | | | |
| Exclude dilutive shares from convertible note | - | | (6.7) | | (6.7) | | | |
| Non-GAAP weighted average common shares - diluted ⁽⁵⁾ | 215.3 | | 217.1 | | 217.1 | | | |

(1) Restructuring and other consists of:

Nine Months Ended

| | October 4, 2015 | September 28, 2014 |
|--|----------------------------|-------------------------------|
| Employee severance | \$ 1.4 | \$ 0.8 |
| Acquisition costs | 1.1 | - |
| Contingent consideration fair value adjustment | (2.6) | (0.6) |
| | <u>\$ (0.1)</u> | <u>\$ 0.2</u> |

(2) For the nine months ended September 28, 2014, selling and administrative expenses include an equity charge for the modification of Teradyne's retired CEO's outstanding equity awards to allow continued vesting and maintain the original term in connection with his January 31, 2014 retirement.

(3) For the nine months ended October 4, 2015, Interest and other included a gain from the sale of an equity investment. For the nine months ended September 28, 2014, Interest and other included non-cash convertible debt interest expense.

(4) For the nine months ended October 4, 2015 and September 28, 2014, adjustment to exclude discrete income tax items.

(5) For the nine months ended September 28, 2014, 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, 6.7 million shares have been included in non-GAAP diluted shares and net interest expense of \$2.0 million has been added back to non-GAAP net income for the non-GAAP diluted earnings per share calculation.

GAAP to Non-GAAP Reconciliation of Fourth Quarter 2015 guidance:

| | | |
|--|--------------------------------|----------------|
| GAAP and non-GAAP fourth quarter revenue guidance: | \$295 million to \$320 million | |
| GAAP net (loss) income per diluted share | \$ (0.01) | \$ 0.04 |
| Exclude acquired intangible assets amortization | 0.10 | 0.10 |
| Tax effect of non-GAAP adjustment | (0.02) | (0.02) |
| Non-GAAP net income per diluted share | <u>\$ 0.07</u> | <u>\$ 0.12</u> |

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