



Because Technology Never Stops

# TERADYNE FINANCIAL RESULTS FOR Q3 2015

October 28, 2015

# SAFE HARBOR

This presentation 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 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, 2014, and the Quarterly Report on Form 10-Q for the fiscal quarter ended July 5, 2015. 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

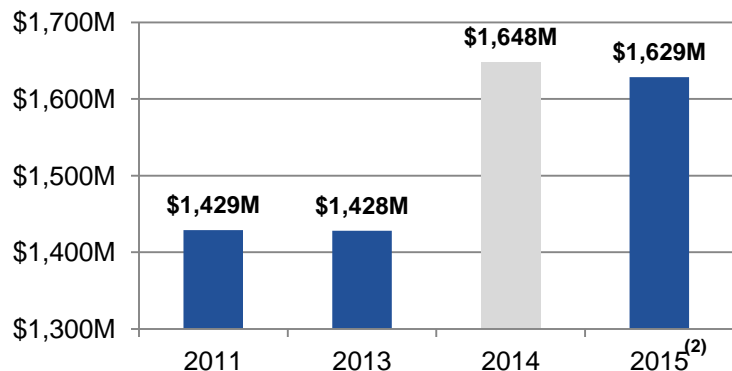


**Mark Jagiela, Teradyne President and CEO**

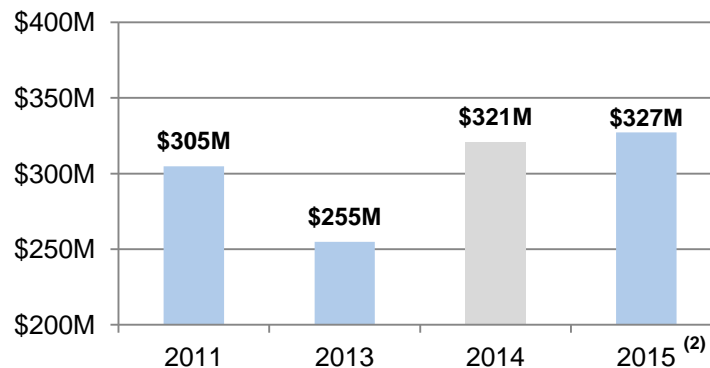


# FULL YEAR SUMMARY

## 2015 Sales, Profit substantially higher than past down cycle odd years



Sales



Non-GAAP PBIT<sup>(1)</sup>

\$2.1B SOC market,  
\$500M Memory  
market in 2015

Enterprise  
and SSD demand  
drive doubling of  
Storage Test business  
in 2015

Record UR sales in  
Q3 and on track for  
~50% annual growth

(1) See appendix for GAAP to Non-GAAP reconciliation

(2) FY 2015 includes mid-guidance for Q4 and includes Universal Robots from time of acquisition (June 12<sup>th</sup>)

# SEGMENT GROWTH DRIVERS

## Semiconductor Test

Parallel test slowing and increasing complexity

Aligned to most attractive segments

## System Test

Enterprise hard disk drive for cloud storage and SSD driving growth

New applications for system level test

## Wireless Test

Expanding customer footprint

New products opening up new markets

## Industrial Automation

Successful launch of new UR3 Robot

Growing range of applications and attach rates

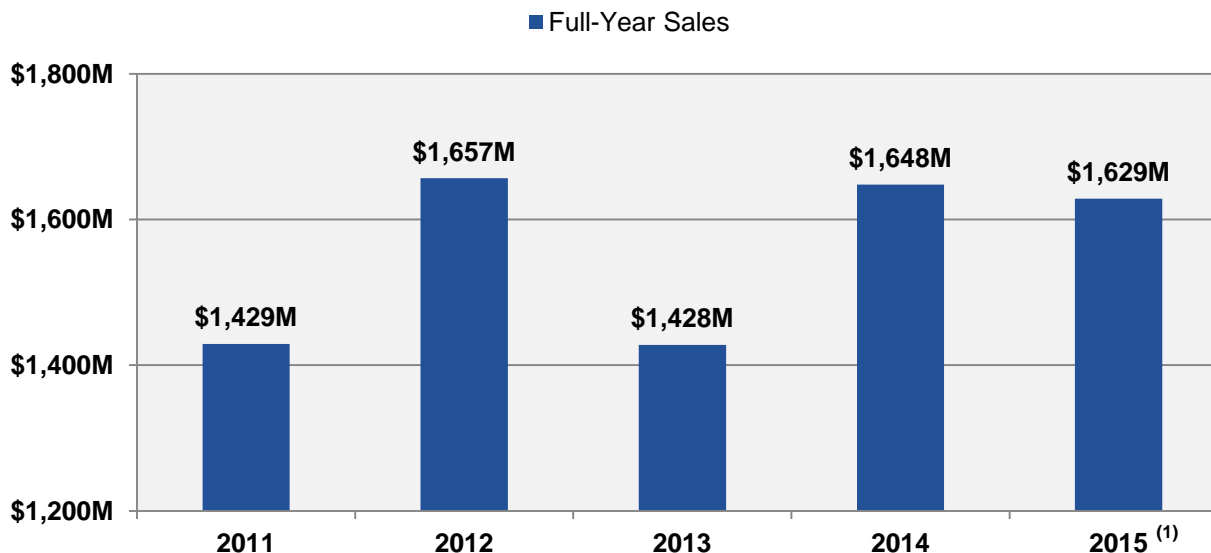
# THIRD QUARTER FINANCIAL RESULTS AND FOURTH QUARTER GUIDANCE



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



# 2015 MARKS SECOND CONSECUTIVE YEAR OF SALES OVER \$1.6B



## 2015 Sales Drivers

- Leased system purchases
- Automotive, Image Sensor, and Storage Test market strength
- Growing UR sales

## UR Adds Growth

- Easy to deploy
- Short payback period
- New solutions and new verticals adding to UR market lead

## Capital Return

- Expect to return **\$350M** to investors in 2015
- Stepped up Q3 buybacks

# CASH AND CAPITAL RETURN SUMMARY

2015 YTD Cash Roll Forward Through Q3	Cash and Marketable Securities Position		
	<u>U.S.</u>	<u>Offshore</u>	<u>Total</u>
Beginning Balance (12/31/14)	<u>\$683M</u>	<u>\$616M</u>	<u>\$1,299M</u>
FCF & Other <sup>(1)</sup>	\$109M	\$217M	\$326M
Buyback	-\$227M	-	-\$227M
Dividends	-\$38M	-	-\$38M
Universal Robots Acquisition	-	<u>-\$283M</u>	<u>-\$283M</u>
Ending Balance (Q3 Ending)	\$527M	\$550M	\$1,077M
Minimum Cash Level	<b>\$400M</b>	<b>\$100M</b>	<b>\$500M</b>

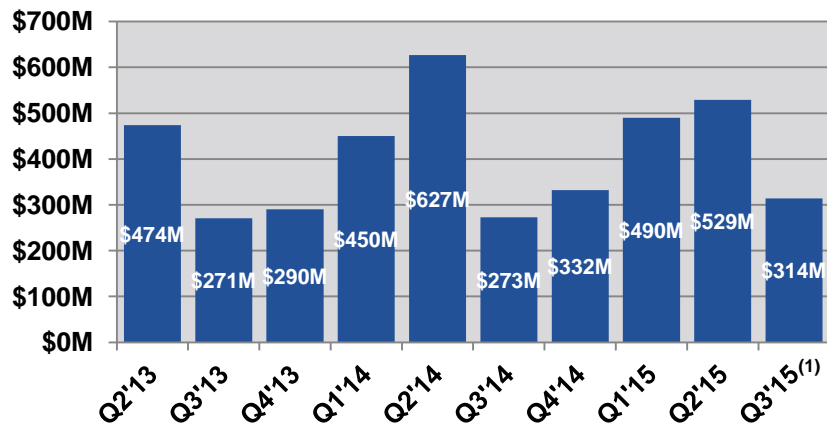
Returned  
\$265M YTD  
through Q3

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

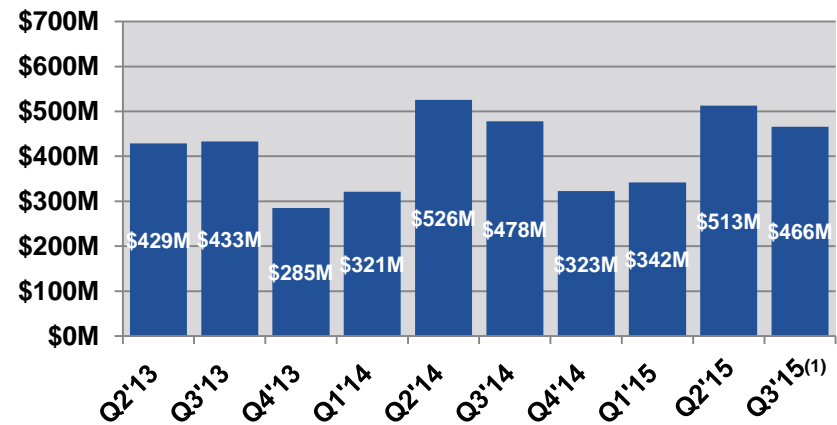


# Q3'15 COMPANY ORDERS AND SALES

## Total Company Orders



## Total Company Sales



**Q3 Company orders followed normal seasonal pattern**

(1) Q3 2015 includes UR sales of \$16M and orders of \$16M

# Q4'15 NON-GAAP GUIDANCE

<b>\$s in millions, except EPS</b>	<b>Q3'15 Actual<sup>(1)</sup></b>	<b>Q4'15 Guidance<sup>(1)</sup></b>
Sales	\$466M	<b>\$295M - \$320M</b>
Gross Margin	56%	<b>54%</b>
OPEX	33%	<b>44% - 48%</b>
Operating Profit	23%	<b>6% - 10%</b>
Net Interest & Other Income	\$1M	<b>\$1M</b>
Effective Tax Rate	23%	<b>23%</b>
EPS	\$0.40	<b>\$0.07- \$0.12</b>
Diluted Shares	212M	<b>208M</b>

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

# Q3'15 SUMMARY

**25<sup>th</sup>**

Consecutive  
Quarter  
of Non-GAAP  
Operating Profits,  
Averaging 22%

1<sup>st</sup> 9 month EPS  
of

**\$1.10**

up from \$1.09  
in 1<sup>st</sup> 9 months  
2014

Expect Q4  
Revenue of  
**\$295 to \$320  
Million**

Non-GAAP EPS  
of  
**\$0.07 - \$0.12**

**13.4M Shares  
Repurchased  
in 2015**

Through  
October 27<sup>th</sup> at  
Average Price of  
\$19.02 for Total  
of \$254M

# SUPPLEMENTAL INFORMATION

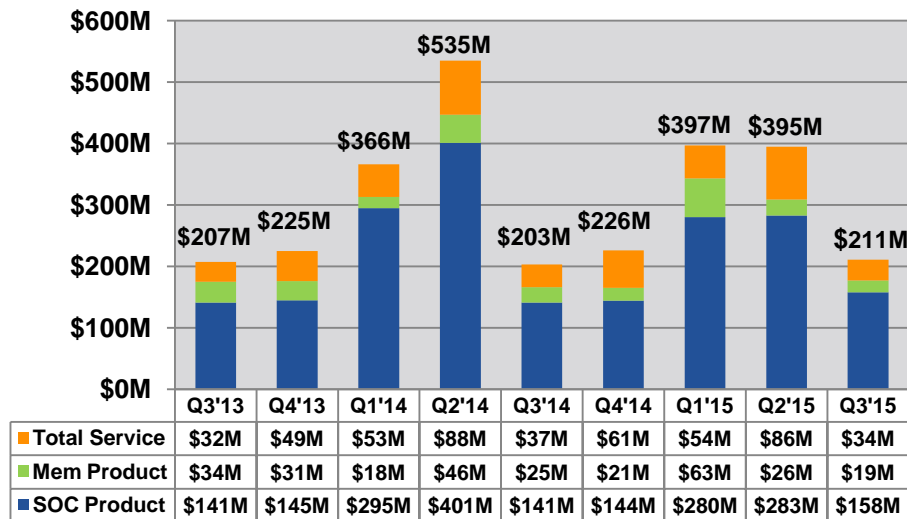


# Q3'15 NON-GAAP RESULTS

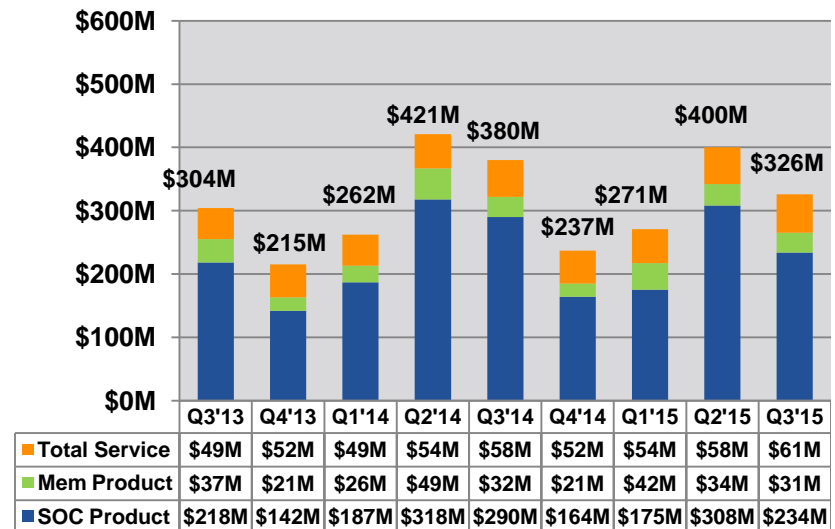
\$s in millions, except EPS	Q3'14 Actual <sup>(1)</sup>		Q2'15 Actual <sup>(1)</sup>		Q3'15 Actual <sup>(1)</sup>	
Sales		\$478M		\$513M		<b>\$466M</b>
Gross Margin	54.6%	\$261M	58.4%	\$299M	55.7%	<b>\$260M</b>
R&D	15.0%	\$72M	14.8%	\$76M	15.9%	<b>\$74M</b>
SG&A	15.3%	\$73M	15.0%	\$77M	16.6%	<b>\$77M</b>
OPEX <sup>(1)</sup>	<u>30.3%</u>	<u>\$145M</u>	<u>29.9%</u>	<u>\$153M</u>	<u>32.5%</u>	<u><b>\$152M</b></u>
Operating Profit	24.3%	\$116M	28.5%	\$146M	23.2%	<b>\$108M</b>
Income Taxes (& effective tax rate)	19%	\$23M	22%	\$33M	23%	<b>\$24M</b>
EPS <sup>(1)</sup>		\$0.44		\$0.53		<b>\$0.40</b>
Diluted Shares		218M		216M		<b>212M</b>
Net Bookings		\$273M		\$529M		<b>\$314M</b>

# SEMICONDUCTOR TEST HIGHLIGHTS

## Semi Orders



## Semi Sales



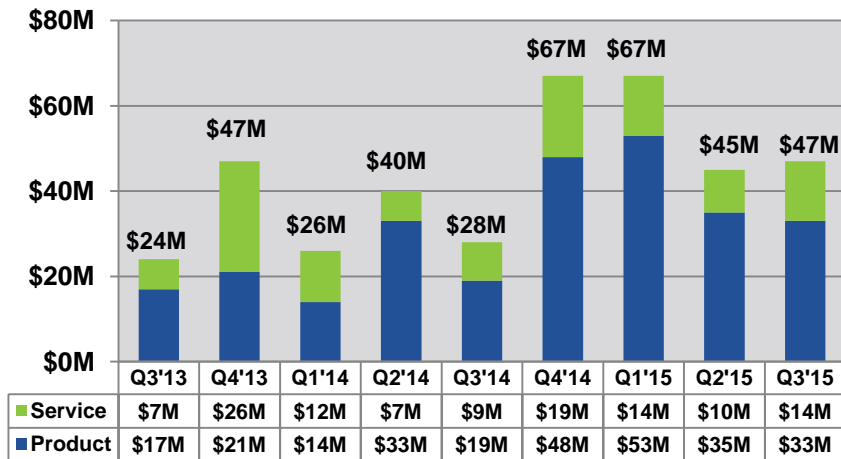
Expect 50% SOC  
market share, 28%  
Memory share in  
2015

Normal seasonal  
order trends  
continued in Q3

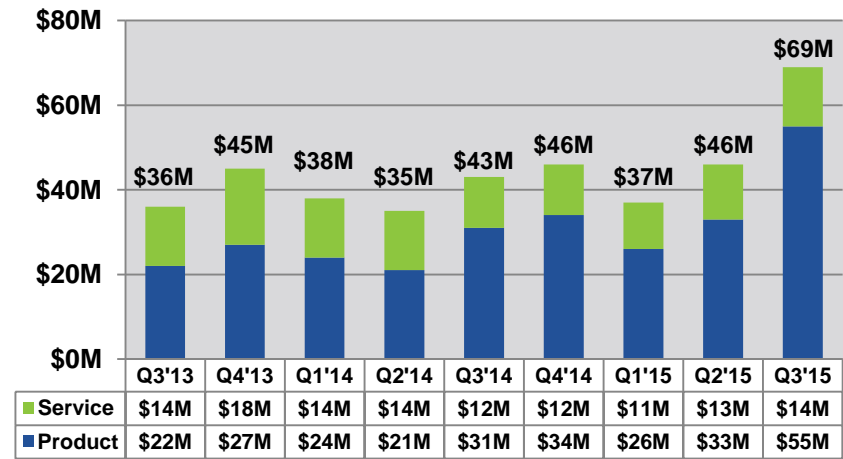
Imager, Automotive,  
and Mobility were  
strongest end  
markets

# SYSTEM TEST HIGHLIGHTS

## System Test Orders



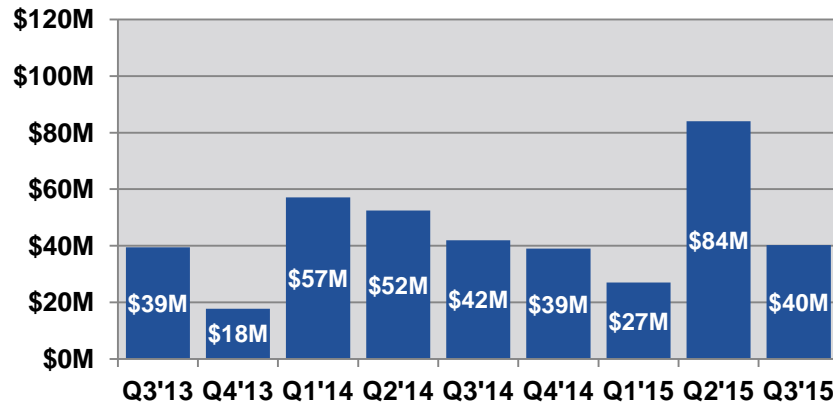
## System Test Sales



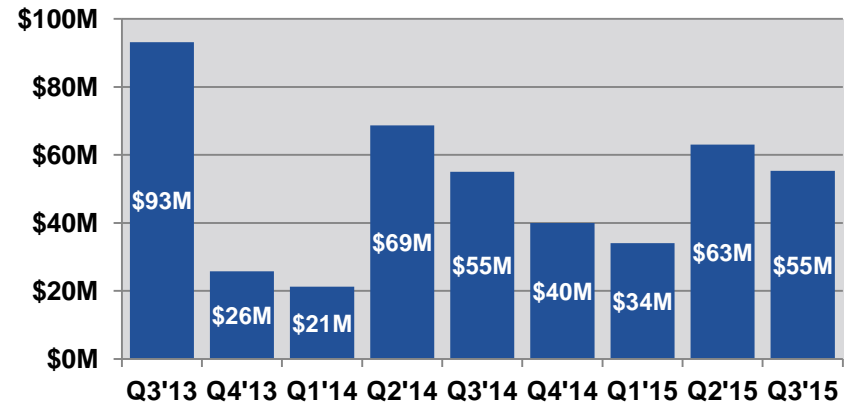
Strongest quarterly Storage Test sales since Q2'12, with strength in Enterprise and SSD

# WIRELESS TEST HIGHLIGHTS

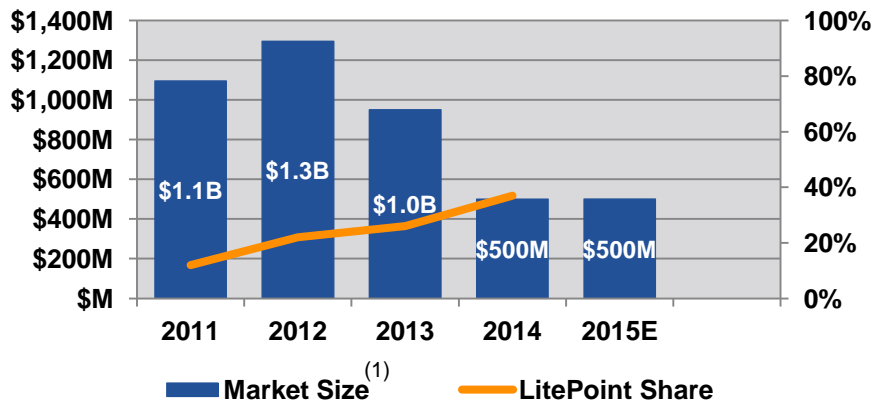
## Wireless Test Orders



## Wireless Test Sales



## Wireless Test Market



- Seasonal Q3 results
- 2015 Wireless Test market expected to be ~\$500M



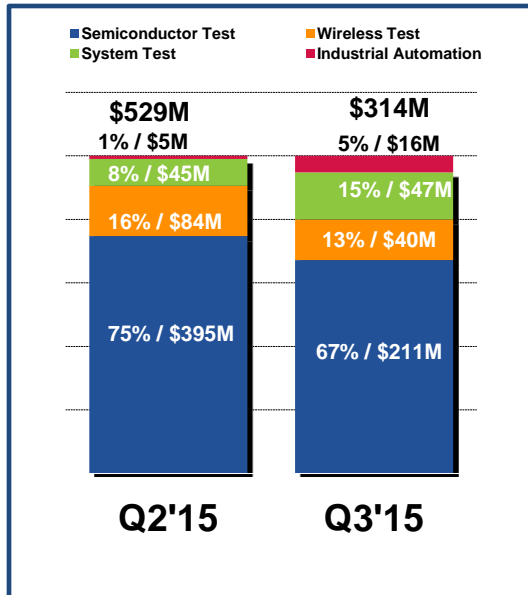
# CASH & BALANCE SHEET

	Q3'14 Actual	Q2'15 Actual	Q3'15 Actual
Cash and Marketable Securities	<u>\$1,181M</u>	<u>\$1,029M</u>	<u>\$1,077M</u>
• U.S.	\$721M	\$575M	\$527M
• Off-Shore	\$460M	\$454M	\$550M
Inventory	\$108M	\$122M	\$129M
DSO	61 days	53 days	48 days
Capital Additions	\$55M	\$25M	\$21M
Depreciation, Amortization, SBC	\$47M	\$41M	\$45M
Free Cash Flow <sup>(1)</sup>	\$78M	\$131M	\$159M

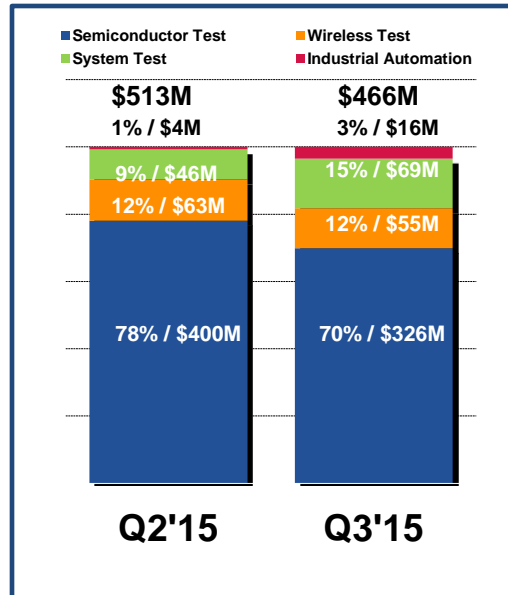
(1) Teradyne calculates free cash flow as: Cash flow from operations, excluding discontinued operations, less capital additions; see GAAP to non-GAAP reconciliations.

# SALES & ORDERS DETAIL

## Orders



## Sales



### Orders/Region

	Q2'15	Q3'15
Asia	81%	48%
Japan	2%	23%
US	12%	18%
Europe	4%	9%
Rest of World	<u>1%</u>	<u>2%</u>
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Sales/Region

	Q2'15	Q3'15
Asia	74%	74%
US	11%	11%
Europe	6%	7%
Japan	8%	6%
Rest of World	<u>1%</u>	<u>2%</u>
<b>Total</b>	<b>100%</b>	<b>100%</b>

Book to Bill	Q2'15	Q3'15
Semiconductor Test	1.0	0.6
Wireless Test	1.3	0.7
System Test	1.0	0.7
Industrial Automation	<u>1.3</u>	<u>1.0</u>
<b>Total</b>	<b>1.0</b>	<b>0.7</b>

	Q2'15		Q3'15	
<b>Sales</b>				
Product	85%	\$437M	83%	\$386M
Service	15%	<u>\$75M</u>	17%	<u>\$80M</u>
<b>Total</b>		<b>\$513M</b>		<b>\$466M</b>

	Q2'15		Q3'15	
<b>Orders</b>				
Product	82%	\$432M	84%	\$265M
Service	18%	<u>\$97M</u>	16%	<u>\$49M</u>
<b>Total</b>		<b>\$529M</b>		<b>\$314M</b>

Backlog	
Ending Q3'15	<b>\$412M</b>
Shippable within 6 months	<b>~80%</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 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)

	October 4, 2015		Quarter Ended July 5, 2015		September 28, 2014	
	\$	% of Net Revenues	\$	% of Net Revenues	\$	% 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 asset amortization	20.1	4.3%	15.3	3.0%	18.3	3.8%
Restructuring and other <sup>(1)</sup>	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%

	October 4, 2015		Net Income per Common Share		July 5, 2015		Net Income per Common Share		September 28, 2014		Net Income per Common Share	
	\$	% of Net Revenues	Basic	Diluted	\$	% of Net Revenues	Basic	Diluted	\$	% of Net Revenues	Basic	Diluted
Net income - GAAP	\$ 71.5	15.3%	\$ 0.34	\$ 0.34	\$ 102.9	20.1%	\$ 0.48	\$ 0.48	\$ 82.9	17.3%	\$ 0.40	\$ 0.38
Acquired intangible asset amortization	20.1	4.3%	0.10	0.09	15.3	3.0%	0.07	0.07	18.3	3.8%	0.09	0.08
Inventory step-up	1.0	0.2%	0.00	0.00	0.6	0.1%	0.00	0.00	-	-	-	-
Restructuring and other <sup>(1)</sup>	0.3	0.1%	0.00	0.00	(0.4)	-0.1%	(0.00)	(0.00)	(0.4)	-0.1%	(0.00)	(0.00)
Interest and other <sup>(2)</sup>	-	-	-	-	(0.6)	-0.1%	(0.00)	(0.00)	-	-	-	-
Exclude discrete tax adjustments <sup>(3)</sup>	(3.3)	-0.7%	(0.02)	(0.02)	0.2	0.0%	0.00	0.00	(1.6)	-0.3%	(0.01)	(0.01)
Tax effect of non-GAAP adjustments	(4.7)	-1.0%	(0.02)	(0.02)	(3.4)	-0.7%	(0.02)	(0.02)	(3.4)	-0.7%	(0.02)	(0.02)
Net income - non-GAAP	\$ 84.9	18.2%	\$ 0.40	\$ 0.40	\$ 114.6	22.4%	\$ 0.54	\$ 0.53	\$ 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	

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

(1) Restructuring and other consists of:

	Quarter Ended		
	October 4, 2015	July 5, 2015	September 28, 2014
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)
	<u>\$ 0.3</u>	<u>\$ (0.4)</u>	<u>\$ (0.4)</u>

(2) For the quarters 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.

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Nine Months Ended							
	October 4, 2015				September 28, 2014			
		% of Net Revenues				% of Net Revenues		
Net Revenues	\$ 1,321.1				\$ 1,324.6			
Gross profit - GAAP	\$ 749.6	56.7%			\$ 718.6	54.3%		
Inventory step-up	1.6	0.1%			-	-		
Gross profit - non-GAAP	\$ 751.2	56.9%			\$ 718.6	54.3%		
Income from operations - GAAP	\$ 252.7	19.1%			\$ 222.6	16.8%		
Acquired intangible asset amortization	49.1	3.7%			54.8	4.1%		
Restructuring and other <sup>(1)</sup>	(0.1)	0.0%			0.2	0.0%		
Inventory step-up	1.6	0.1%			-	-		
Equity modification charge <sup>(2)</sup>	-	-			6.6	0.5%		
Income from operations - non-GAAP	\$ 303.3	23.0%			\$ 284.2	21.5%		
			Net Income per Common Share				Net Income per Common Share	
	October 4, 2015	% of Net Revenues	Basic	Diluted	September 28, 2014	% of Net Revenues	Basic	Diluted
Net income - GAAP	\$ 207.1	15.7%	\$ 0.97	\$ 0.96	\$ 185.1	14.0%	\$ 0.93	\$ 0.83
Acquired intangible asset amortization	49.1	3.7%	0.23	0.23	54.8	4.1%	0.28	0.24
Interest and other <sup>(3)</sup>	(5.4)	-0.4%	(0.03)	(0.03)	4.3	0.3%	0.02	0.02
Restructuring and other <sup>(1)</sup>	(0.1)	0.0%	(0.00)	(0.00)	0.2	0.0%	0.00	0.00
Inventory step-up	1.6	0.1%	0.01	0.01	-	-	-	-
Equity modification charge <sup>(2)</sup>	-	-	-	-	6.6	0.5%	0.03	0.03
Exclude discrete tax adjustments <sup>(4)</sup>	(4.9)	-0.4%	(0.02)	(0.02)	(4.5)	-0.3%	(0.02)	(0.02)
Tax effect of non-GAAP adjustments	(10.5)	-0.8%	(0.05)	(0.05)	(11.9)	-0.9%	(0.06)	(0.05)
Convertible share adjustment <sup>(5)</sup>	-	-	-	-	-	-	-	0.04
Net income - non-GAAP	\$ 236.9	17.9%	\$ 1.11	\$ 1.10	\$ 234.6	17.7%	\$ 1.18	\$ 1.09
GAAP and non-GAAP weighted average common shares - basic	213.7				198.4			
GAAP weighted average common shares - diluted	215.3				223.8			
Exclude dilutive shares from convertible note	-				(6.7)			
Non-GAAP weighted average common shares - diluted <sup>(5)</sup>	215.3				217.1			

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Q3'14		Q2'15		Q3'15		Q4'15 Low Guidance		Q4'15 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$163	34%	\$168	33%	\$172	37%	\$161	55%	\$162	51%
Intangible Asset Amortization	-\$18	-4%	-\$15	-3%	-\$20	-4%	-\$20	-7%	-\$20	-6%
Restructuring and Other	\$0	0%	\$0	0%	\$0	0%				
Non GAAP Operating Expenses	\$145	30%	\$153	30%	\$152	33%	\$141	48%	\$141	44%

- Q3'14, Q2'15 and Q3'15 R&D, and SG&A expense as a % of sales are the same for GAAP and Non-GAAP.

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	December 31, 2011	% of Net Revenues	Income per Common Share from Continuing Operations	
	December 31, 2011	% of Net Revenues	Basic	Diluted
Net Revenues	\$ 1,429.1			
Gross profit - GAAP	\$ 711.9	49.8%		
Inventory step-up	12.2	0.9%		
Pension mark-to-market adjustments <sup>(1)</sup>	4.0	0.3%		
Gross profit - non-GAAP	\$ 728.1	50.9%		
Income from operations - GAAP	\$ 229.8	16.1%		
Acquired intangible asset amortization	40.5	2.8%		
Inventory step-up	12.2	0.9%		
Pension mark-to-market adjustments <sup>(1)</sup>	13.7	1.0%		
Restructuring and other, net <sup>(2)</sup>	8.5	0.6%		
Income from operations - non-GAAP	\$ 304.7	21.3%		
Income from continuing operations - GAAP	\$ 342.0	23.9%	\$ 1.85	\$ 1.51
Acquired intangible asset amortization	40.5	2.8%	0.22	0.20
Income tax adjustment <sup>(3)</sup>	-	-	-	-
Interest and other <sup>(4)</sup>	12.0	0.8%	0.06	0.06
Inventory step-up	12.2	0.9%	0.07	0.06
Pension mark-to-market adjustments <sup>(1)</sup>	13.7	1.0%	0.07	0.07
Restructuring and other, net <sup>(2)</sup>	8.5	0.6%	0.05	0.04
Deferred tax valuation allowance	(144.3)	-10.1%	(0.78)	(0.70)
Convertible share adjustment <sup>(5)</sup>	-	-	-	0.19
Income from continuing operations - non-GAAP	\$ 284.6	19.9%	\$ 1.54	\$ 1.43
GAAP and non-GAAP weighted average common shares - basic	184.7			
GAAP weighted average common shares - diluted	226.8			
Exclude dilutive shares from convertible note	(21.5)			
Non-GAAP weighted average common shares - diluted <sup>(5)</sup>	205.3			

<sup>(1)</sup> Actuarial loss recognized under GAAP in accordance with the Company's mark-to-market pension accounting.

<sup>(2)</sup> Restructuring and other, net consists of:



# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Years Ended							
	December 31, 2014		December 31, 2013		December 31, 2014		December 31, 2013	
		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues
Net Revenues	\$ 1,647.8		\$ 1,427.9		\$ 1,647.8		\$ 1,427.9	
Gross profit - GAAP	\$ 878.8	53.3%	\$ 808.8	56.6%	\$ 878.8	53.3%	\$ 808.8	56.6%
Pension mark-to-market adjustments (1)	12.7	0.8%	(3.1)	-0.2%	12.7	0.8%	(3.1)	-0.2%
Gross profit - non-GAAP	\$ 891.5	54.1%	\$ 805.7	56.4%	\$ 891.5	54.1%	\$ 805.7	56.4%
Income from operations - GAAP	\$ 96.4	5.9%	\$ 190.7	13.4%	\$ 96.4	5.9%	\$ 190.7	13.4%
Acquired intangible asset amortization	70.8	4.3%	72.4	5.1%	70.8	4.3%	72.4	5.1%
Goodwill impairment (2)	98.9	6.0%	-	-	98.9	6.0%	-	-
Equity modification charge (3)	6.6	0.4%	-	-	6.6	0.4%	-	-
Restructuring and other (4)	1.4	0.1%	2.1	0.1%	1.4	0.1%	2.1	0.1%
Pension mark-to-market adjustments (1)	46.6	2.8%	(10.3)	-0.7%	46.6	2.8%	(10.3)	-0.7%
Income from operations - non-GAAP	\$ 320.7	19.5%	\$ 254.9	17.9%	\$ 320.7	19.5%	\$ 254.9	17.9%
			Net Income per Common Share				Net Income per Common Share	
	December 31, 2014	% of Net Revenues	Basic	Diluted	December 31, 2013	% of Net Revenues	Basic	Diluted
Net income - GAAP	\$ 81.3	4.9%	\$ 0.40	\$ 0.37	\$ 164.9	11.5%	\$ 0.86	\$ 0.70
Acquired intangible asset amortization	70.8	4.3%	0.35	0.32	72.4	5.1%	0.38	0.31
Goodwill impairment (2)	98.9	6.0%	0.49	0.44	-	-	-	-
Pension mark-to-market adjustments (1)	46.6	2.8%	0.23	0.21	(10.3)	-0.7%	(0.05)	(0.04)
Equity modification charge (3)	6.6	0.4%	0.03	0.03	-	-	-	-
Restructuring and other (4)	1.4	0.1%	0.01	0.01	2.1	0.1%	0.01	0.01
Interest and other (5)	4.3	0.3%	0.02	0.02	(18.4)	-1.3%	(0.10)	(0.08)
Exclude discrete tax adjustments (6)	(3.0)	-0.2%	(0.01)	(0.01)	-	-	-	-
Tax effect of non-GAAP adjustments	(41.3)	-2.5%	(0.20)	(0.19)	-	-	-	-
Income tax adjustment (7)	-	-	-	-	4.8	0.3%	0.03	0.02
Convertible share adjustment (8)	-	-	-	0.02	-	-	-	0.14
Net income - non-GAAP	\$ 265.6	16.1%	\$ 1.31	\$ 1.23	\$ 215.5	15.1%	\$ 1.13	\$ 1.06
GAAP and non-GAAP weighted average common shares - basic	202.9				190.8			
GAAP weighted average common shares - diluted	222.6				235.6			
Exclude dilutive shares from convertible note	(5.0)				(23.3)			
Non-GAAP weighted average common shares - diluted (8)	217.6				212.3			

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Q3'14		Q2'15		Q3'15	
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>
GAAP Income Tax	\$18	18%	\$29	22%	\$16	18%
Exclude discrete tax adjustments	\$2	2%	\$0	0%	\$3	4%
Tax effect of non-GAAP adjustments	\$3	3%	\$3	3%	\$5	5%
Effect of Higher Non-GAAP PBT		-3%		-2%		-4%
Non GAAP Income Tax	<u>\$23</u>	<u>19%</u>	<u>\$33</u>	<u>22%</u>	<u>\$24</u>	<u>23%</u>

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

## 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 asset 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>

<b>Fourth Quarter Guidance:</b>	<b><u>Low End</u></b>	<b><u>High End</u></b>
GAAP Operating Profit as % of Sales	-1%	3%
Acquired intangible asset amortization	<u>7%</u>	<u>7%</u>
Non-GAAP Operating Profit as % of Sales	6%	10%

# APPENDIX | GAAP TO NON-GAAP RECONCILIATION

Q3'09-Q3'15 PBIT	
<b>GAAP PBIT %</b>	<b>16%</b>
Acquired Intangible Asset Amortization	4%
Goodwill Impairment	1%
Restructuring and other	0%
Pension mark-to-market adjustments	1%
Equity modification charge	0%
Inventory step-up	0%
<b>Non-GAAP PBIT %</b>	<b>22%</b>

<b>FY 2015E GAAP PBIT</b>	<b>\$256</b>
Acquired Intangible asset amortization	\$70
Inventory step-up	\$2
Restructuring and other	\$0
<b>FY 2015E Non-GAAP PBIT</b>	<b>\$327</b>

FY 2015E includes Q4 mid-guidance

	9 Mos Ended Q3'15
<b>GAAP Cash Flow From Operations, Excl Disc Ops</b>	<b>\$373</b>
Include Property, Plant and Equipment Additions	-\$67
Include Proceeds From ESPP and Other	\$20
<b>Non-GAAP Operating Cash Flow ("Free Cash Flow") and Other</b>	<b>\$326</b>

# 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 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, 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>Q3'14</u>	<u>Q2'15</u>	<u>Q3'15</u>
GAAP Cash Flow From Operations, Excl Disc Ops	\$133	\$156	\$179
Include Property, Plant and Equipment Additions	-\$55	-\$25	-\$21
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$78	\$131	\$159