

GAAP to Non-GAAP Earnings Reconciliation

References by the Company to non-GAAP (loss)/income and non-GAAP (loss)/income per share refer to net (loss)/income and net (loss)/income per common share excluding goodwill impairment, in-process research and development, restructuring and other, net, certain inventory provision reversals, fair value inventory step-up related to Nextest and Eagle Test, losses on marketable securities and acquired intangible asset amortization, as well as applicable adjustments to profit sharing and income taxes due to these exclusions. GAAP requires that these items be included in determining net (loss)/income. Non-GAAP (loss)/income (which is the basis for non-GAAP (loss)/income per share) gives an indication of Teradyne's baseline performance before gains, losses or other charges that may not be indicative of our current core business or future outlook.

The Company believes these non-GAAP measures will aid investors' overall understanding of the Company's results by providing a higher degree of transparency for certain expenses and providing a level of disclosure that will help investors understand how the Company plans and measures its own business. However, the presentation of non-GAAP measures is not meant to be considered in isolation or as a substitute for, or superior to, financial information provided in accordance with GAAP.

(In millions, except per share amounts)

	Quarter Ended:								
	April 5, 2009		December 31, 2008		March 30, 2008				
Net Revenues	\$	120.6	\$	194.8	\$	297.3			
Gross Margin - GAAP	\$	33.4	27.7%	\$	77.9	40.0%	\$	138.5	46.6%
Inventory step-up reversal ⁽¹⁾		1.2		0.7		4.3			
Inventory provision reversal ⁽²⁾		-		(1.0)		(0.9)			
Gross Margin - non-GAAP	\$	34.6	28.7%	\$	77.6	39.8%	\$	141.9	47.7%
(Loss)/Income from Operations - GAAP	\$	(93.4)	-77.4%	\$	(383.2)	-196.7%	\$	1.4	0.5%
Restructuring and other, net ⁽³⁾		16.0		9.7		11.8			
Acquired intangible asset amortization		8.2		7.0		3.9			
Inventory step-up reversal ⁽¹⁾		1.2		0.7		4.3			
Goodwill impairment		-		333.3		-			
In-process research and development		-		0.5		1.1			
Inventory provision reversal ⁽²⁾		-		(1.0)		(0.9)			
Profit sharing adjustment ⁽⁶⁾		-		-		(0.8)			
(Loss)/Income from Operations - non-GAAP	\$	(68.0)	-56.4%	\$	(33.0)	-16.9%	\$	20.8	7.0%
Net (Loss)/Income - GAAP	\$	(90.7)	-75.2%	\$	(388.6)	-199.5%	\$	2.4	0.8%
Restructuring and other, net ⁽³⁾		16.0		9.7		11.8			
Acquired intangible asset amortization		8.2		7.0		3.9			
Interest and other ⁽⁴⁾		2.6		5.9		-			
Inventory step-up reversal ⁽¹⁾		1.2		0.7		4.3			
Income tax adjustment ⁽⁵⁾		(2.9)		-		-			
Goodwill impairment		-		333.3		-			
In-process research and development		-		0.5		1.1			
Inventory provision reversal ⁽²⁾		-		(1.0)		(0.9)			
Profit sharing adjustment ⁽⁶⁾		-		-		(0.8)			
Net (Loss)/Income - non-GAAP	\$	(65.6)	-54.4%	\$	(32.5)	-16.7%	\$	21.8	7.3%
GAAP Net (Loss)/Income per Common Share - Basic		(0.53)		(2.30)		0.01			
Non-GAAP Net (Loss)/Income per Common Share - Basic		(0.38)		(0.19)		0.13			
GAAP and Non-GAAP Weighted Average Common Shares - Basic		172.1		169.2		173.8			
GAAP Net (Loss)/Income per Common Share - Diluted		(0.53)		(2.30)		0.01			
Non-GAAP Net (Loss)/Income per Common Share - Diluted		(0.38)		(0.19)		0.12			
GAAP and Non-GAAP Weighted Average Common Shares - Diluted		172.1		169.2		175.7			

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

	April 5, 2009	December 31, 2008	March 30, 2008
Employee Severance	\$ 16.7	\$ 8.9	\$ 7.1
Eagle Test Purchase Accounting Adjustment	(0.7)	-	-
Acquisition Financing Costs	-	0.8	-
Facility Related	-	-	4.7
	<u>\$ 16.0</u>	<u>\$ 9.7</u>	<u>\$ 11.8</u>

(4) For the quarter ended April 5, 2009, Interest and Other included other-than-temporary impairment and realized losses on marketable securities. For the quarter ended December 31, 2008, Interest and Other included other-than-temporary impairment and realized losses on marketable securities and reversal of the charge for acquisition financing costs.

(5) Income tax adjustment for foreign exchange item.

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

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Certain Non-GAAP financial measures discussed during the First Quarter of 2009 Earnings Conference Call April 2009

On the Company's earnings conference call on April 30, 2009, the following Non-GAAP financial measures were discussed or presented:

- Q1 2009 non-GAAP cash flow
- Q2 2009 non-GAAP loss per share guidance of \$0.26 to \$0.23
- Q2 2009 non-GAAP operating loss guidance of between 38% and 30%
- Non-GAAP Quarterly Operating Profit Breakeven targets of \$250 million (prior model), \$200 million (new model) and \$185 million (2009 target)
- Non-GAAP Quarterly EBITDA Breakeven targets of \$215 million (prior model), \$160 million (new model) and \$145 million (2009 target)
- Non-GAAP model revenue 15% profit of \$345 million (prior model), \$275 million (new model) and \$255 million (2009 target)

Teradyne determines non-GAAP operating cash flow by adjusting GAAP cash flow used in operations to include net to property, plant and equipment additions.

Teradyne's cash flow used in operations for the first quarter of 2009 on a GAAP and non-GAAP basis was as follows:

	<u>Q1'09</u>
(in millions)	
GAAP cash flow used in operations	(\$65.7)
Net property, plant and equipment additions	<u>(6.1)</u>
Non-GAAP cash flow used in operations	<u>(\$71.8)</u>

Teradyne's loss per diluted share guidance for Q2 2009 of between \$0.26 and \$0.23 and Teradyne's operating loss guidance for Q2 2009 of between 38% and 30% are provided on a non-GAAP basis. On a GAAP basis, Teradyne's loss per diluted share guidance for Q2 2009 is between \$0.44 and \$0.40 and Teradyne's operating loss guidance for Q2 2009 is between 57% and 48%.

Teradyne's non-GAAP Quarterly Operating Profit Breakeven targets under its prior model, new model and 2009 target are \$250 million, \$200 million and, \$185 million, respectively. Teradyne's non-GAAP Quarterly EBITDA Breakeven targets under its prior model, new model and 2009 target are \$215 million, \$160 million and \$145 million, respectively. These Quarterly Breakeven targets are provided only on a non-GAAP basis due to the difficulty in forecasting and quantifying amounts that may be required to be included in a comparable GAAP measure, if any.

Teradyne's non-GAAP model revenue 15% profit under its prior model, new model and 2009 target are \$345 million, \$275 million and \$255 million, respectively. 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 revenue and costs of sales, operating expenditures, such as hard disk drive sales and related cost of sales, operating expenditures. These model revenue 15% profit 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, that 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 15% profit and the Quarterly Breakeven number, if any, under GAAP) are not currently available and a GAAP to Non-GAAP reconciliation has therefore not been presented.

By disclosing this Non-GAAP information, Teradyne intends to provide investors with a higher degree of transparency for certain expenses and charges as well as provide them with additional information to aid them in further analyzing the Company's performance, ongoing results and underlying trends. Management believes the Non-GAAP measures help indicate Teradyne's baseline performance before gains, losses or other charges that may not be indicative of Teradyne's current core business or future outlook. Management utilizes Non-GAAP measures to plan and forecast future periods and to establish operational goals. Non-GAAP information should not be considered in isolation or viewed as a substitute for, or superior to, financial information prepared in accordance with GAAP.