

## Teradyne, Inc.

### Certain Non-GAAP financial measures discussed during the Fourth Quarter of 2017 Earnings Conference Call January 25, 2018

On the Company's earnings conference call on January 25, 2018, the following non-GAAP financial measures were discussed or presented:

- Q4'17 ESP (\$0.46)
- Q3'17 EPS (\$0.54)
- Q4'16 EPS (\$0.32)
- 2016 EPS (\$1.51)
- 2017 EPS (\$2.34)
- Q4'17 net income (\$91.4M)
- Q1'18 Guidance EPS (\$0.38 to \$0.45)
- \$2.00 EPS 2020 target
- 2015-2017 average annual PBIT (23%)
- 2015-2017 average annual Free Cash Flow (\$400M)
- 2018 estimated Tax Rate (15%)
- 2017 Universal Robots PBIT (19%)
- 2016 Universal Robots PBIT (9%)
- 2020 target Universal Robots PBIT (20%)
- 2017 GM (57%)
- 2016 GM (55%)
- Q4'17 PBIT (23%)
- Q4'17 GM (57%)
- Q4'17 Opex (\$160M)
- Q3'17 Opex (\$163M)
- 2021 estimated EPS Target (\$3.50 to \$4.00)
- 2017 Opex up \$49M vs. 2016
- Q4 2017 Universal Robots Opex (~\$16M)
- Q4 2018 estimated Universal Robots Opex (~\$30M)
- Q1'18 Guidance EPS (\$0.38 to \$0.45)
- Q1'18 Guidance Diluted Shares (200M)
- Q1'18 Guidance Opex (34-36%)
- Q1'18 Guidance Midpoint Operating Profit Rate (20%)
- Q1'18 Guidance interest income and other (\$2M)
- 2015 EPS (\$1.27)
- 2017 Tax Rate (17.75%)
- Q4'16 – Gross Margin (57.4% and \$218M), R&D (18.6% and \$71M), SG&A (20.2% and \$77M), Opex (38.8% and \$148M), Operating Profit (18.6% and \$71M), EPS (\$0.32), FCF (\$18M), Effective Tax Rate (9% or \$6M), shares (203M)
- Q4'17 - Gross Margin (56.5% and \$271M), R&D (15.1% and \$72M), SG&A (18.4% and \$88M), Opex (33.4% and \$160M), Operating Profit (23.1% and \$111M), Effective Tax Rate (19.8% and \$23M), EPS (\$0.46), FCF (\$115M), shares (199M), Net interest and other (\$3M)

- Q3'17 – Gross Margin (58.6% and \$295M), R&D (15.3% and \$77M), SG&A (17.1% and \$86M), Opex (32.4% and \$163M), Operating Profit (26.1% and \$131M), EPS (\$0.54), FCF (\$283M), Effective Tax Rate (19.1% or \$25M), shares (200M)
- Q1'18 Guidance – Gross Margin (55%), Opex (34-36%), Operating Profit (19-21%), net interest and other (\$2M), EPS (\$0.38 to \$0.45), Effective Tax Rate (15%), shares (200M)
- 2021E EPS Target (\$3.50 to \$4.00)
- UR Opex – 2015 (\$14M), 2016 (\$43M), 2017 (\$62M)
- Test Opex (w/ Variable Compensation) –2017 (\$596M), 2016 (\$566M), 2015 (\$575M)
- Total Company Opex –2015 (\$589M), 2016 (\$609M), 2017 (\$658M)
- 2017 – Gross Margin (57.2% and \$1.221M), R&D (14.4% and \$308M), SG&A (16.6% and \$349M), Opex (30.7% and \$658M), Operating Profit (26.4% and \$564M), Effective Tax Rate (17.8% and \$101M), EPS (\$2.34), Diluted shares (200M)
- 2016 - Gross Margin (54.7% and \$959M), R&D (16.6% and \$292M), SG&A (18.1% and \$317M), Opex (34.7% and \$609M), Operating Profit (19.9% and \$350M), Effective Tax Rate (13% and \$46M), EPS (\$1.51), Diluted shares (204M)

Teradyne's non-GAAP quarterly model revenue is \$390 million at which Teradyne expects to earn 15% non-GAAP operating profit. Teradyne's total company and business unit non-GAAP model operating profit is 15%. 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 the industry's buying cycle. Non-GAAP income from operations excludes amortization from acquired intangible assets, pension actuarial gains and losses, and 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.

in Thousands	FY 2015 to FY 2017	% of Net Revenues
Net Revenues	\$ 5,529.5	
Income from operations - GAAP	\$ 713.0	12.9%
Goodwill impairment	254.9	4.6%
Acquired intangible assets impairment	83.3	1.5%
Acquired intangible assets amortization	152.1	2.8%
Restructuring and other	36.4	0.7%
Pension mark-to-market adjustment	8.2	0.1%
Inventory step-up	1.6	0.0%
Income from operations - non-GAAP	\$ 1,249.5	22.6%

<b>in Millions</b>	<b>FY 2015 to FY 2017</b>
GAAP Cash Flow from Operations, Excluding Disc Ops	\$ 1,494
Less Property, Plant and Equipment Additions	\$ (280)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$ 1,214
Average	\$ 405
FY 2017 Univerisal Robots PBIT	<b><u>FY 2017</u></b>
Universal Robots GAAP Operating Income as a % of Revenue	5%
Intangible Asset Amortization	13%
Restructuring and other	<u>1%</u>
FY 2017 Universal Robots Non-GAAP Operating Income as a % of Revenue	19%
FY 2016 Univerisal Robots PBIT	<b><u>FY 2016</u></b>
Universal Robots GAAP Operating Loss as a % of Revenue	-17%
Intangible Asset Amortization	25%
Restructuring and other	<u>1%</u>
FY 2016 Universal Robots Non-GAAP Operating Income as a % of Revenue	9%
FY 2020 Esimated Univerisal Robots PBIT	<b><u>FY 2016</u></b>
Universal Robots GAAP Operating Loss as a % of Revenue	19%
Intangible Asset Amortization	<u>1%</u>
FY 2020 Esimated Universal Robots Non-GAAP Operating Income as a % of F	20%
	<b><u>Q4 2017</u></b>
Q4 2017 Universal Robots GAAP Operating Expenses	\$22M
Intangible Asset Amortization and Restructuring & Other	<u>(\$6M)</u>
Q4 2017 Universal Robots Non-GAAP Operating Expenses	\$16M
	<b><u>Q4 2018</u></b>
Q4 2018 Estimated Universal Robots GAAP Operating Expenses	\$35M
Intangible Asset Amortization and Restructuring & Other	<u>(\$5M)</u>
Q4 2018 Estimated Universal Robots Non-GAAP Operating Expenses	\$30M
<b>GAAP to Non-GAAP Reconciliation</b>	<b><u>Mid Guidance Q1 2018</u></b>
GAAP income from operations as a % of revenue	18%
Exclude acquired intangible asset amortization	2%
Non-GAAP income from operations as a % of revenue	<u>20%</u>

## 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.



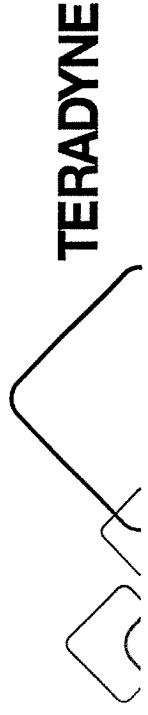
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# Appendix | GAAP to Non-GAAP Reconciliation

## GAAP to Non-GAAP Earnings Reconciliation (in millions, except per share amounts)

	Quarter Ended			
	December 31, 2017	October 1, 2017	December 31, 2016	% of Net Revenues
Net revenues	\$ 479.4	\$ 503.4	\$ 380.0	
Gross profit - GAAP	\$ 272.9	\$ 294.8	\$ 219.0	57.6%
Pension mark-to-market adjustment (1)	(2.1)	-	(0.8)	-0.2%
Gross profit - non-GAAP	\$ 270.8	\$ 294.8	\$ 218.2	57.4%
Income from operations - GAAP	\$ 98.0	\$ 128.7	\$ 59.2	15.6%
Acquired intangible assets amortization	7.4	7.0	7.9	2.1%
Restructuring and other (2)	9.0	(4.4)	5.6	1.5%
Pension mark-to-market adjustment (1)	(3.8)	-	(2.0)	-0.5%
Income from operations - non-GAAP	\$ 110.6	\$ 131.3	\$ 70.7	18.6%

	December 31, 2017		October 1, 2017		December 31, 2016	
	% of Net Revenues	Net (Loss) Income per Common Share	% of Net Revenues	Net (Loss) Income per Common Share	% of Net Revenues	Net Income per Common Share
Net (loss) income - GAAP	(105.9)	\$ (0.54)	103.4	\$ 0.52	66.3	\$ 0.33
Acquired intangible assets amortization	7.4	0.04	7.0	0.04	7.9	0.04
Interest and other (3)	3.2	0.02	3.1	0.02	0.6	0.00
Restructuring and other (2)	9.0	0.05	(4.4)	(0.02)	5.6	0.03
Pension mark-to-market adjustment (1)	(3.8)	(0.02)	-	-	(2.0)	(0.01)
Exclude discrete tax adjustments (4)	184.4	0.94	0.3	0.01	(16.2)	(0.06)
Non-GAAP tax adjustments (5)	(2.9)	(0.01)	(1.7)	(0.01)	2.4	0.01
Net income - non-GAAP	\$ 91.4	\$ 0.46	\$ 107.7	\$ 0.55	\$ 64.6	\$ 0.32
GAAP and non-GAAP weighted average common shares - basic	196.0		197.5		200.8	
GAAP weighted average common shares - diluted	196.0		200.8		202.9	
Include dilutive shares	3.0		-		-	
Exclude dilutive shares from convertible note	-		(1.1)		-	
Non-GAAP weighted average common shares - diluted	199.0		198.7		202.9	



# Appendix | GAAP to Non-GAAP Reconciliation

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

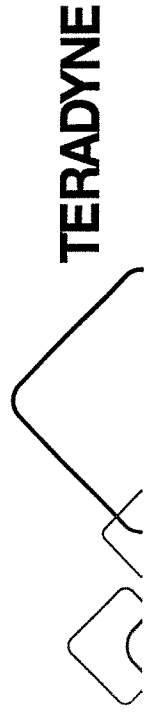
(2) Restructuring and other consists of:

	Quarter Ended		
	December 31, 2017	October 1, 2017	December 31, 2016
Contingent consideration fair value adjustment	\$ 6.0	\$ (0.3)	\$ 5.4
Employee severance	1.8	0.6	0.1
Impairment of fixed assets Facility related	1.1	-	-
Property insurance recovery	0.1	(0.4)	-
Expenses and impairment of fixed assets related to Japan earthquake	-	(5.1)	-
	\$ 9.0	\$ (4.4)	\$ 5.6

(3) For the quarters ended December 31, 2017, October 1, 2017 and December 31, 2016, interest and other included non-cash convertible debt interest expense.

(4) For the quarters ended December 31, 2017, October 1, 2017 and December 31, 2016, adjustment to exclude discrete income tax items. For the quarter December 31, 2017, adjustment to treat the \$184 million expense related to the estimated impact of U.S. tax policy changes as a discrete item. For the quarter ended December 31, 2016, adjustment to treat Wireless Test business segment goodwill and intangible assets impairments as discrete tax items.

(5) For periods after December 31, 2016, the non-GAAP annual effective tax rate is based on a with and without calculation with respect to non-GAAP reconciling items.



# Appendix | GAAP to Non-GAAP Reconciliation

	Twelve Months Ended			
	December 31, 2017	% of Net Revenues	December 31, 2016	% of Net Revenues
Net Revenues	\$ 2,136.6		\$ 1,753.3	
Gross profit - GAAP	\$ 1,223.9	57.3%	\$ 959.6	54.7%
Pension mark-to-market adjustment (1)	(2.8)	-0.1%	(1.0)	-0.1%
Gross profit - non-GAAP	\$ 1,221.1	57.2%	\$ 958.6	54.7%
Income (loss) from operations - GAAP	\$ 530.0	24.8%	\$ (60.0)	-3.4%
Acquired intangible assets amortization	30.5	1.4%	52.6	3.0%
Restructuring and other (2)	9.4	0.4%	21.9	1.2%
Pension mark-to-market adjustment (1)	(6.3)	-0.3%	(3.2)	-0.2%
Goodwill impairment (3)	-	-	254.9	14.5%
Acquired intangible assets impairment (3)	-	-	83.3	4.8%
Income from operations - non-GAAP	\$ 563.6	26.4%	\$ 349.5	19.9%
Net income (loss) - GAAP	\$ 257.7	12.1%	\$ (43.4)	-2.5%
Acquired intangible assets amortization	30.5	1.4%	52.6	3.0%
Interest and other (4)	12.4	0.6%	0.6	0.0%
Restructuring and other (2)	9.4	0.4%	21.9	1.2%
Pension mark-to-market adjustment (1)	(6.3)	-0.3%	(3.2)	-0.2%
Goodwill impairment (3)	-	-	254.9	14.5%
Acquired intangible assets impairment (3)	-	-	83.3	4.8%
Exclude discrete tax adjustments (5)	178.3	8.3%	(4.5)	-0.3%
Non-GAAP tax adjustments (6)	(12.8)	-0.6%	(53.3)	-3.0%
Net income - non-GAAP	\$ 469.2	22.0%	\$ 308.9	17.6%
GAAP and non-GAAP weighted average common shares - basic	198.1		202.6	
GAAP weighted average common shares - diluted	201.6		202.6	
Exclude dilutive shares from convertible note	(1.3)		-	
Include dilutive shares	-		1.8	
Non-GAAP weighted average common shares - diluted	200.3		204.4	

	Net Income per Common Share		Net (Loss) Income per Common Share	
	December 31, 2017	% of Net Revenues	December 31, 2016	% of Net Revenues
Basic	\$ 1.30	12.1%	\$ (0.21)	-2.5%
Diluted	\$ 1.28	12.1%	\$ (0.21)	-2.5%
Basic	\$ 0.15	1.4%	\$ 0.26	3.0%
Diluted	\$ 0.15	1.4%	\$ 0.26	3.0%
Basic	\$ 0.06	0.6%	\$ 0.00	0.0%
Diluted	\$ 0.06	0.6%	\$ 0.00	0.0%
Basic	\$ 0.05	0.4%	\$ 0.11	1.2%
Diluted	\$ 0.05	0.4%	\$ 0.11	1.2%
Basic	\$ (0.03)	-0.3%	\$ (0.02)	-0.2%
Diluted	\$ (0.03)	-0.3%	\$ (0.02)	-0.2%
Basic	\$ -	-	\$ 1.26	14.5%
Diluted	\$ -	-	\$ 1.25	14.5%
Basic	\$ 0.90	8.3%	\$ 0.41	4.8%
Diluted	\$ 0.89	8.3%	\$ 0.41	4.8%
Basic	\$ (0.06)	-0.6%	\$ (0.02)	-0.3%
Diluted	\$ (0.06)	-0.6%	\$ (0.02)	-0.3%
Basic	\$ 2.37	22.0%	\$ 1.52	17.6%
Diluted	\$ 2.34	22.0%	\$ 1.51	17.6%

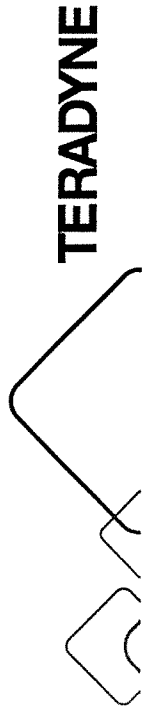


# Appendix | GAAP to Non-GAAP Reconciliation

- (1) Actuarial gains recognized under GAAP in accordance with Teradyne's mark-to-market pension accounting.  
 (2) Restructuring and other consists of:

	Twelve Months Ended	
	December 31, 2017	December 31, 2016
Contingent consideration fair value adjustment	\$ 7.8	\$ 15.9
Employee severance	3.8	6.0
Impairment of fixed assets Facility related	1.1	-
Expenses and impairment of fixed assets related to Japan earthquake	1.0	-
Property insurance recovery	0.8	5.4
	<u>\$ (5.1)</u>	<u>\$ (5.4)</u>
	9.4	21.9
	<u>\$</u>	<u>\$</u>

- (3) Goodwill and acquired intangible assets impairment related to Teradyne's Wireless Test business segment.  
 (4) For the twelve months ended December 31, 2017 and December 31, 2016, interest and other included non-cash convertible debt interest expense.  
 (5) For the twelve months ended December 31, 2017 and December 31, 2016, adjustment to exclude discrete income tax items. For the twelve months ended December 31, 2017, adjustment to treat the \$184 million expense related to the estimated impact of U.S. tax policy changes as a discrete item. For the twelve months ended December 31, 2016, adjustment to treat Wireless Test business segment goodwill and intangible assets impairments as discrete tax items.  
 (6) For periods after December 31, 2016, the non-GAAP annual effective tax rate is based on a with and without calculation with respect to non-GAAP reconciling items.





# Appendix | GAAP to Non-GAAP Reconciliation

Year Ended

	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%

	December 31, 2016	% of Net Revenues	Net (Loss) Income per Common Share		December 31, 2015	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			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	-	-	0.33	0.32
Acquired intangible assets amortization	52.6	3.0%	0.26	0.26	69.0	4.2%	0.02	0.02
Restructuring and other (3)	21.9	1.2%	0.11	0.11	5.1	0.3%	0.08	0.08
Pension mark-to-market adjustments (1)	(3.2)	-0.2%	(0.02)	(0.02)	17.7	1.1%	(0.03)	(0.03)
Interest and other (4)	0.6	0.0%	0.00	0.00	(5.4)	-0.3%	0.01	0.01
Inventory step-up	-	-	-	-	1.6	0.1%	(0.02)	(0.02)
Exclude discrete tax adjustments (5)	(4.5)	-0.3%	(0.02)	(0.02)	(4.9)	-0.3%	(0.09)	(0.09)
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

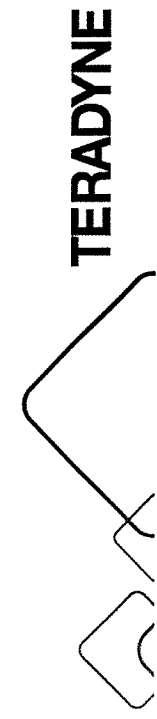
GAAP and non-GAAP weighted average common shares - basic

GAAP weighted average common shares - diluted

include dilutive shares

Non-GAAP weighted average common shares - diluted

2026	211.5
2026	213.3
1.8	-
204.4	213.3



# Appendix | GAAP to Non-GAAP Reconciliation

	Q4'16		Q3'17		Q4'17		2016		2017		Q1'18 Low Guidance	Q1'18 High Guidance
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	% of sales	% of sales
GAAP Operating Expenses	\$160	42%	\$166	33%	\$175	36%	\$1,020	58%	\$694	32%	37%	35%
Intangible Asset Amortization	-\$8	-2%	-\$7	-1%	-\$7	-2%	-\$53	-3%	-\$31	-1%	-2%	-1%
Restructuring and Other	-\$6	-1%	\$4	1%	-\$9	-2%	-\$22	-1%	-\$9	0%		
Pension MTM	\$1	0%	\$0	0%	\$2	0%	\$2	0%	\$4	0%		
Acquired Intangible Assets Impairment							-\$83	-5%		0%		
Goodwill Impairment							-\$255	-15%		0%		
Non GAAP Operating Expenses	\$148	39%	\$163	32%	\$160	33%	\$609	35%	\$658	31%	36%	34%

	Q4'16		Q3'17		Q4'17		2016		2017	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP SG&A Expense	\$76	20%	\$86	17%	\$88	18%	\$316	18%	\$348	16%
Pension MTM	\$1	0%	\$0	0%	\$0	0%	\$1	0%	\$1	0%
Non GAAP SG&A Expense	\$77	20%	\$86	17%	\$88	18%	\$317	18%	\$349	16%

	Q4'16		Q3'17		Q4'17		2016		2017	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP R&D Expense	\$70	18%	\$77	15%	\$71	15%	\$291	17%	\$306	14%
Pension MTM	\$1	0%	\$0	0%	\$2	0%	\$1	0%	\$2	0%
Non GAAP R&D Expense	\$71	19%	\$77	15%	\$72	15%	\$292	17%	\$308	14%

## 2016

	\$'s	%	\$'s	%
GAAP Income Tax	-\$12	19%	\$267	51%
Exclude discrete tax adjustments	\$5	-8%	-\$178	-34%
Tax effect of non-GAAP adjustments	\$53	-89%	\$13	2%
Effect of Higher Non-GAAP PBT		90%		-2%
Non GAAP Income Tax	\$46	13%	\$101	18%

## 2017

	\$'s	%	\$'s	%
GAAP Income Tax	-\$7	-13%	\$24	19%
Exclude discrete tax adjustments	\$16	28%	\$0	0%
Tax effect of non-GAAP adjustments	-\$2	-4%	\$2	1%
Effect of Higher Non-GAAP PBT		-2%		-1%
Non GAAP Income Tax	\$6	8.9%	\$25	19.1%

## Q1'18 Guidance

	\$'s	%	\$'s	%
GAAP Income Tax	\$204	208%	\$204	208%
Exclude discrete tax adjustments	-\$185	-188%	-\$185	-188%
Tax effect of non-GAAP adjustments	\$3	3%	\$3	3%
Effect of Higher Non-GAAP PBT		-3%		-3%
Non GAAP Income Tax	\$23	19.8%	\$23	19.8%



# Appendix | GAAP to Non-GAAP Reconciliation

	<u>2017</u>	<u>2016</u>	<u>2015</u>
GAAP Operating Expenses	694	1,020	673
Less Goodwill Impairment Charge	-	(255)	-
Less Intangible Asset Impairment	-	(83)	-
Less Intangible Asset Amortization	(31)	(53)	(69)
Less Restructuring and Other	(9)	(22)	(5)
Pension Mark to Market Adjustment	4	2	(10)
Less Equity Modification Charge	-	-	-
Non GAAP Operating Expenses	<u>658</u>	<u>609</u>	<u>589</u>
UR GAAP Operating Expenses	<u>93</u>	<u>84</u>	<u>28</u>
Less Intangible Asset Amortization	(24)	(25)	(14)
Less Restructuring and Other	(7)	(16)	-
UR non GAAP Operating Expenses	<u>62</u>	<u>43</u>	<u>14</u>
Test GAAP Operating Expenses (1)	<u>601</u>	<u>936</u>	<u>645</u>
Less Goodwill Impairment Charge	-	(255)	-
Less Intangible Asset Impairment	-	(83)	-
Less Intangible Asset Amortization	(7)	(28)	(55)
Less Restructuring and Other	(2)	(6)	(5)
Pension Mark to Market Adjustment	4	2	(10)
Less Equity Modification Charge	-	-	-
Test Non GAAP Operating Expenses (1)	<u>596</u>	<u>566</u>	<u>575</u>

(1) = Includes Variable Compensation of \$86M, \$53M and \$61M for 2017E, 2016 and 2015 respectively.



**TERADYNE**

# Appendix | GAAP to Non-GAAP Reconciliation

## GAAP to Non-GAAP Reconciliation of First Quarter 2018 guidance:

GAAP and non-GAAP first quarter revenue guidance:			
GAAP net income per diluted share	\$	0.32	\$ 0.39
Exclude acquired intangible assets amortization		0.04	0.04
Exclude non-cash convertible debt interest		0.02	0.02
Exclude restructuring and other charges		0.02	0.02
Non-GAAP tax adjustment		(0.01)	(0.01)
Non-GAAP net income per diluted share	\$	0.38	\$ 0.45

## First Quarter Guidance:

GAAP Operating Profit as % of Sales	<u>Low End</u>	<u>High End</u>
Acquired intangible asset amortization & Other	17%	19%
Non-GAAP Operating Profit as % of Sales	2%	2%
	19%	21%

## Q4'17:

GAAP net interest and other income	\$0.0		
Exclude non cash convertible debt interest	<u>\$3.2</u>		<u>196</u>
Non-GAAP net interest and other income	\$3.2		3
			199

## Q1'18 Guidance

GAAP net interest and other income	-\$1.7		<u>204.5</u>
Exclude non cash convertible debt interest	<u>\$3.2</u>		<u>-4.5</u>
Non-GAAP net interest and other income	\$1.5		200

## Q4'17 GAAP Diluted Shares

Include dilutive shares from convertible note  
Q4'17 Non-GAAP Diluted Shares

## Q1'18 GAAP Diluted Shares

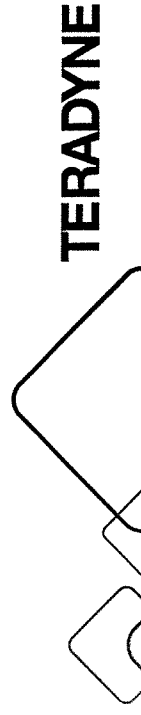
Exclude dilutive shares from convertible note  
Q1'18 Non-GAAP Diluted Shares



# 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>Q4'16</u>	<u>Q3'17</u>	<u>Q4'17</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
GAAP Cash Flow From Operations, Excl Disc Ops	\$37	\$310	\$147	\$413	\$455	\$626
Less Property, Plant and Equipment Additions	-\$19	-\$27	-\$32	-\$90	-\$85	-\$105
Non-GAAP Operating Cash Flow (“Free Cash Flow”)	\$18	\$283	\$115	\$323	\$370	\$521



# Appendix | GAAP to Non-GAAP Reconciliation

## 2020 EPS Reconciliation

Net (loss) income - GAAP  
 Acquired intangible asset amortization  
 Non Cash Convertible Debt Interest  
 Net income - non-GAAP

	Net Income per Common Share Diluted
\$	1.86
	0.06
	0.08
\$	2.00

## 2021 EPS Reconciliation

Net (loss) income - GAAP  
 Acquired intangible asset amortization  
 Non Cash Convertible Debt Interest  
 Net income - non-GAAP

	Net Income per Common Share Diluted	Net Income per Common Share Diluted
\$	3.35	\$ 3.85
	0.06	0.06
	0.09	0.09
\$	3.50	\$ 4.00

