

## Teradyne, Inc.

### Certain Non-GAAP financial measures discussed during the Fourth Quarter of 2009 Earnings Conference Call January 2010

On the Company's earnings conference call on January 28, 2010, the following non-GAAP financial measures were discussed or presented:

- Fiscal year 2009 non-GAAP operating cash flow or free cash flow of \$80 million
- Q4 and Q3 2009 non-GAAP gross margin of 48.2% and 42.5%, respectively
- Q4 and Q3 2009 non-GAAP operating profit of 13% and 10%, respectively
- Q4 and Q3 2009 non-GAAP earnings per share of \$0.17 and \$0.14, respectively
- Q4 and Q3 2009 non-GAAP diluted shares of 180 million and 179 million, respectively
- Q1 2010 non-GAAP earnings per share guidance of \$0.20 to \$0.26
- Q1 2010 non-GAAP weighted average diluted common shares guidance of 182 million
- Q4 and Q3 2009 non-GAAP R&D expense as a percentage of sales of 15.3% and 14.6%, respectively
- Q4 and Q3 2009 non-GAAP SG&A expense as a percentage of sales of 19.3% and 17.7%, respectively
- Q1 2010 non-GAAP gross margin guidance of 50% to 51%
- Q1 2010 non-GAAP R&D expense as a percentage of sales of 17% to 16%
- Q1 2010 non-GAAP SG&A expense as a percentage of sales of 18% to 17%
- Fiscal year 2009 System Test Group operating profit of 7%
- Q4 2009 non-GAAP operating expenses of \$92.4 million
- Q1 2010 non-GAAP operating expense guidance of \$100 million
- Q4 2009 non-GAAP interest and other expense of \$2.0 million
- Q1 2010 non-GAAP interest and other expense guidance of \$2.1 million
- Q1 2010 non-GAAP operating profit guidance of 16% to 18%
- 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 \$300 million including \$35 million of Hard Disk Hard and High-Speed Memory revenue

Please see the attached Fourth Quarter 2009 and Fiscal Year 2009 earnings release GAAP to Non-GAAP reconciliation for a reconciliation of additional non-GAAP financial measures included in the Company's earnings release and that were discussed or presented on the Company's earnings conference call on January 28, 2010.

Teradyne determines non-GAAP operating cash flow or "free cash flow" by adjusting GAAP cash flow from operations to include property, plant and equipment additions.

GAAP to non-GAAP reconciliation of fiscal year 2009 cash flow from operations:

GAAP cash flow from operations for fiscal year 2009 (in millions)	\$122
Include property, plant and equipment additions	<u>(42)</u>
Non-GAAP cash flow from operations for fiscal year 2009	<u>\$ 80</u>

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

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

Q3 2009 actual R&D expense as a % of sales of 14.6% is the same % for GAAP and non-GAAP results

Q3 2009 actual SG&A expense as a % of sales of 17.7% is the same % for GAAP and non-GAAP results

For Q1 2010 non-GAAP guidance: Gross Margin, R&D and SG&A as a % of sales are the same % for GAAP and non-GAAP guidance

GAAP to non-GAAP reconciliation of Fiscal year 2009 System Test Group non-GAAP operating profit:

Fiscal year 2009 System Test Group operating profit	4%
Exclude restructuring and other, net, costs	2%
Exclude intangible asset amortization	<u>1%</u>
Fiscal year 2009 System Test Group non-GAAP operating profit	7%

GAAP to non-GAAP reconciliation of Q4 2009 operating expenses:

Q4 2009 GAAP operating expenses (in millions)	\$100.1
Exclude intangible asset amortization	(7.6)
Exclude restructuring and other, net, costs	<u>(0.1)</u>
Q4 2009 non-GAAP operating expenses	<u>\$ 92.4</u>

GAAP to non-GAAP reconciliation of Q1 2010 operating expense guidance:

Q1 2010 GAAP operating expenses (in millions)	\$107
Exclude intangible asset amortization	<u>(7)</u>
Q1 2010 non-GAAP operating expense guidance	<u>\$100</u>

GAAP to non-GAAP reconciliation of Q4 2009 interest and other expense:

Q4 2009 GAAP interest and other expense (in millions)	\$4.7
Exclude amortization of GAAP imputed convertible debt discount	(2.4)
Excluded other-than temporary impairment and realized gains/losses on marketable securities	<u>(\$0.2)</u>
Q4 2009 non-GAAP interest and other expense	<u>\$2.0</u>

GAAP to non-GAAP reconciliation of Q1 2010 interest and other expense guidance:

Q1 2010 GAAP interest and other expense (in millions)	\$4.6
Exclude amortization of GAAP imputed convertible debt discount	<u>(2.5)</u>
Q1 2010 Non-GAAP interest and other expense guidance	<u>\$2.1</u>

Teradyne's non-GAAP model revenue (15% profit) under its new model 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 and \$300 million including \$35 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, 2009		October 4, 2009		December 31, 2008	
		% of Net Revenues		% of Net Revenues		% of Net Revenues
Net Revenues	\$ 267.1		\$ 262.2		\$ 194.8	
Gross Margin - GAAP	\$ 124.4	46.6%	\$ 106.8	40.7%	\$ 77.9	40.0%
Inventory step-up reversal <sup>(1)</sup>	4.6	1.7%	5.7	2.2%	0.7	0.4%
Inventory provision reversal <sup>(2)</sup>	-	-	(0.6)	-0.2%	(1.0)	-0.5%
Profit sharing adjustment <sup>(3)</sup>	(0.3)	-0.1%	(0.4)	-0.2%	-	-
Gross Margin - non-GAAP	\$ 128.7	48.2%	\$ 111.5	42.5%	\$ 77.6	39.8%
Income/(Loss) from Operations - GAAP	\$ 24.3	9.1%	\$ 8.8	3.4%	\$ (379.6)	-194.9%
Acquired intangible asset amortization	7.6	2.8%	8.2	3.1%	7.0	3.6%
Inventory step-up reversal <sup>(1)</sup>	4.6	1.7%	5.7	2.2%	0.7	0.4%
Restructuring and other, net <sup>(4)</sup>	0.1	0.0%	5.2	2.0%	9.7	5.0%
Inventory provision reversal <sup>(2)</sup>	-	-	(0.6)	-0.2%	(1.0)	-0.5%
In-process research and development	-	-	-	-	0.5	0.3%
Goodwill impairment	-	-	-	-	329.7	169.3%
Profit sharing adjustment <sup>(3)</sup>	(1.7)	-0.6%	(2.2)	-0.8%	-	-
Income/(Loss) from Operations - non-GAAP	\$ 34.9	13.1%	\$ 25.1	9.6%	\$ (33.0)	-16.9%

	December 31, 2009		Income/(Loss) per Common Share from Continuing Operations		October 4, 2009		Income/(Loss) per Common Share from Continuing Operations		December 31, 2008		Income/(Loss) per Common Share from Continuing Operations	
		% of Net Revenues	Basic	Diluted		% of Net Revenues	Basic	Diluted		% of Net Revenues	Basic	Diluted
Income/(Loss) from Continuing Operations - GAAP	\$ 16.9	6.3%	\$ 0.10	\$ 0.09	\$ 6.7	2.6%	\$ 0.04	\$ 0.04	\$ (385.0)	-197.6%	\$ (2.28)	\$ (2.28)
Acquired intangible asset amortization	7.6	2.8%	0.04	0.04	8.2	3.1%	0.05	0.05	7.0	3.6%	0.04	0.04
Inventory step-up reversal <sup>(1)</sup>	4.6	1.7%	0.03	0.03	5.7	2.2%	0.03	0.03	0.7	0.4%	0.00	0.00
Restructuring and other, net <sup>(4)</sup>	0.1	0.0%	0.00	0.00	5.2	2.0%	0.03	0.03	9.7	5.0%	0.06	0.06
Interest and other <sup>(5)</sup>	2.6	1.0%	0.01	0.01	1.8	0.7%	0.01	0.01	5.9	3.0%	0.03	0.03
Inventory provision reversal <sup>(2)</sup>	-	-	-	-	(0.6)	-0.2%	(0.00)	(0.00)	(1.0)	-0.5%	(0.01)	(0.01)
In-process research and development	-	-	-	-	-	-	-	-	0.5	0.3%	0.00	0.00
Goodwill impairment	-	-	-	-	-	-	-	-	329.7	169.3%	1.95	1.95
Profit sharing adjustment <sup>(3)</sup>	(1.7)	-0.6%	(0.01)	(0.01)	(2.2)	-0.8%	(0.01)	(0.01)	-	-	-	-
Income/(Loss) from Continuing Operations - non-GAAP	\$ 30.1	11.3%	\$ 0.17	\$ 0.17	\$ 24.8	9.5%	\$ 0.14	\$ 0.14	\$ (32.5)	-16.7%	\$ (0.19)	\$ (0.19)

**GAAP and Non-GAAP Weighted Average Common Shares -**

Basic	174.8	174.5	169.2
GAAP Weighted Average Common Shares - Diluted	187.2	180.8	169.2
Exclude dilutive shares from convertible note hedge	(6.9)	(1.8)	-
Non-GAAP Weighted Average Common Shares - Diluted	180.3	179.0	169.2

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

(2) Reversal of previously written down inventory for non-FLEX products in the Semiconductor Test Division.

(3) Profit sharing adjustment for non-GAAP items.

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

	Quarter Ended:		
	December 31, 2009	October 4, 2009	December 31, 2008
Employee Severance	\$ 0.6	\$ 1.2	\$ 8.9
Facility Related	(0.5)	4.4	-
Eagle Test Purchase Accounting Adjustment & Other	-	(0.4)	-
Acquisition costs	-	-	0.8
Long-Lived Asset Impairment	-	-	-
Loss on Sale of Real Estate	-	-	-
	\$ 0.1	\$ 5.2	\$ 9.7

(5) Interest and Other included amortization of the GAAP imputed convertible debt discount.

	Twelve Months Ended:			
	December 31, 2009	% of Net Revenues	December 31, 2008	% of Net Revenues
Net Revenues	\$ 819.4		\$ 1,107.0	
Gross Margin - GAAP	\$ 311.6	38.0%	\$ 498.2	45.0%
Inventory step-up reversal <sup>(1)</sup>	15.4	1.9%	5.0	0.5%
Insurance recovery	(1.0)	-0.1%	-	-
Inventory provision reversal <sup>(2)</sup>	(0.6)	-0.1%	(2.4)	-0.2%
Profit sharing adjustment <sup>(3)</sup>	(0.7)	-0.1%	(0.3)	0.0%
Gross Margin - non-GAAP	\$ 324.7	39.6%	\$ 500.5	45.2%
Income/(Loss) from Operations - GAAP	\$ (122.4)	-14.9%	\$ (380.7)	-34.4%
Acquired intangible asset amortization	32.3	3.9%	20.6	1.9%
Inventory step-up reversal <sup>(1)</sup>	15.4	1.9%	5.0	0.5%
Restructuring and other, net <sup>(4)</sup>	36.5	4.5%	62.8	5.7%
Inventory provision reversal <sup>(2)</sup>	(0.6)	-0.1%	(2.4)	-0.2%
In-process research and development	-	-	1.6	0.1%
Goodwill impairment	-	-	329.7	29.8%
Insurance recovery	(1.0)	-0.1%	-	-
Profit sharing adjustment <sup>(3)</sup>	(3.9)	-0.5%	(1.5)	-0.1%
Income/(Loss) from Operations - non-GAAP	\$ (43.7)	-5.3%	\$ 35.1	3.2%

	December 31, 2009	% of Net Revenues	Income/(Loss) per Common Share from Continuing Operations		December 31, 2008	% of Net Revenues	Income/(Loss) per Common Share from Continuing Operations	
			Basic	Diluted			Basic	Diluted
			Income/(Loss) from Continuing Operations - GAAP	\$ (133.8)			-16.3%	\$ (0.77)
Acquired intangible asset amortization	32.3	3.9%	0.19	0.19	20.6	1.9%	0.12	0.12
Inventory step-up reversal <sup>(1)</sup>	15.4	1.9%	0.09	0.09	5.0	0.5%	0.03	0.03
Restructuring and other, net <sup>(4)</sup>	36.5	4.5%	0.21	0.21	62.8	5.7%	0.37	0.36
Interest and other <sup>(5)</sup>	11.7	1.4%	0.07	0.07	11.4	1.0%	0.07	0.07
Inventory provision reversal <sup>(2)</sup>	(0.6)	-0.1%	(0.00)	(0.00)	(2.4)	-0.2%	(0.01)	(0.01)
In-process research and development	-	-	-	-	1.6	0.1%	0.01	0.01
Insurance recovery	(1.0)	-0.1%	(0.01)	(0.01)	-	-	-	-
Profit sharing adjustment <sup>(3)</sup>	(3.9)	-0.5%	(0.02)	(0.02)	(1.5)	-0.1%	(0.01)	(0.01)
Goodwill impairment	-	-	-	-	329.7	29.8%	1.93	1.91
Basic vs. diluted share adjustment	-	-	-	-	-	-	-	0.03
Income tax adjustment <sup>(6)</sup>	(2.9)	-0.4%	(0.02)	(0.02)	0.2	0.0%	0.00	0.00
Income/(Loss) from Continuing Operations - non-GAAP	\$ (46.3)	-5.7%	\$ (0.27)	\$ (0.27)	\$ 32.4	2.9%	\$ 0.19	\$ 0.19

GAAP and Non-GAAP Weighted Average Common Shares - Basic	173.6	170.6
GAAP Weighted Average Common Shares - Diluted	173.6	170.6
Exclude dilutive shares from convertible note hedge	-	-
Include dilutive potential common shares	-	2.2
Non-GAAP Weighted Average Common Shares - Diluted	173.6	172.8

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

(2) Reversal of previously written down inventory for non-FLEX products in the Semiconductor Test Division.

(3) Profit sharing adjustment for non-GAAP items.

(4) Restructuring and other, net consists of:

Twelve Months Ended:

	December 31, 2009	December 31, 2008
Facility Related	\$ 3.9	\$ 16.4
Employee Severance	33.5	24.1
Eagle Test Purchase Accounting Adjustment & Other	(2.0)	-
Long-Lived Asset Impairment	1.1	0.6
Acquisition costs	-	0.8
Loss on Sale of Real Estate	-	20.9
	\$ 36.5	\$ 62.8

(5) Interest and Other included amortization of the GAAP imputed convertible debt discount, a charge to expense deferred debt financing costs as a result of the repayment and termination of Teradyne's revolving line of credit and charges for other-than-temporary impairment and realized (losses)/gains on marketable securities.

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

GAAP to Non-GAAP Reconciliation of first quarter 2010 guidance:

Sales (in millions)	\$ 290	\$ 310
GAAP operating profit	13%	15%
Exclude acquired intangible asset amortization	3%	3%
Non-GAAP operating profit	16%	18%
GAAP net income per diluted share	\$ 0.14	\$ 0.19
Exclude acquired intangible asset amortization	0.04	0.04
Exclude amortization of GAAP imputed debt discount	0.01	0.01
Non-GAAP net income per diluted share	\$ 0.20	\$ 0.26

GAAP Weighted Average Common Shares - Diluted (in millions)	193
Exclude dilutive shares from convertible note hedge	(11)
Non-GAAP Weighted Average Common Shares - Diluted	182

For press releases and other information of interest to investors, please visit Teradyne's homepage at <http://www.teradyne.com>.

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