

**Teradyne, Inc.**

**Certain Non-GAAP financial measures discussed during the  
First Quarter of 2016 Earnings Conference Call  
April 28, 2016**

On the Company's earnings conference call on April 28, 2016, the following non-GAAP financial measures were discussed or presented:

- Q1'16 EPS (\$0.31)
- Q1'15 EPS (\$0.17)
- Q4'15 EPS (\$0.13)
- Q1'16 net income (\$64.4M)
- Q2'16 EPS guidance (\$0.46 to \$0.53)
- Q1'16 operating profit rate (18%)
- Q1'16 gross margin (53%)
- Q1'16 operating expenses (\$153M)
- Q4'15 operating expenses (\$141M)
- Q2'16 operating expense guidance (30% - 31%)
- Q1'16 PBIT (\$77M)
- Q1'15 PBIT (\$49M)
- FY 2012 Free cash flow (\$284M)
- FY 2013 Free cash flow (\$162M)
- FY 2014 Free cash flow (\$323M)
- FY 2015 Free cash flow (\$323M)
- Q1'16 – Gross Margin (53% and \$230M), R&D (17% and \$74M), SG&A (18% and \$80M), Operating Expenses (36% and \$153M), Operating Profit (18% and \$77M), EPS (\$0.31), Free Cash Flow (\$6M), Income Tax (17% or \$13M)
- Q1'15 – Gross Margin (56% and \$192M), R&D (21% and \$71M), SG&A (21% and \$72M), Operating Expenses (42% and \$143M), Operating Profit (14% and \$49M), EPS (\$0.17), Free Cash Flow (\$16M), Income Tax (27% or \$14M)
- Q4'15 - Gross Margin (55% and \$174M), R&D (21% and \$66M), SG&A (24% and \$75M), Operating Expenses (44% and \$141M), Operating Profit (10% and \$33M), Income Tax (21% and \$8M), EPS (\$0.13), Free Cash Flow (\$18M)
- Q2'16 Operating Profit guidance (22-24%)
- Q2'16 Operating Profit guidance for \$525 million of Q2'16 revenue (23%)

<b>GAAP to Non-GAAP Reconciliation</b>	<b>Mid Guidance Q2 2016</b>
GAAP income from operations as a % of revenue	19%
Exclude acquired intangible asset amortization	4%
Non-GAAP income from operations as a % of revenue	23%

## APPENDIX | GAAP TO NON-GAAP RECONCILIATION

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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 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 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 financial 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)

	Quarter Ended		
	April 3, 2016	December 31, 2015	April 5, 2015
	% of Net Revenues	% of Net Revenues	% of Net Revenues
Net revenues	\$ 431.0	\$ 318.4	\$ 342.4
Gross profit - GAAP	\$ 230.3	\$ 166.0	\$ 192.4
Pension mark-to-market adjustments (1)	(0.4)	8.3	-
Gross profit - non-GAAP	\$ 229.9	\$ 174.3	\$ 192.4
Income (loss) from operations - GAAP	\$ 56.1	\$ (9.7)	\$ 35.1
Acquired intangible assets amortization	20.0	19.9	13.8
Restructuring and other (2)	1.6	5.2	-
Pension mark-to-market adjustments (1)	(1.2)	17.8	-
Income from operations - non-GAAP	\$ 76.5	\$ 33.2	\$ 48.9

	April 3, 2016		December 31, 2015		April 5, 2015	
	% of Net Revenues	Net Income per Common Share	% of Net Revenues	Net Income per Common Share	% of Net Revenues	Net Income per Common Share
		Basic	Basic	Basic	Basic	Basic
Net income (loss) - GAAP	11.6%	\$ 0.24	-0.2%	\$ (0.00)	9.6%	\$ 0.15
Acquired intangible assets amortization	4.6%	0.10	6.3%	0.10	4.0%	0.06
Pension mark-to-market adjustments (1)	(0.3%)	(0.01)	5.6%	0.09	-	-
Restructuring and other (2)	0.4%	0.01	1.6%	0.03	-	-
Exclude discrete tax items (3)	(0.6%)	(0.01)	(2.0%)	(0.03)	(0.5%)	(0.01)
Tax effect of non-GAAP adjustments	(0.8%)	(0.02)	(3.1%)	(0.05)	(0.7%)	(0.01)
Interest and other (4)	-	-	-	-	(1.8)	(0.01)
Net income - non-GAAP	14.9%	\$ 0.32	8.2%	\$ 0.13	11.0%	\$ 0.17

GAAP and non-GAAP weighted average common shares - basic	204.3
GAAP weighted average common shares - diluted	205.7
Include dilutive shares	-
Non-GAAP weighted average common shares - diluted	205.7

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

(2) Restructuring and other consists of

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	Quarter Ended	
	April 3, 2016	December 31, 2015
Contingent consideration fair value adjustment	\$ 1.2	\$ 5.1
Employee severance	0.4	0.1
	<u>\$ 1.6</u>	<u>\$ 5.2</u>
		April 5, 2015
		\$ -
		\$ -
		<u>\$ -</u>

(3) For the quarters ended April 3, 2016, December 31, 2015, and April 5, 2015, adjustment to exclude discrete income tax items.

(4) For the quarter ended April 5, 2015, interest and other included a gain from the sale of an equity investment.

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	Q1'15		Q4'15		Q1'16		Q2'16 Low Guidance		Q2'16 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$157	46%	\$176	55%	\$174	40%	\$179	35%	\$180	33%
Intangible Asset Amortization	-\$14	-4%	-\$20	-6%	-\$20	-5%	-\$20	-4%	-\$20	-4%
Restructuring and Other			-\$5	-2%	-\$2	0%				
Pension MTM			-\$9	-3%	\$0	0%				
Goodwill Impairment										
Non GAAP Operating Expenses	\$143	42%	\$141	44%	\$153	36%	\$159	31%	\$160	30%

	Q1'15		Q4'15		Q1'16	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP SG&A Expense	\$72	21%	\$80	25%	\$79	18%
Pension MTM			-\$5	-2%	\$0	0%
Non GAAP SG&A Expense	\$72	21%	\$75	24%	\$80	18%

	Q1'15		Q4'15		Q1'16	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP R&D Expense	\$71	21%	\$71	22%	\$73	17%
Pension MTM			-\$5	-1%	\$0	0%
Non GAAP R&D Expense	\$71	21%	\$66	21%	\$74	17%

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	Q1'15		Q4'15		Q1'16	
	\$'s	%	\$'s	%	\$'s	%
GAAP Income Tax	\$10	27%	-\$8	93%	\$7	13%
Exclude discrete tax adjustments	\$2	5%	\$6	-71%	\$3	4%
Tax effect of non-GAAP adjustments	\$2	7%	\$10	-112%	\$4	6%
Effect of Higher Non-GAAP PBT		-12%		112%		-6%
Non GAAP Income Tax	\$14	27%	\$8	21%	\$13	17%

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## GAAP to Non-GAAP Reconciliation of Second Quarter 2016 guidance:

GAAP and non-GAAP second quarter revenue guidance:

GAAP net income per diluted share

Exclude acquired intangible assets amortization

Tax effect of non-GAAP adjustment

Non-GAAP net income per diluted share

	\$	0.38	\$	\$510 million to \$540 million
		0.10		0.45
		(0.02)		(0.02)
	\$	0.46	\$	0.53

## Second Quarter Guidance:

	<u>Low End</u>	<u>High End</u>
GAAP Operating Profit as % of Sales	18%	20%
Acquired intangible asset amortization	<u>4%</u>	<u>4%</u>
Non-GAAP Operating Profit as % of Sales	22%	24%

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- 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>Q1'15</u>	<u>Q4'15</u>	<u>Q1'16</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
GAAP Cash Flow From Operations, Excl Disc Ops	\$38	\$41	\$27	\$403	\$269	\$492	\$413
Less Property, Plant and Equipment Additions	-\$21	-\$23	-\$20	-\$119	-\$107	-\$169	-\$90
Non-GAAP Operating Cash Flow (“Free Cash Flow”)	\$16	\$18	\$6	\$284	\$162	\$323	\$323