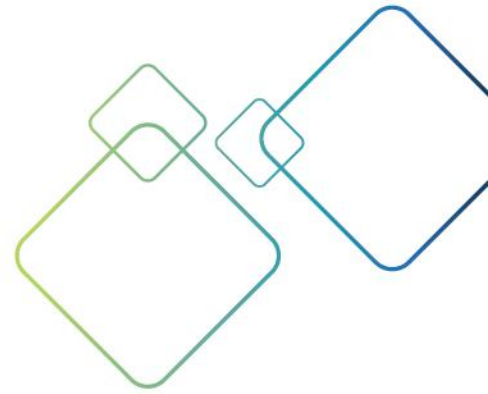


**TERADYNE**



# Financial results for Q4 2016

January 26, 2017





# SAFE HARBOR

This presentation contains forward-looking statements regarding Teradyne's future business prospects, results of operations, market conditions, earnings per share, the payment of a quarterly dividend, the repurchase of Teradyne common stock pursuant to a share repurchase program, use of proceeds and potential dilution from the senior convertible notes offering and potential borrowings under 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, events, earnings per share, use of cash, payment of dividends, repurchases of common stock, payment of the senior convertible notes, or availability of, or borrowing under, the 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, earnings per share, use of cash, dividend payments, repurchases of common stock, payment of the senior convertible notes, 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; development, delivery and acceptance of new products; the ability to grow Universal Robots' business; increased research and development spending; deterioration of Teradyne's financial condition; the consummation or success of any mergers or acquisitions; unexpected cash needs; insufficient cash flow to make required payments and pay the principal amount on the senior convertible notes; the business judgment of the board of directors that a declaration of a dividend, the repurchase of common stock or borrowing under the credit facility is not in the Company's best interest; 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, 2015 and the Quarterly Report on Form 10-Q for the fiscal quarter ended October 2, 2016. The forward-looking statements provided by Teradyne in this presentation represent management's views as of the date of this presentation. 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 presentation.

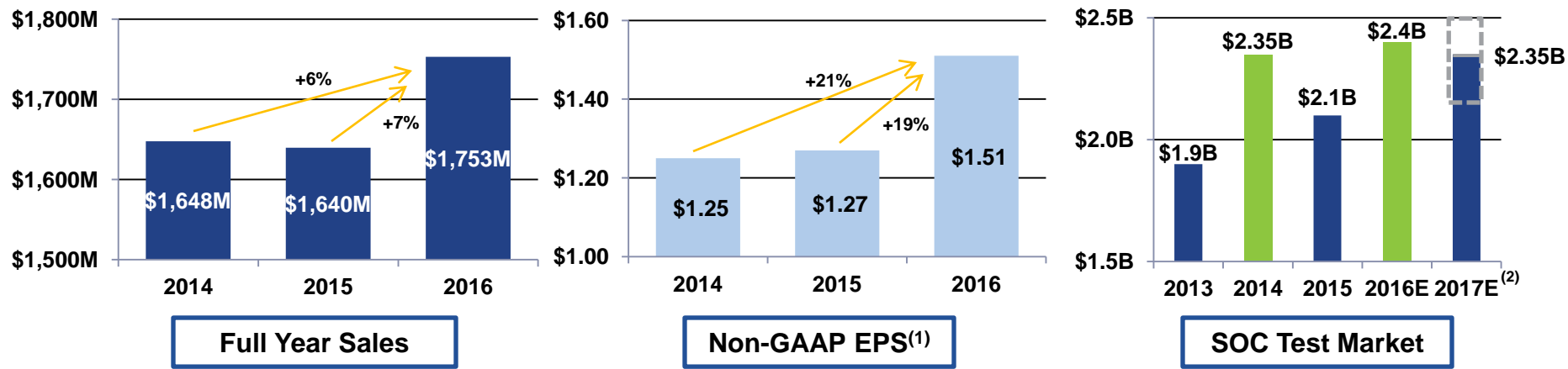
# Business Update and Outlook

**Mark Jagiela, Teradyne President and CEO**



# Full Year Summary

2016 Sales and non-GAAP earnings higher than previous 2 years



- Highest Q4 sales in over 15 years
- Strength in Mobility drove record year for UltraFlex platform
- Universal Robots 2016 sales up 62% from 2015

- \$1.51 in non-GAAP EPS in 2016
- 19% annual EPS growth from 2015

- 2016 SOC Test market at high end of \$2.2B - \$2.4B range
- Expect 2017 SOC Test market to be \$2.2B-\$2.5B

(1) See appendix for GAAP to Non-GAAP reconciliation  
 (2) 2017E market size of \$2.35B is at the midpoint of \$2.2B - \$2.5B range





# 2016 Summary and 2017 Outlook

- \$2.8B ATE market in 2016, up 11% from \$2.5B in 2015; TER share up 1 point to 48%
- Expect 2017 SOC Test market to grow ~\$250M (13%) from prior odd year, 2015, at the mid-point of \$2.2B - \$2.5B range
- Expect 2017 Memory Test market between \$450M to \$550M
- Universal Robots annual sales up 62% from 2015 on a standalone basis; Expect 50%+ growth in 2017
- In 2017, plan to repurchase a minimum of \$200M in TER shares and increase the quarterly dividend 17%, from \$0.06/share to \$0.07/share

# Fourth Quarter Financial Results and First Quarter Guidance

**Greg Beecher, Teradyne Vice President and Chief Financial Officer**



# Cash and Capital Return Summary

- \$446M in repurchases, at avg price of \$19.87, and \$137M in dividends since Jan, 2014
- Issued \$460M of 7yr convertible debt with 1.25% coupon in Dec, 2016
- New \$500M share repurchase authorization started Jan 1, 2017
- Expect to repurchase a minimum of \$200M in shares in 2017
- Raised the quarterly dividend 17%, from \$0.06 to \$0.07 per share starting in Q1'17

	Cash Resources <sup>(1)</sup>		
	U.S.	Offshore	Total
Gross Cash Resources at 12/31/2016	\$845M	\$768M	\$1,613M
Minimum Operating Balance	\$300M	\$100M	\$400M
Available Cash Resources	\$545M	\$668M	\$1,213M
2016 Cash Return <sup>(2)</sup> :	\$195M		

U.S. vs. Foreign Cash Generation History <sup>(3)</sup>					
	2012	2013	2014	2015	2016
U.S.	\$189M	\$199M	\$61M	\$88M	\$75M
Foreign	\$113M	(\$19M)	\$283M	\$255M	\$305M
<b>Total</b>	<b>\$302M</b>	<b>\$180M</b>	<b>\$344M</b>	<b>\$343M</b>	<b>\$380M</b>
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
U.S. %	63%	111%	18%	26%	20%
Foreign %	37%	-11%	82%	74%	80%

(1) Includes cash, cash equivalents and marketable securities

(2) \$146M in share repurchases at average price of \$21.39 + \$49M in dividends

(3) Includes free cash flow plus approximately \$20M annually for cash received from Teradyne's Employee Stock Purchase Plan. Teradyne calculates free cash flow as: GAAP Cash flow from operations, excluding discontinued operations, less property, plant and equipment additions; see GAAP to non-GAAP reconciliations.

# Semiconductor Test Segment Summary

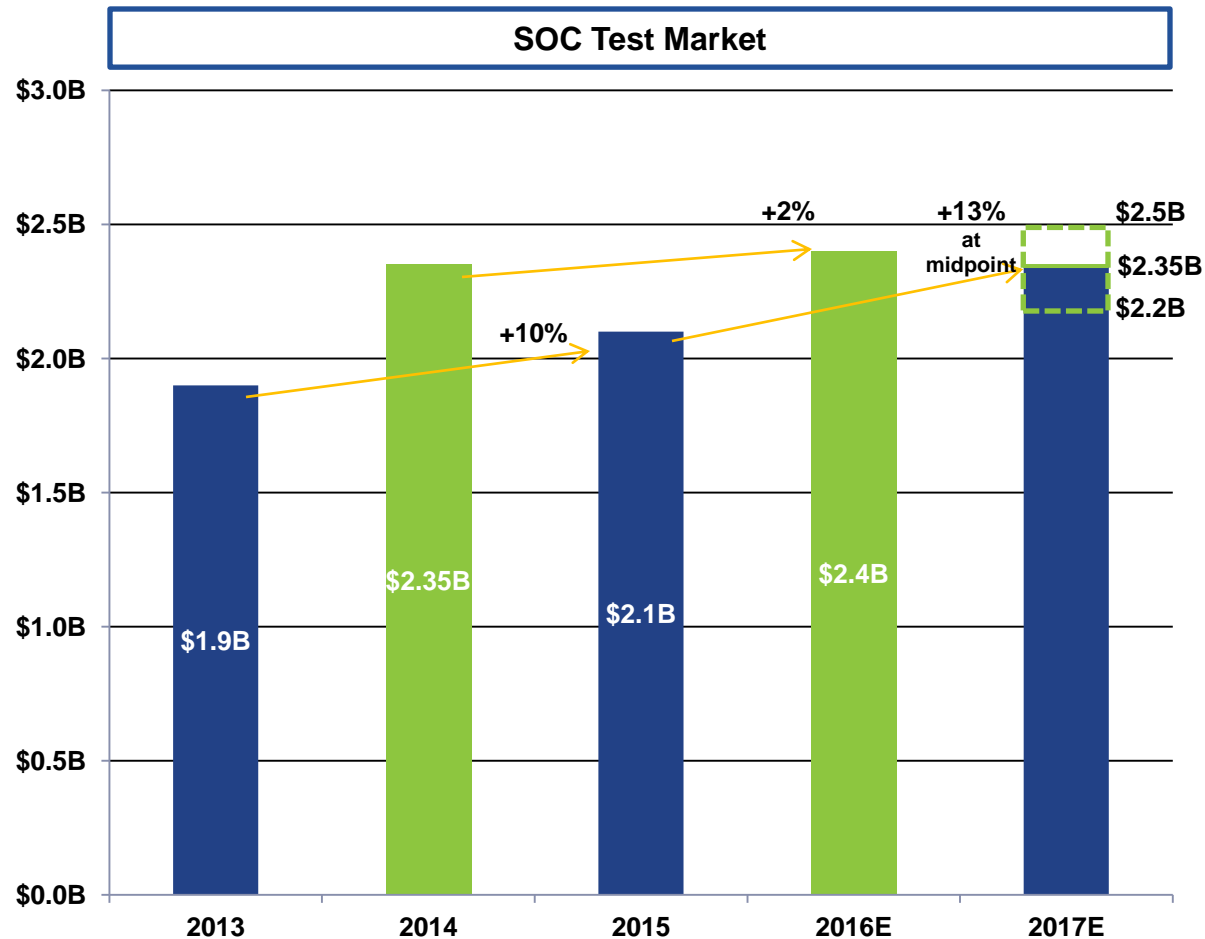
## Semiconductor Test

4<sup>th</sup> Qtr Orders: \$524M  
4<sup>th</sup> Qtr Sales: \$271M

1 point of ATE share gain, to 48% in 2016, driven by Memory wins

Strength in Flash Memory

Growing complexity and quality requirements and lessening of parallel test impact in SOC





# Segment Summary

## Industrial Automation

4<sup>th</sup> Qtr Orders: \$34M  
4<sup>th</sup> Qtr Sales: \$34M

2016 up 62% vs 2015  
standalone results

Market estimated to  
grow from ~\$100M in  
2015 to \$1B+ by 2020

Investing in field  
resources to increase  
channel velocity

## System Test

4<sup>th</sup> Qtr Orders: \$47M  
4<sup>th</sup> Qtr Sales: \$50M

All three groups  
operating at model  
profits or better in 2016

Growth in Avionics and  
Automotive Test

## Wireless Test

4<sup>th</sup> Qtr Orders: \$23M  
4<sup>th</sup> Qtr Sales: \$26M

Expect 2017 similar to  
2016 at \$90-\$100M of  
sales

Two new WiFi  
standards should  
improve environment in  
2018

# Q4'16 Non-GAAP Results

\$s in millions, except EPS		Q4'15 Actual <sup>(1)</sup>		Q3'16 Actual <sup>(1)</sup>		Q4'16 Actual <sup>(1)</sup>
Sales		\$318M		\$410M		<b>\$380M</b>
Gross Margin	54.7%	\$174M	55.5%	\$228M	57.4%	<b>\$218M</b>
R&D	20.8%	\$66M	17.3%	\$71M	18.6%	<b>\$71M</b>
SG&A	23.5%	\$75M	19.2%	\$79M	20.2%	<b>\$77M</b>
OPEX	<u>44.3%</u>	<u>\$141M</u>	<u>36.5%</u>	<u>\$150M</u>	<u>38.8%</u>	<u><b>\$148M</b></u>
Operating Profit	10.4%	\$33M	19.0%	\$78M	18.6%	<b>\$71M</b>
Income Taxes (& effective tax rate)	21%	\$8M	17%	\$13M	9%	<b>\$6M</b>
EPS		\$0.13		\$0.33		<b>\$0.32</b>
Diluted Shares		207M		204M		<b>203M</b>
Net Orders		\$522M		\$378M		<b>\$628M</b>

# Q1'17 Non-GAAP Guidance

<b>\$s in millions, except EPS</b>	<b>Q4'16 Actual<sup>(1)</sup></b>	<b>Q1'17 Guidance<sup>(1)</sup></b>
Sales	\$380M	<b>\$420M - \$450M</b>
Gross Margin	57%	<b>57%</b>
OPEX	39%	<b>36% - 39%</b>
Operating Profit	19%	<b>19% - 21%</b>
Net Interest & Other Income	\$0M	<b>\$0M</b>
Effective Tax Rate	9%	<b>15%</b>
EPS	\$0.32	<b>\$0.33 - \$0.40</b>
Diluted Shares	203M	<b>202M</b>

(1) See attached appendix for GAAP to non-GAAP reconciliations.



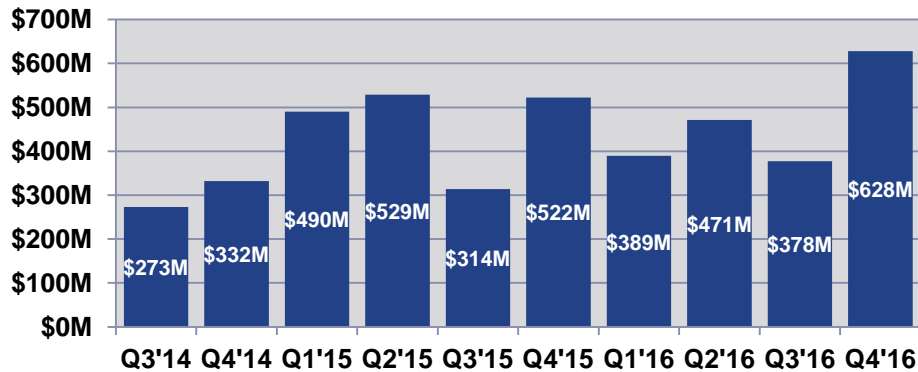
# Fourth Quarter and Full Year 2016 Teradyne Highlights and Outlook

- Q4'16 sales of \$380M and non-GAAP EPS of \$0.32 driven by strong Semiconductor Test demand
- 2016 sales of \$1.75B, up 7% from 2015, and Non-GAAP EPS of \$1.51, up 19% from 2015
- SOC Test market approximately \$2.4B in 2016, up 16% from 2015
- Universal Robots sales of \$99M in 2016, up 62% from 2015 on a calendar year basis; Expect 50%+ growth in 2017
- Expect to repurchase a minimum of \$200 million of Teradyne stock in 2017 and increased quarterly dividend 17% to \$0.07/share starting Q1'17
- On a path to \$2.00 non-GAAP EPS by 2020, driven principally by Semiconductor Test, Universal Robots growth and capital returns

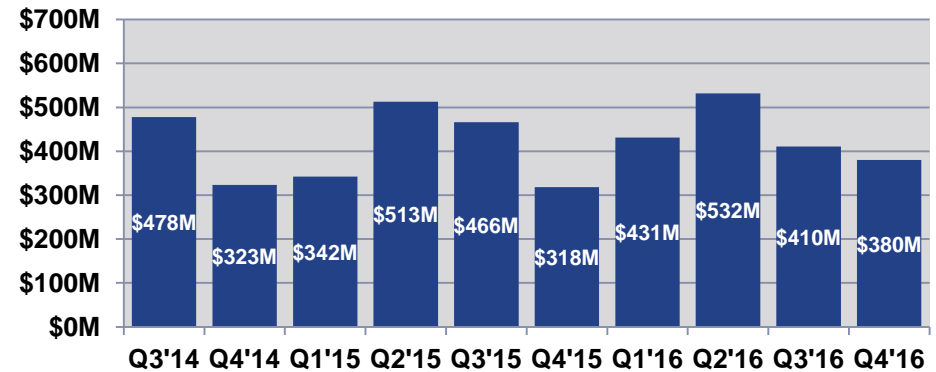
# Supplemental Information

# Q4'16 Company Orders and Sales

## Total Company Orders



## Total Company Sales



- Q4 orders up 20% from Q4'15
- Q4 sales up 19% from Q4'15

# Annual Non-GAAP Results

\$s in millions, except EPS	2015 <sup>(1)</sup>		2016 <sup>(1)</sup>	
Sales		\$1,640M		<b>\$1,753M</b>
Gross Margin	56.4%	\$925M	54.7%	<b>\$959M</b>
R&D	17.5%	\$288M	16.6%	<b>\$292M</b>
SG&A	18.4%	\$301M	18.1%	<b>\$317M</b>
OPEX	<u>35.9%</u>	<u>\$589M</u>	<u>34.7%</u>	<u><b>\$609M</b></u>
Operating Profit	20.5%	\$336M	19.9%	<b>\$350M</b>
Income Taxes (& effective tax rate)	21%	\$70M	13%	<b>\$46M</b>
EPS		\$1.27		<b>\$1.51</b>
Diluted Shares		213M		<b>204M</b>
Net Orders		\$1,856M		<b>\$1,867M</b>

# Cash & Balance Sheet

	Q4'15 Actual	Q3'16 Actual	Q4'16 Actual
Cash and Marketable Securities	<u>\$1,008M</u>	<u>\$1,254M</u>	<u>\$1,613M</u>
• U.S.	\$420M	\$428M	\$845M
• Off-Shore	\$588M	\$826M	\$768M
Inventory	\$154M	\$115M	\$136M
DSO	58 days	36 days	46 days
Capital Additions	\$23M	\$20M	\$19M
Depreciation and Amortization <sup>(1)</sup>	\$43M	\$33M	\$33M
Free Cash Flow <sup>(2)</sup>	\$17M	\$184M	\$17M

(1) Including stock based compensation

(2) Teradyne calculates free cash flow as: GAAP Cash flow from operations, excluding discontinued operations, less property, plant and equipment additions; see GAAP to non-GAAP reconciliations.

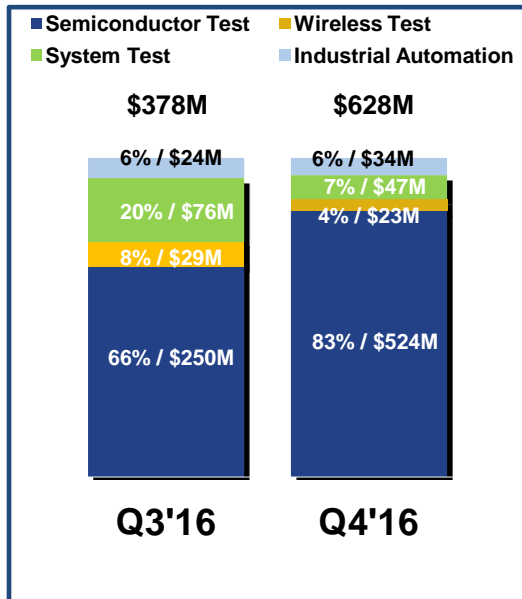


**TERADYNE**

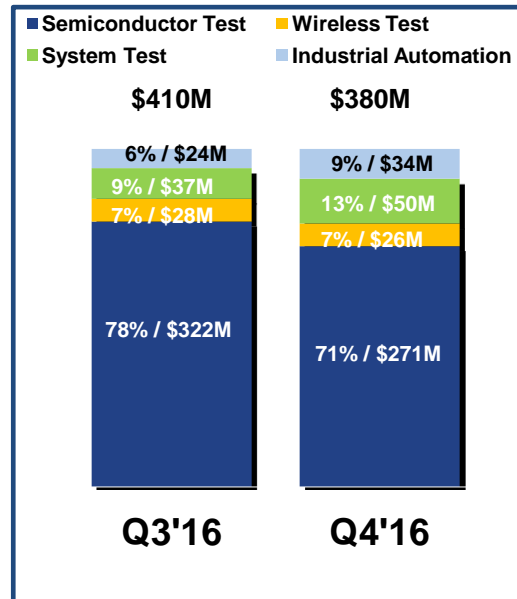


# Sales & Order Detail

## Orders



## Sales



### Orders/Region

	Q3'16	Q4'16
Asia	62%	74%
US	16%	10%
Japan	12%	8%
Europe	8%	6%
Rest of World	<u>2%</u>	<u>2%</u>
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Sales/Region

	Q3'16	Q4'16
Asia	75%	60%
US	11%	17%
Japan	5%	12%
Europe	7%	9%
Rest of World	<u>2%</u>	<u>2%</u>
<b>Total</b>	<b>100%</b>	<b>100%</b>

Book to Bill	Q3'16	Q4'16
Semiconductor Test	0.8	1.9
Industrial Automation	1.0	1.0
System Test	2.1	0.9
Wireless Test	<u>1.0</u>	<u>0.9</u>
<b>Total</b>	<b>0.9</b>	<b>1.7</b>

	Q3'16	Q4'16
<b>Sales</b>		
Product	82% \$335M	80% \$304M
Service	18% <u>\$75M</u>	20% <u>\$76M</u>
<b>Total</b>	<b>\$410M</b>	<b>\$380M</b>

	Q3'16	Q4'16
<b>Orders</b>		
Product	85% \$321M	86% \$539M
Service	15% <u>\$57M</u>	14% <u>\$89M</u>
<b>Total</b>	<b>\$378M</b>	<b>\$628M</b>

Backlog	
Ending Q4'16	<b>\$730M</b>
Shippable within 6 months	<b>~87%</b>



# Appendix | GAAP to Non-GAAP Reconciliation

In addition to disclosing results that are determined in accordance with GAAP, Teradyne also discloses in this presentation and on the earnings call 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 performance 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 performance 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 the Company's 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. A reconciliation of each available GAAP to non-GAAP financial measure discussed in this presentation is contained in the following slides and on the Teradyne website at [www.teradyne.com](http://www.teradyne.com) by clicking on "Investors" and then selecting the "GAAP to Non-GAAP Reconciliation" link. The non-GAAP performance measures discussed in this presentation 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.

# Appendix | GAAP to Non-GAAP Reconciliation

## GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

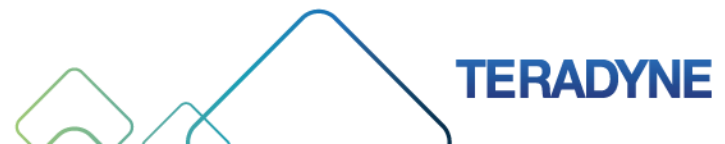
	December 31, 2016		Quarter Ended October 2, 2016		December 31, 2015	
		% of Net Revenues		% of Net Revenues		% of Net Revenues
Net revenues	\$ 380.0		\$ 410.5		\$ 318.4	
Gross profit - GAAP	\$ 219.0	57.6%	\$ 227.4	55.4%	\$ 166.0	52.1%
Pension mark-to-market adjustments (1)	(0.8)	-0.2%	0.4	0.1%	8.3	2.6%
Gross profit - non-GAAP	\$ 218.2	57.4%	\$ 227.8	55.5%	\$ 174.3	54.7%
Income (loss) from operations - GAAP	\$ 59.2	15.6%	\$ 56.5	13.8%	\$ (9.7)	-3.0%
Restructuring and other (2)	5.6	1.5%	12.2	3.0%	5.2	1.6%
Acquired intangible assets amortization	7.9	2.1%	8.5	2.1%	19.9	6.3%
Pension mark-to-market adjustments (1)	(2.0)	-0.5%	0.7	0.2%	17.8	5.6%
Income from operations - non-GAAP	\$ 70.7	18.6%	\$ 77.9	19.0%	\$ 33.2	10.4%

	December 31, 2016		Net Income per Common Share		October 2, 2016		Net Income per Common Share		December 31, 2015		Net (Loss) Income per Common Share	
		% of Net Revenues	Basic	Diluted		% of Net Revenues	Basic	Diluted		% of Net Revenues	Basic	Diluted
Net income (loss) - GAAP	\$ 66.3	17.4%	\$ 0.33	\$ 0.33	\$ 63.8	15.5%	\$ 0.32	\$ 0.31	\$ (0.6)	-0.2%	\$ (0.00)	\$ (0.00)
Restructuring and other (2)	5.6	1.5%	0.03	0.03	12.2	3.0%	0.06	0.06	5.2	1.6%	0.03	0.03
Acquired intangible assets amortization	7.9	2.1%	0.04	0.04	8.5	2.1%	0.04	0.04	19.9	6.3%	0.10	0.10
Pension mark-to-market adjustments (1)	(2.0)	-0.5%	(0.01)	(0.01)	0.7	0.2%	0.00	0.00	17.8	5.6%	0.09	0.09
Interest and other (4)	0.6	0.2%	0.00	0.00	-	-	-	-	-	-	-	-
Exclude discrete tax adjustments (3)	(16.2)	-4.3%	(0.08)	(0.08)	(10.7)	-2.6%	(0.05)	(0.05)	(6.3)	-2.0%	(0.03)	(0.03)
Tax effect of non-GAAP adjustments	2.4	0.6%	0.01	0.01	(6.8)	-1.7%	(0.03)	(0.03)	(9.9)	-3.1%	(0.05)	(0.05)
Net income - non-GAAP	\$ 64.6	17.0%	\$ 0.32	\$ 0.32	\$ 67.7	16.5%	\$ 0.33	\$ 0.33	\$ 26.1	8.2%	\$ 0.13	\$ 0.13

	December 31, 2016	October 2, 2016	December 31, 2015
GAAP and non-GAAP weighted average common shares - basic	200.8	202.2	205.1
GAAP weighted average common shares - diluted	202.9	203.9	205.1
Include dilutive shares	-	-	2.1
Non-GAAP weighted average common shares - diluted	202.9	203.9	207.2



# Appendix | GAAP to Non-GAAP Reconciliation

(1) Actuarial (gains) losses recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.

(2) Restructuring and other consists of:

	Quarter Ended		
	December 31, 2016	October 2, 2016	December 31, 2015
Contingent consideration fair value adjustment	\$ 5.4	\$ 8.0	\$ 5.1
Employee severance	0.1	4.2	0.1
Impairment of fixed assets and expenses related to Japan earthquake	-	0.3	-
Property insurance recovery	-	(0.3)	-
	<u>\$ 5.6</u>	<u>\$ 12.2</u>	<u>\$ 5.2</u>

(3) For the quarters ended December 31, 2016, October 2, 2016 and December 31, 2015, adjustment to exclude discrete income tax items. For the quarters ended December 31, 2016 and October 2, 2016 adjustment to treat Wireless Test business segment goodwill and intangible assets impairments as discrete tax items.

(4) For the quarter ended December 31, 2016, interest and other included non-cash convertible debt interest expense.

# Appendix | GAAP to Non-GAAP Reconciliation

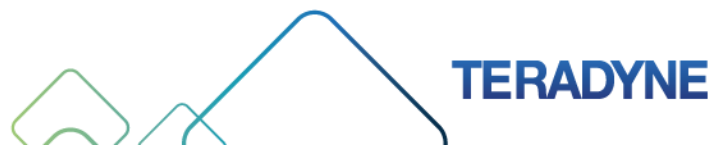
	Year Ended			
	December 31, 2016		December 31, 2015	
	December 31, 2016	% of Net Revenues	December 31, 2015	% of Net Revenues
Net Revenues	\$ 1,753.3		\$ 1,639.6	
Gross profit - GAAP	\$ 959.6	54.7%	\$ 915.6	55.8%
Inventory step-up	-	-	1.6	0.1%
Pension mark-to-market adjustments (1)	(1.0)	-0.1%	8.3	0.5%
Gross profit - non-GAAP	\$ 958.6	54.7%	\$ 925.5	56.4%
(Loss) income from operations - GAAP	\$ (60.0)	-3.4%	\$ 243.0	14.8%
Goodwill impairment (2)	254.9	14.5%	-	-
Acquired intangible assets impairment (2)	83.3	4.8%	-	-
Acquired intangible assets amortization	52.6	3.0%	69.0	4.2%
Restructuring and other (3)	21.9	1.2%	5.1	0.3%
Pension mark-to-market adjustments (1)	(3.2)	-0.2%	17.7	1.1%
Inventory step-up	-	-	1.6	0.1%
Income from operations - non-GAAP	\$ 349.5	19.9%	\$ 336.4	20.5%

	Net (Loss) Income per Common Share				Net Income per Common Share			
	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	December 31, 2016	% of Net Revenues	Basic	Diluted	December 31, 2015	% of Net Revenues	Basic	Diluted
Net (loss) income - GAAP	\$ (43.4)	-2.5%	\$ (0.21)	\$ (0.21)	\$ 206.5	12.6%	\$ 0.98	\$ 0.97
Goodwill impairment (2)	254.9	14.5%	1.26	1.25	-	-	-	-
Acquired intangible assets impairment (2)	83.3	4.8%	0.41	0.41	-	-	-	-
Acquired intangible assets amortization	52.6	3.0%	0.26	0.26	69.0	4.2%	0.33	0.32
Restructuring and other (3)	21.9	1.2%	0.11	0.11	5.1	0.3%	0.02	0.02
Pension mark-to-market adjustments (1)	(3.2)	-0.2%	(0.02)	(0.02)	17.7	1.1%	0.08	0.08
Interest and other (4)	0.6	0.0%	0.00	0.00	(5.4)	-0.3%	(0.03)	(0.03)
Inventory step-up	-	-	-	-	1.6	0.1%	0.01	0.01
Exclude discrete tax adjustments (5)	(4.5)	-0.3%	(0.02)	(0.02)	(4.9)	-0.3%	(0.02)	(0.02)
Tax effect of non-GAAP adjustments	(53.3)	-3.0%	(0.26)	(0.26)	(18.5)	-1.1%	(0.09)	(0.09)
Net income - non-GAAP	\$ 308.9	17.6%	\$ 1.52	\$ 1.51	\$ 271.1	16.5%	\$ 1.28	\$ 1.27

GAAP and non-GAAP weighted average common shares - basic	202.6	211.5
GAAP weighted average common shares - diluted	202.6	213.3
Include dilutive shares	1.8	-
Non-GAAP weighted average common shares - diluted	204.4	213.3



# Appendix | GAAP to Non-GAAP Reconciliation

- (1) Actuarial (gains) losses recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.
- (2) Goodwill and acquired intangible assets impairment related to Teradyne's Wireless Test business segment.
- (3) Restructuring and other consists of:

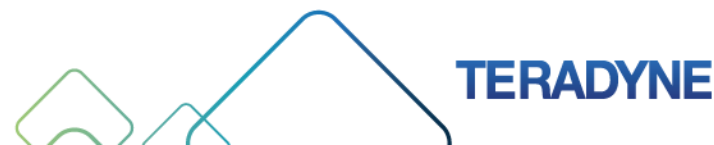
	Year Ended	
	December 31, 2016	December 31, 2015
Contingent consideration fair value adjustment	\$ 15.9	\$ 2.5
Employee severance	6.0	1.5
Impairment of fixed assets and expenses related to Japan earthquake	5.4	-
Property insurance recovery	(5.4)	-
Acquisition costs	-	1.1
	<u>\$ 21.9</u>	<u>\$ 5.1</u>

- (4) For the year ended December 31, 2016, interest and other included non-cash convertible debt interest expense. For the year ended December 31, 2015, Interest and other included a gain from the sale of an equity inv
- (5) For the year ended December 31, 2016 and December 31, 2015, adjustment to exclude discrete income tax items. For the year ended December 31, 2016, adjustment to treat Wireless Test business segment goodwill and intangible assets impairments as discrete tax items.

# Appendix | GAAP to Non-GAAP Reconciliation

	Year Ended			
	December 31, 2015	% of Net Revenues	December 31, 2014	% of Net Revenues
Net Revenues	\$ 1,639.6		\$ 1,647.8	
Gross profit - GAAP	\$ 915.6	55.8%	\$ 878.8	53.3%
Pension mark-to-market adjustments (1)	8.3	0.5%	12.7	0.8%
Inventory step-up	1.6	0.1%	-	-
Gross profit - non-GAAP	\$ 925.5	56.4%	\$ 891.5	54.1%
Income from operations - GAAP	\$ 243.0	14.8%	\$ 96.4	5.9%
Acquired intangible assets amortization	69.0	4.2%	70.8	4.3%
Goodwill impairment (2)	-	-	98.9	6.0%
Pension mark-to-market adjustments (1)	17.8	1.1%	46.6	2.8%
Restructuring and other (3)	5.1	0.3%	1.4	0.1%
Inventory step-up	1.6	0.1%	-	-
Equity modification charge (4)	-	-	6.6	0.4%
Income from operations - non-GAAP	\$ 336.5	20.5%	\$ 320.7	19.5%

	December 31, 2015	% of Net Revenues	Net Income per Common Share		December 31, 2014	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted
Net income - GAAP	\$ 206.5	12.6%	\$ 0.98	\$ 0.97	\$ 81.3	4.9%	\$ 0.40	\$ 0.37
Acquired intangible assets amortization	69.0	4.2%	0.33	0.32	70.8	4.3%	0.35	0.32
Goodwill impairment (2)	-	-	-	-	98.9	6.0%	0.49	0.44
Pension mark-to-market adjustments (1)	17.8	1.1%	0.08	0.08	46.6	2.8%	0.23	0.21
Interest and other (5)	(5.4)	-0.3%	(0.03)	(0.03)	4.3	0.3%	0.02	0.02
Restructuring and other (3)	5.1	0.3%	0.02	0.02	1.4	0.1%	0.01	0.01
Inventory step-up	1.6	0.1%	0.01	0.01	-	-	-	-
Equity modification charge (4)	-	-	-	-	6.6	0.4%	0.03	0.03
Exclude discrete tax items (6)	(4.9)	-0.3%	(0.02)	(0.02)	1.7	0.1%	0.01	0.01
Tax effect of non-GAAP adjustments	(18.5)	-1.1%	(0.09)	(0.09)	(41.3)	-2.5%	(0.20)	(0.19)
Convertible share adjustment (7)	-	-	-	-	-	-	-	0.02
Net income - non-GAAP	\$ 271.2	16.5%	\$ 1.28	\$ 1.27	\$ 270.3	16.4%	\$ 1.33	\$ 1.25
GAAP and non-GAAP weighted average common shares - basic	211.5				202.9			
GAAP weighted average common shares - diluted	213.3				222.6			
Exclude dilutive shares from convertible note	-				(5.0)			
Non-GAAP weighted average common shares - diluted	213.3				217.6			



# Appendix | GAAP to Non-GAAP Reconciliation

	Q4'15		Q3'16		Q4'16		2015		2016		Q1'17 Low Guidance	Q1'17 High Guidance
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	% of sales	% of sales
GAAP Operating Expenses	\$176	55%	\$171	42%	\$160	42%	\$673	41%	\$1,020	58%	41%	39%
Intangible Asset Amortization	-\$20	-6%	-\$9	-2%	-\$8	-2%	-\$69	-4%	-\$53	-3%	-2%	-2%
Restructuring and Other	-\$5	-2%	-\$12	-3%	-\$6	-1%	-\$5	0%	-\$22	-1%		
Pension MTM	-\$9	-3%	\$0	0%	\$1	0%	-\$9	-1%	\$2	0%		
Acquired Intangible Assets Impairment									-\$83	-5%		
Goodwill Impairment									-\$255	-15%		
Non GAAP Operating Expenses	\$141	44%	\$150	37%	\$148	39%	\$589	36%	\$609	35%	39%	36%

	Q4'15		Q3'16		Q4'16		2015		2016	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP SG&A Expense	\$80	25%	\$79	19%	\$76	20%	\$306	19%	\$316	18%
Pension MTM	-\$5	-2%	\$0	0%	\$1	0%	-\$5	0%	\$1	0%
Non GAAP SG&A Expense	\$75	24%	\$79	19%	\$77	20%	\$301	18%	\$317	18%

	Q4'15		Q3'16		Q4'16		2015		2016	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP R&D Expense	\$71	22%	\$71	17%	\$70	18%	\$292	18%	\$291	17%
Pension MTM	-\$5	-1%	\$0	0%	\$1	0%	-\$5	0%	\$1	0%
Non GAAP R&D Expense	\$66	21%	\$71	17%	\$71	19%	\$288	18%	\$292	17%



# Appendix | GAAP to Non-GAAP Reconciliation

	Q4'15		Q3'16		Q4'16	
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>
GAAP Income Tax	-\$8	93%	-\$4	-7%	-\$7	-13%
Exclude discrete tax adjustments	\$6	-71%	\$11	19%	\$16	27%
Tax effect of non-GAAP adjustments	\$10	-112%	\$7	12%	-\$2	-4%
Effect of Higher Non-GAAP PBT		112%		-7%		-2%
Non GAAP Income Tax	\$8	21%	\$13	17%	\$6	9%

	2015		2016	
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>
GAAP Income Tax	\$47	19%	-\$12	19%
Exclude discrete tax adjustments	\$5	2%	\$5	-8%
Tax effect of non-GAAP adjustments	\$19	8%	\$53	-89%
Effect of Higher Non-GAAP PBT		-8%		90%
Non GAAP Income Tax	\$70	21%	\$46	13%

# Appendix | GAAP to Non-GAAP Reconciliation

## GAAP to Non-GAAP Reconciliation of First Quarter 2017 guidance:

GAAP and non-GAAP first quarter revenue guidance:	\$420 million	to	\$450 million
GAAP net income per diluted share	\$ 0.28		\$ 0.34
Exclude acquired intangible assets amortization	0.04		0.04
Exclude non-cash convertible debt interest	0.02		0.02
Tax effect of non-GAAP adjustments	(0.01)		(0.01)
Non-GAAP net income per diluted share	\$ 0.33		\$ 0.40

<b>First Quarter Guidance:</b>	<b><u>Low End</u></b>	<b><u>High End</u></b>
GAAP Operating Profit as % of Sales	16%	19%
Acquired intangible asset amortization	<u>2%</u>	<u>2%</u>
Non-GAAP Operating Profit as % of Sales	19%	21%

<b>First Quarter Guidance:</b>	
GAAP net interest and other income	\$3.1
Exclude non cash convertible debt interest	<u>-\$3.1</u>
Non-GAAP net interest and other income	\$0.0

# Appendix | GAAP to Non-GAAP Reconciliation

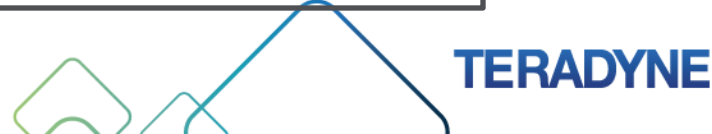
Teradyne determines non-GAAP operating cash flow (“Free Cash Flow”) by adjusting GAAP cash flow from operations excluding discontinued operations, less property, plant and equipment additions. Free cash flow is considered a non-GAAP financial measure. Teradyne believes that free cash flow, which measures 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, income (loss) from continuing operations or 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.

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.

	<u>Q4'15</u>	<u>Q3'16</u>	<u>Q4'16</u>		
GAAP Cash Flow From Operations, Excl Disc Ops	\$40	\$204	\$36		
Less Property, Plant and Equipment Additions	-\$23	-\$20	-\$19		
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$17	\$184	\$17		
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
GAAP Cash Flow From Operations, Excl Disc Ops	\$403	\$269	\$492	\$413	\$445
Less Property, Plant and Equipment Additions	-\$119	-\$107	-\$169	-\$90	-\$85
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$284	\$162	\$323	\$323	\$360
Include Cash From ESPP	\$18	\$18	\$21	\$20	\$20
Total Cash Generation	\$302	\$180	\$344	\$343	\$380



# Appendix | GAAP to Non-GAAP Reconciliation

<b><u>2020 EPS Reconciliation</u></b>	<b>Net Income per Common Share Diluted</b>	
Net (loss) income - GAAP	\$	1.91
Acquired intangible asset amortization		0.04
Non Cash Convertible Debt Interest		0.05
Net income - non-GAAP	\$	2.00