



Because Technology Never Stops

TERADYNE FINANCIAL RESULTS FOR Q3-2014

October 23, 2014

SAFE HARBOR

This presentation contains forward-looking statements regarding future business prospects, Teradyne's results of operations, market conditions and the payment of a quarterly dividend. Such statements are based on the current assumptions and expectations of Teradyne's management and are neither promises nor guarantees of future performance or future payment of dividends. You can identify these forward-looking statements based on the context of the statements and by the fact that they use words such as "will," "anticipate," "expect," "project," "intend," "plan," "believe," "target" and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. There can be no assurance that management's estimates of Teradyne's future results or other forward looking statements will be achieved or that dividends will be declared in the future. Important factors that could cause actual results or dividend payments to differ materially from those presently expected include: conditions affecting the markets in which Teradyne operates; decreased or delayed product demand; 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 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, 2013, and the Quarterly Report on Form 10-Q for the fiscal quarter ended June 29, 2014. 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 MID-TERM OUTLOOK

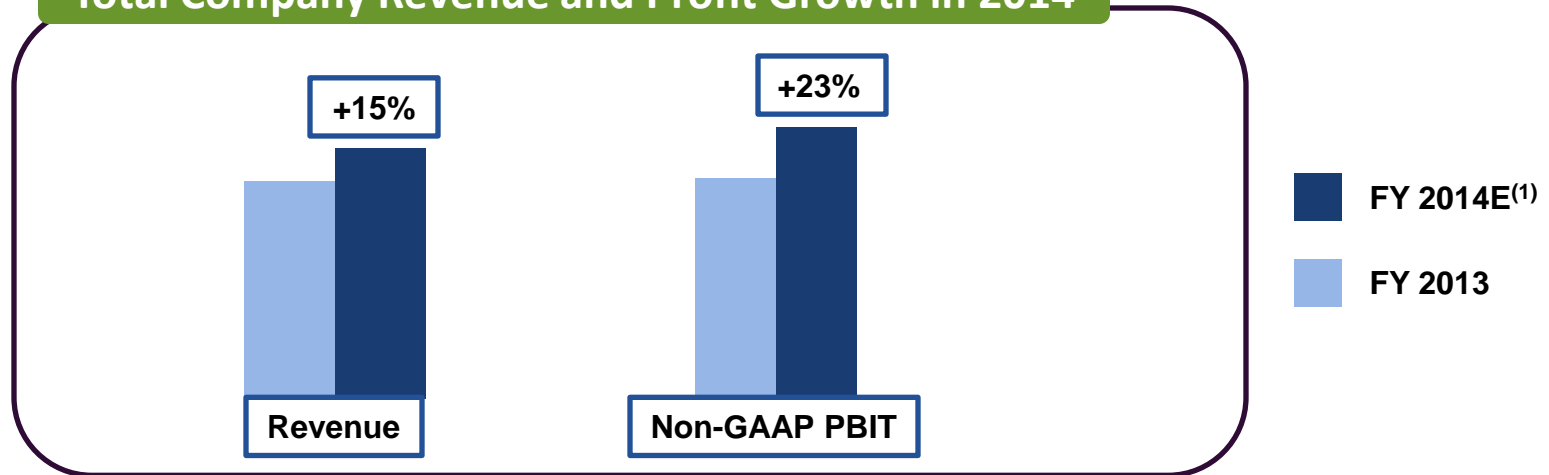


Mark Jagiela, Teradyne President and CEO

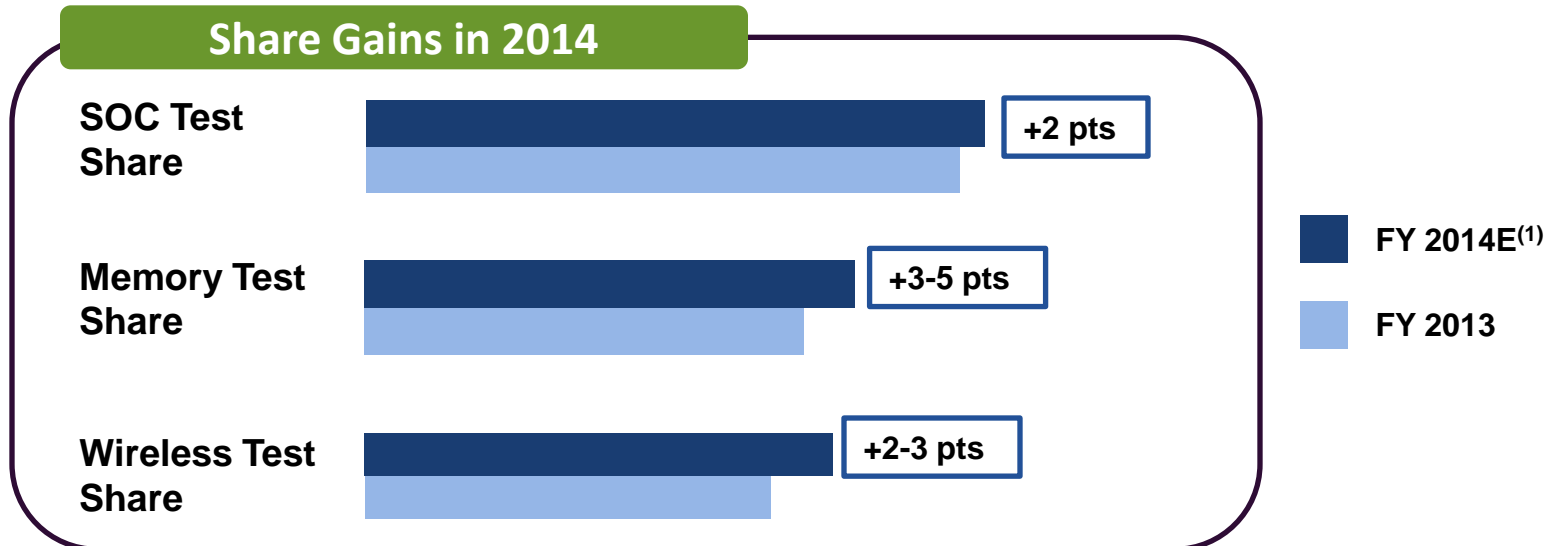


STRENGTH IN 2014 ACROSS ALL BUSINESS UNITS

Total Company Revenue and Profit Growth in 2014



Share Gains in 2014



MID-TERM EPS GROWTH DRIVERS

- Core Market Earnings Growth
 - Expect ~1 pt of annual share gain and 3-5% average annual SOC market growth over the mid-term
 - Expect ~3-5 pts of Memory Test share gains to continue in a flat market
 - Expect Wireless Test share gains and market growth
- Accretive M&A
 - Active pipeline of opportunities
 - Adjacent market focus
 - Leverage Teradyne IP, distribution, and global footprint
- Continue to return capital to shareholders

THIRD QUARTER FINANCIAL RESULTS AND FOURTH QUARTER GUIDANCE



Greg Beecher, Teradyne Vice President and Chief Financial Officer



ANNUAL FINANCIAL UPDATE

	2013	2014E ⁽¹⁾	Comments
Revenue	\$1,428M	\$1,643M	<ul style="list-style-type: none"> •SOC market grew from \$1.9B to ~\$2.3B •Share gains in SOC & Memory
Gross Margin ⁽²⁾	56%	54%	<ul style="list-style-type: none"> •2014 product mix shift towards mobile processors increased profit dollars at lower GM%
PBIT ⁽²⁾	\$255M 18%	\$313M 19%	<ul style="list-style-type: none"> •5th Consecutive year above 15% PBIT model
EPS ⁽²⁾	\$1.06	\$1.20	<ul style="list-style-type: none"> •Non-GAAP tax rate increased from 13% in 2013 to 18% in 2014
Cash and Marketable Securities	\$1,200M	\$1,230M	<ul style="list-style-type: none"> •\$190 million convertible debt settled in 2014 •\$38 million expected cumulative dividend payments in 2014 •\$30 million pension funding
Capital Additions	\$107M	\$170M	<ul style="list-style-type: none"> •2014 includes leases, not expected to repeat in 2015
Depreciation	\$57M	\$72M	<ul style="list-style-type: none"> •Reflects increase in leased systems
Free Cash Flow ⁽³⁾	\$161M	\$235M	<ul style="list-style-type: none"> •11% of sales in 2013 •14% of sales in 2014

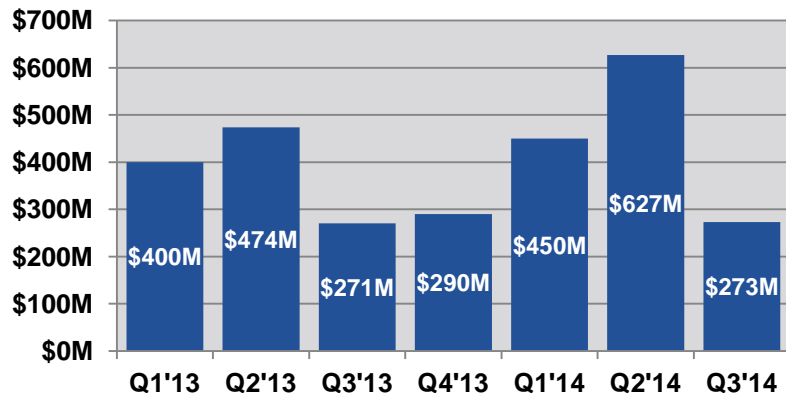
1) 2014 estimates represent mid-point of Q4 guidance

2) Non-GAAP results and forecast; see appendix for GAAP to Non-GAAP reconciliations

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

Q3'14 FINANCIAL HIGHLIGHTS

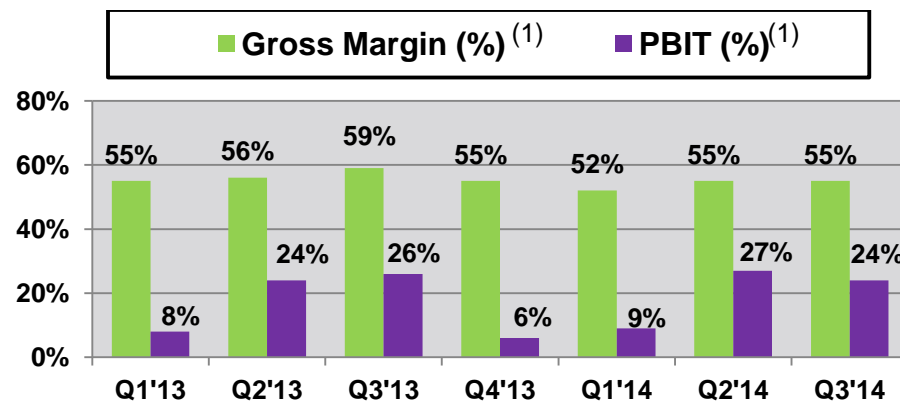
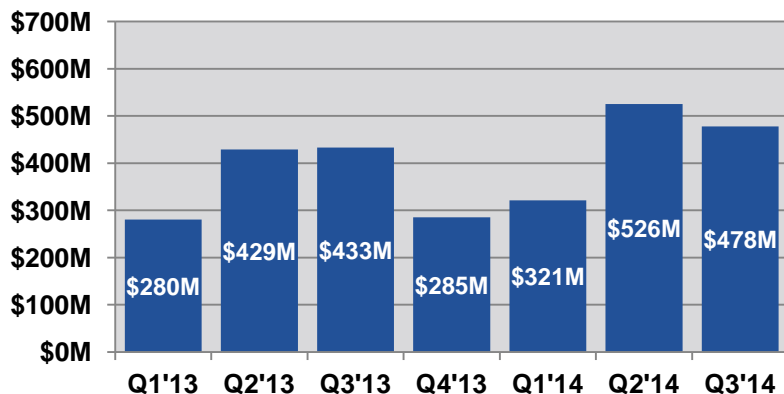
Total Company Orders



Q3 Highlights

- Orders up 1% YoY and seasonally down 56% Q/Q
- Sales up 10% YoY and seasonally down 9% Q/Q
- Non-GAAP EPS of \$0.44, exceeded high end of guidance
- Backlog of \$387M, with 79% shippable within 6 months
- YTD dividends: \$24M, Q3 average yield of 1.2%⁽²⁾

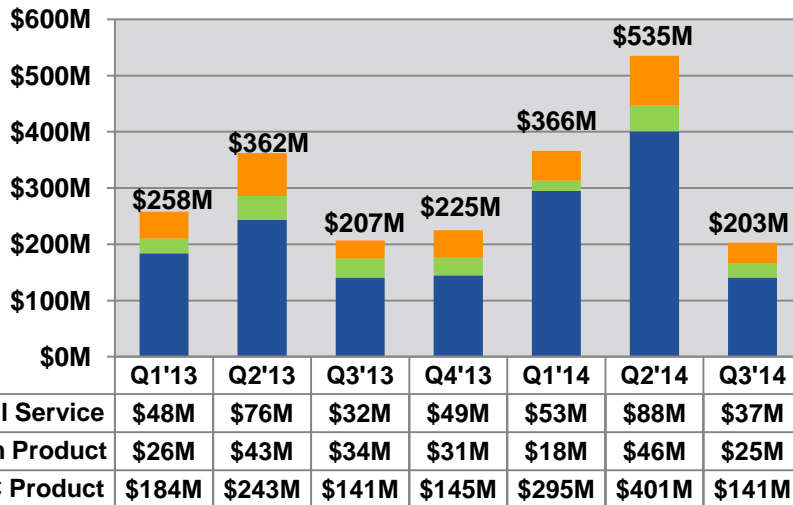
Total Company Sales



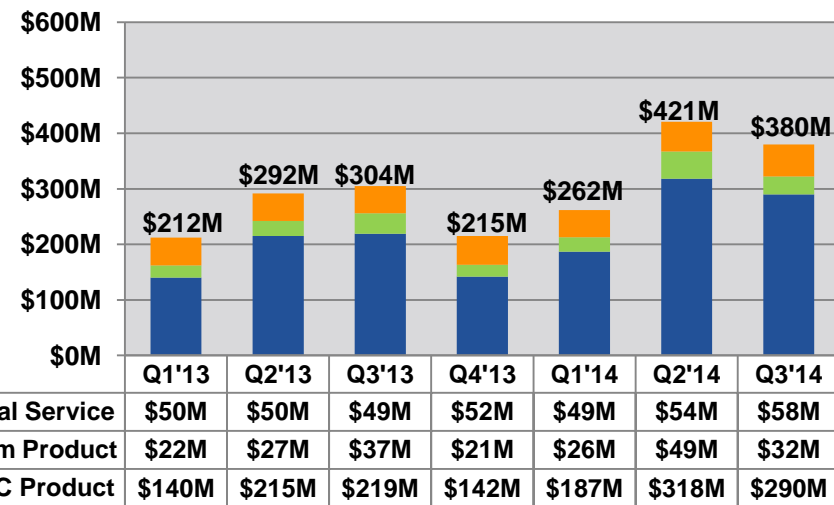
Non-GAAP EPS	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14
Non-GAAP EPS	\$0.09	\$0.43	\$0.46	\$0.07	\$0.11	\$0.54	\$0.44

TERADYNE SEMI-TEST HIGHLIGHTS

Semi Orders



Semi Sales

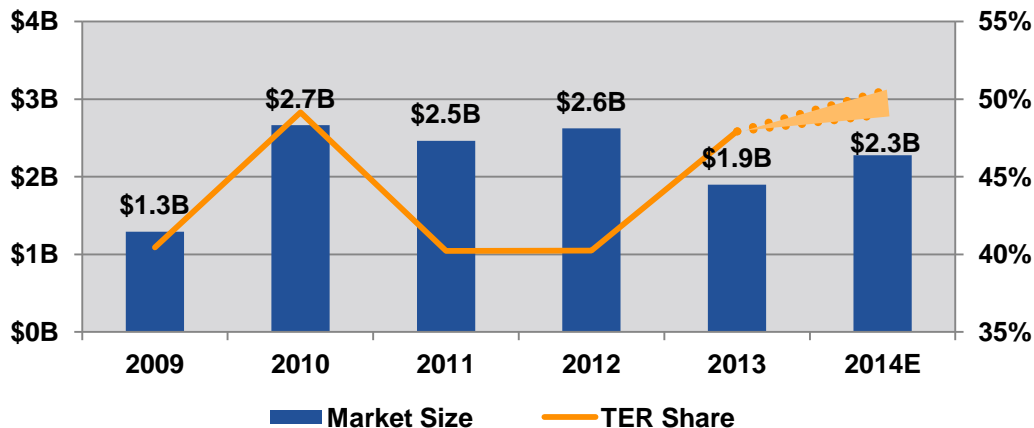


Q3 Highlights

- Sales through first 9 months 32% higher than first 9 months of 2013
- Q3 orders declined 62% sequentially, in-line with seasonal pattern
- Expect full year share gains in both SOC and Memory
- Highest Analog Test revenue since Q2'12
- Six competitive SOC design wins

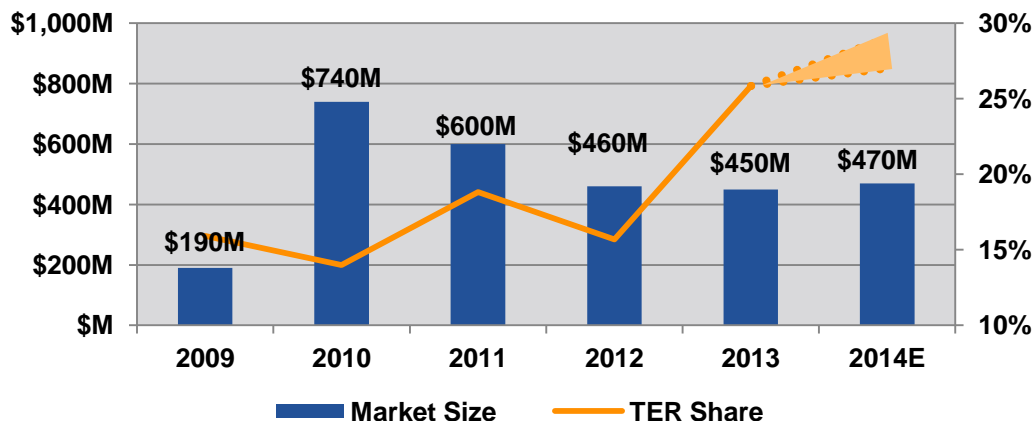
SEMI-TEST MARKET SIZE AND TERADYNE SHARE

SOC



• Expect ~1 pt of share gain per year and 3-5% average annual SOC market growth over the mid-term

Memory



• Expect ~3-5 pts of share gain per year and flat market

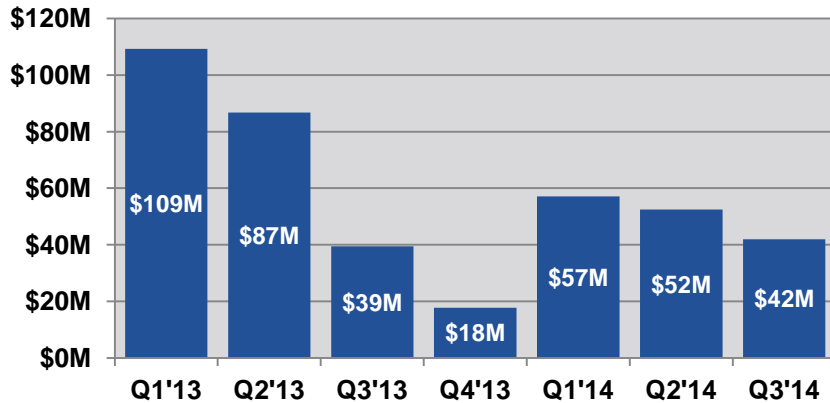
Source: WWSEMS, August 2014 (Worldwide Semiconductor Equipment Market Statistics) – Product only; augmented to include service; VLSI Research Inc. 2014E figure stems from internal and multiple third party forecasts augmented internally for service where applicable

WIRELESS TEST HIGHLIGHTS

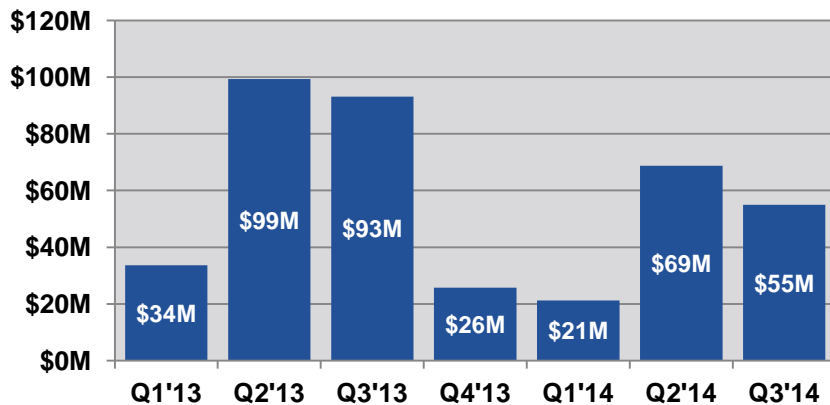
Q3 Highlights

- Expect full year share gains in smaller market
- 2014 Cellular design wins continue; 8 of top 10 smart phone makers are LitePoint customers
- New NFC test product growing share

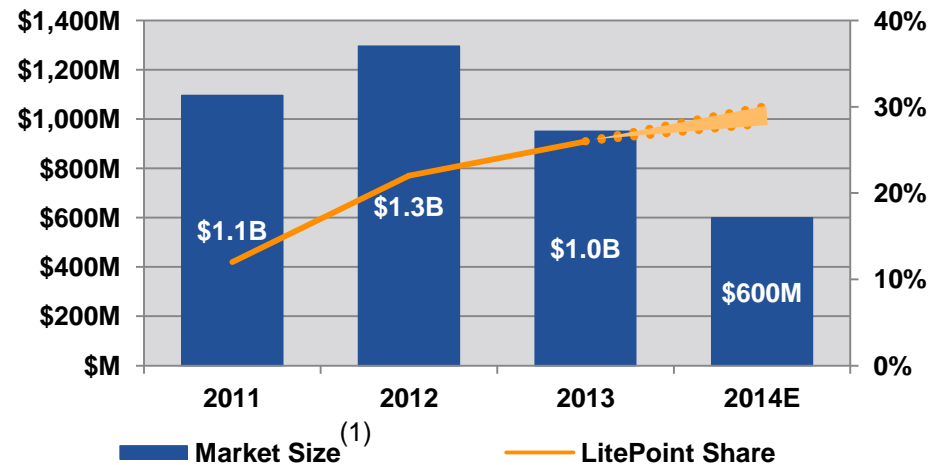
LitePoint Orders



LitePoint Sales

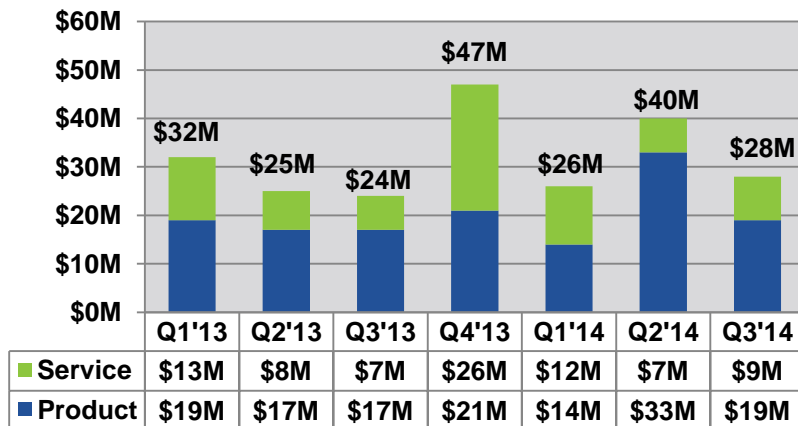


Wireless Market

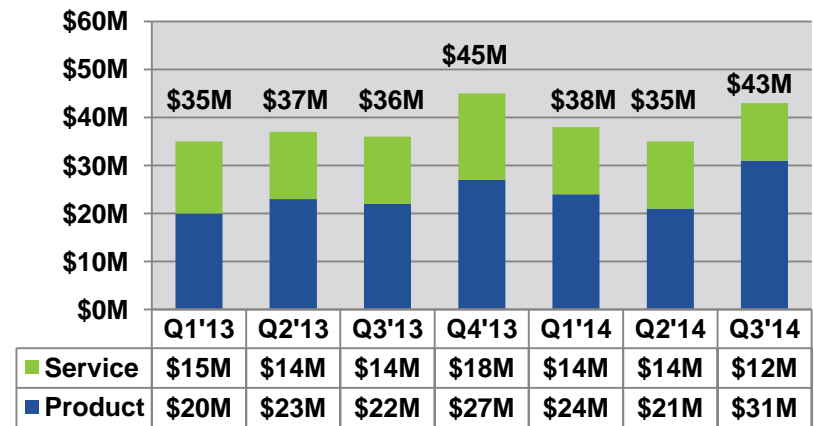


SYSTEM TEST HIGHLIGHTS

System Test Orders



System Test Sales



Q3 Highlights

- Sales through first 9 months 8% higher than first 9 months of 2013
- Highest Production Board Test revenue since Q1'12
- New TestStation Multi-Site products added two new design wins
- Storage Test outlook improving on forecasted SSD and HDD test demand
- Defense and Aerospace design win for next generation U.S. Army test system

Q4'14 NON-GAAP GUIDANCE

\$s in millions, except EPS		Q3'14 Actual ¹	Q4'14 Guidance ¹
Sales		\$478M	\$305M - \$330M
Gross Margin	55%	\$261M	53% - 53%
R&D	15%	\$72M	23% - 21%
SG&A	<u>15%</u>	<u>\$73M</u>	<u>23% - 22%</u>
OPEX	30%	\$145M	46% - 43%
Operating Profit	24%	\$116M	7% - 11%
Net Interest & Other Income		\$2M	\$1M
EPS		\$0.44	\$0.08 - \$0.14
Diluted Shares		218M	218M
Free Cash Flow ²		\$78M	\$65M

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

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

STRONG OPERATING MODEL HAS DELIVERED 5 YEARS OF ABOVE-MODEL PBIT %

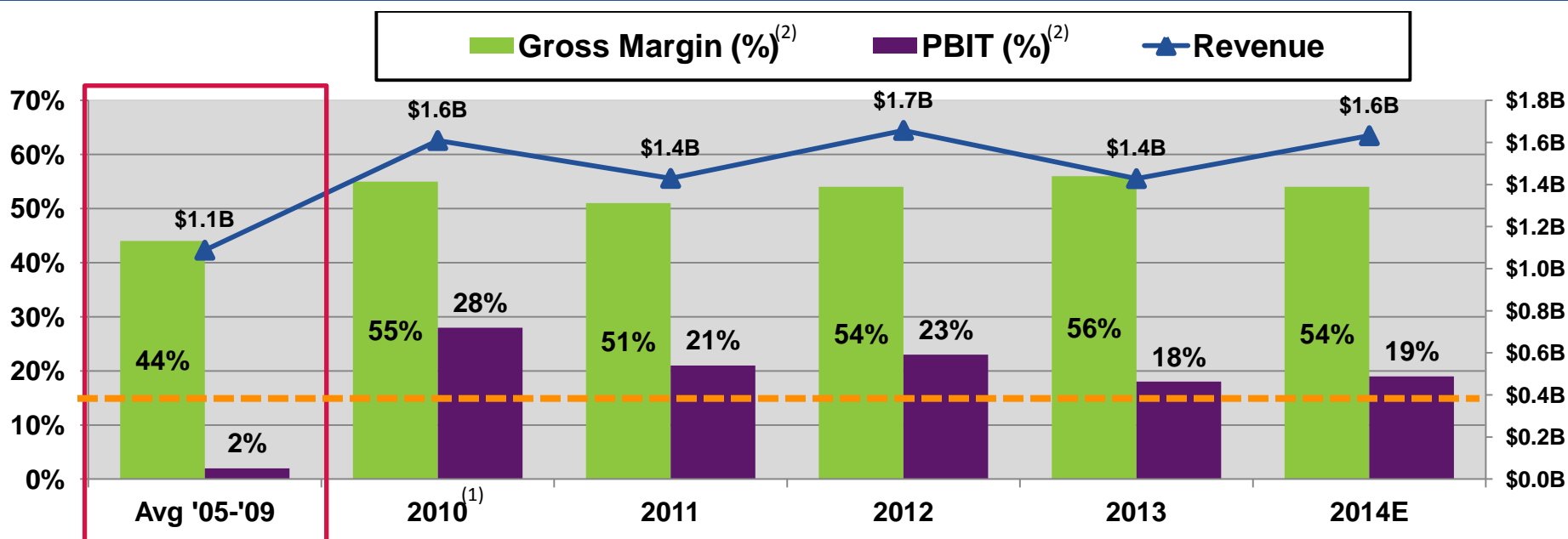
2014 & 2015 Quarterly Model

Revenue	\$375M
Gross Margin	52%
OPEX	<u>37%</u>
Operating PBIT	15%

Tax Rates:

2014E: 18%
2015E: 25%⁽³⁾

~50% PBIT Drop Through



1) 2010 restated to exclude DS, which was divested in 2011

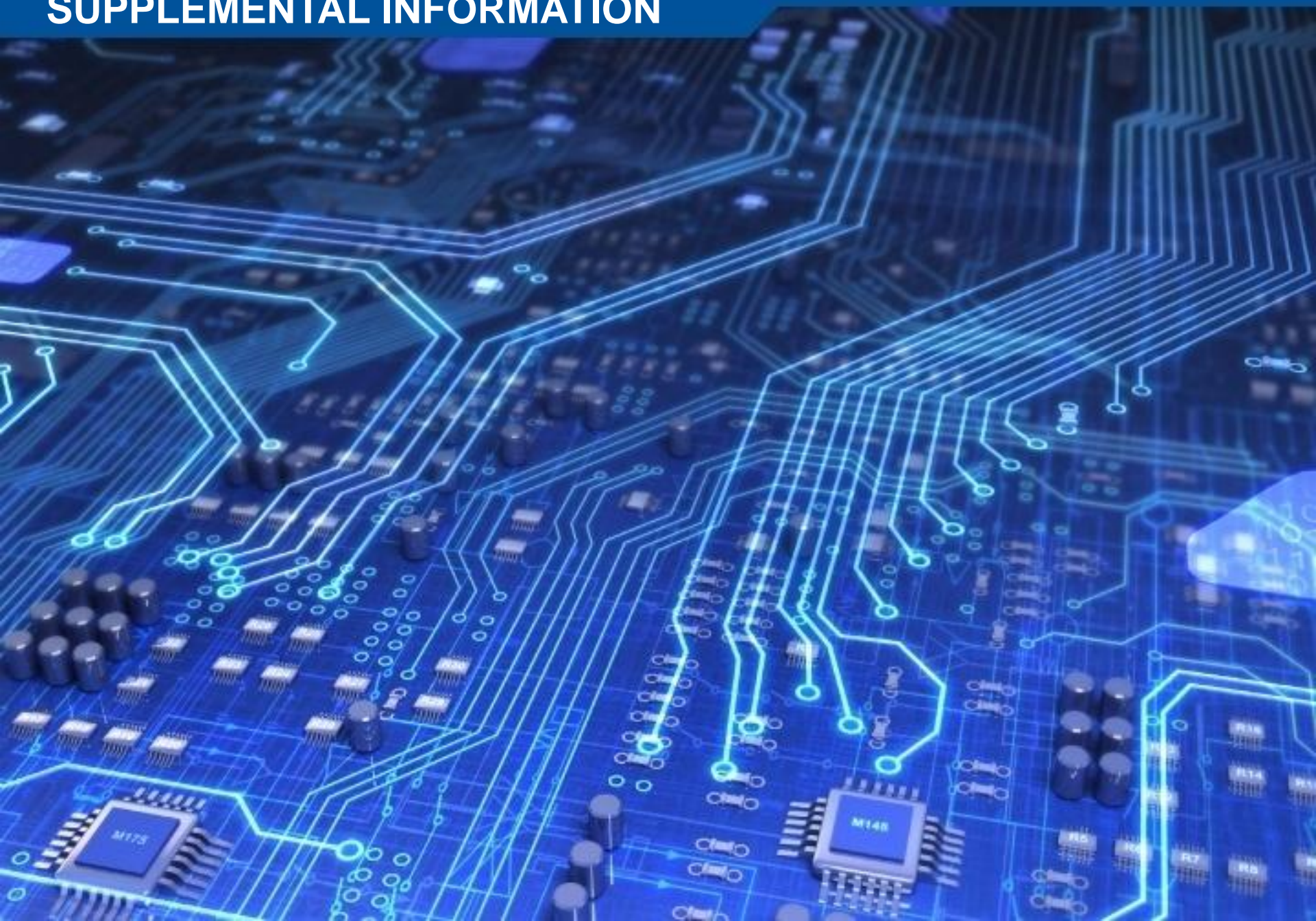
2) Non-GAAP: See appendix for GAAP to Non-GAAP reconciliations

3) Assumes enactment of R&D tax credit

Q3'14 SUMMARY

- Revenue of \$478 million, up 10% over Q3 2013
- Expect 15% full year revenue growth at mid-point of Q4 guidance
- Semi-Test share gains driven by strong mobility demand
- Expect Q4 revenue of \$305 to \$330 million, above historical Q4 levels
- Expect SOC test market to grow in the mid-term as the impact of parallel test diminishes
- Expect balance of accretive M&A and capital returns going forward

SUPPLEMENTAL INFORMATION



Q3'14 NON-GAAP RESULTS

\$s in millions, except EPS	Q3'13 Actual ²		Q2'14 Actual ²		Q3'14 Actual ²	
Sales		\$433M		\$526M		\$478M
Gross Margin	58.7%	\$254M	55.3%	\$290M	54.6%	\$261M
R&D	15.9%	\$69M	14.0%	\$73M	15.0%	\$72M
SG&A	<u>16.8%</u>	<u>\$73M</u>	<u>14.7%</u>	<u>\$78M</u>	<u>15.3%</u>	<u>\$73M</u>
OPEX	32.7%	\$142M	28.7%	\$151M	30.3%	\$145M
Operating Profit	26.0%	\$113M	26.6%	\$140M	24.3%	\$116M
Income Taxes (& effective tax rate)	14.1%	\$16M	17.0%	\$24M	19.2%	\$23M
EPS ¹		\$0.46		\$0.54		\$0.44
Diluted Shares ¹		213M		217M		218M
Net Bookings		\$271M		\$627M		\$273M

1) Q3'13 diluted shares include 18.7M in additional shares from convertible debt.

2) See attached appendix for GAAP to non-GAAP reconciliations.

CASH & BALANCE SHEET

	Q3'13 Actual	Q2'14 Actual	Q3'14 Actual
Cash and Marketable Securities	<u>\$1,159M</u>	<u>\$1,107M</u>	<u>\$1,181M</u>
•U.S.	\$ 799M	\$ 677M	\$721M
•Off-Shore	\$ 360M	\$ 430M	\$460M
Inventory	\$123M	\$127M	\$108M
DSO	44 days	52 days	61 days
Capital Additions	\$32M	\$60M	\$55M
Depreciation/Amortization ¹	\$46M	\$46M	\$47M
Free Cash Flow ²	\$122M	\$149M	\$78M

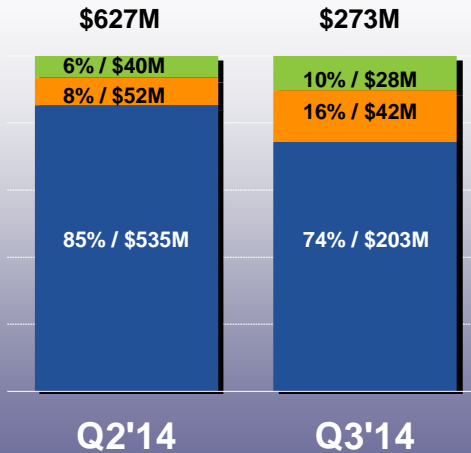
1) Depreciation and Amortization includes stock compensation.

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

SALES & BOOKINGS DETAIL

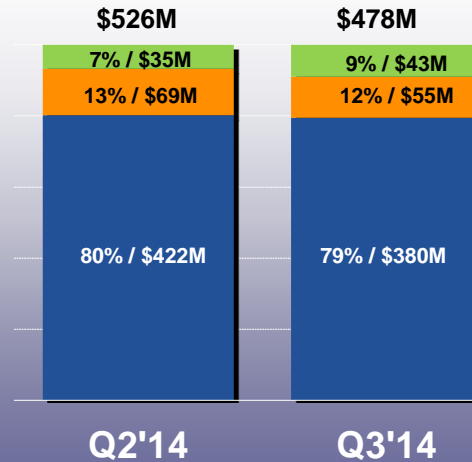
Bookings

■ Semiconductor Test ■ Wireless Test ■ System Test



Sales

■ Semiconductor Test ■ Wireless Test ■ System Test



Book to Bill

	Q2'14	Q3'14
Semiconductor Test	1.3	0.5
Wireless Test	0.8	0.8
System Test	1.1	0.6
Total	1.2	0.6

Product vs. Service

<u>Sales</u>	<u>Q2'14</u>	<u>Q3'14</u>
Product	\$452M (86%)	\$403M (84%)
Service	\$73M (14%)	\$75M (16%)
Total	\$526M	\$478M

<u>Bookings</u>	<u>Q2'14</u>	<u>Q3'14</u>
Product	\$533M (85%)	\$227M (83%)
Service	\$94M (15%)	\$46M (17%)
Total	\$627M	\$273M

Bookings/Region

	Q2'14	Q3'14
Asia	83%	66%
US	9%	19%
Europe	4%	10%
Japan	3%	3%
Rest of World	1%	2%
Total	100%	100%

Sales/Region

	Q2'14	Q3'14
Asia	81%	70%
US	11%	18%
Europe	5%	7%
Japan	2%	4%
Rest of World	1%	1%
Total	100%	100%

Backlog ending Q3'14: \$387M

Shippable within 6 months: ~79%

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 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

(1) Restructuring and other consists of:

	Quarter Ended		
	September 28, 2014	June 29, 2014	September 29, 2013
Employee severance	\$ 0.2	\$ 0.6	\$ 1.3
Contingent consideration fair value adjustment	(0.6)	-	-
Facility related	-	-	(0.4)
	<u>\$ (0.4)</u>	<u>\$ 0.6</u>	<u>\$ 0.9</u>

(2) For the quarters ended September 28, 2014 and June 29, 2014, adjustment to exclude discrete income tax items.

(3) For the quarter ended September 29, 2013, Interest and other included non-cash convertible debt interest expense.

(4) For the quarter ended September 29, 2013, adjustment to record income taxes on a cash basis. Cash taxes reflects the usage of prior year favorable tax attributes (e.g. NOLs and credits) against current year tax liability

(5) For the quarter ended September 29, 2013, the calculation of non-GAAP diluted earnings per share gives benefit to the Company's call option on its stock for 34.7 million shares at \$5.48. As a result, 18.7 million shares have been excluded from non-GAAP diluted shares. For the quarter ended September 29, 2013, net interest expense of \$2.3 million has been added back to non-GAAP net income for the non-GAAP diluted earnings per share calculation.

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	March 30, 2014		Quarter Ended December 31, 2013		March 31, 2013	
	\$	% of Net Revenues	\$	% of Net Revenues	\$	% of Net Revenues
Net revenues	\$ 321.0		\$ 285.3		\$ 280.4	
Gross profit - GAAP	\$ 167.0	52.0%	\$ 159.9	56.0%	\$ 153.4	54.7%
Pension mark-to-market adjustments ⁽¹⁾	-	-	(2.7)	-0.9%	-	-
Gross profit - non-GAAP	\$ 167.0	52.0%	\$ 157.2	55.1%	\$ 153.4	54.7%
Income from operations - GAAP	\$ 3.7	1.2%	\$ 6.8	2.4%	\$ 4.4	1.6%
Acquired intangible asset amortization	18.3	5.7%	18.3	6.4%	18.0	6.4%
Equity modification charge ⁽²⁾	6.6	2.1%	-	-	-	-
Restructuring and other ⁽³⁾	-	-	0.6	0.2%	0.3	0.1%
Pension mark-to-market adjustments ⁽¹⁾	-	-	(9.1)	-3.2%	-	-
Income from operations - non-GAAP	\$ 28.6	8.9%	\$ 16.6	5.8%	\$ 22.7	8.1%

	March 30, 2014		Quarter Ended December 31, 2013		March 31, 2013	
	\$	% of Net Revenues	\$	% of Net Revenues	\$	% of Net Revenues
Net income - GAAP	\$ 0.9	0.3%	\$ 22.3	7.8%	\$ 6.6	2.4%
Acquired intangible asset amortization	18.3	5.7%	18.3	6.4%	18.0	6.4%
Income tax adjustment ⁽⁴⁾	-	-	11.1	3.9%	(10.5)	-3.7%
Interest and other ⁽⁵⁾	4.3	1.3%	(30.0)	-10.5%	3.8	1.4%
Equity modification charge ⁽²⁾	6.6	2.1%	-	-	-	-
Exclude discrete tax adjustments ⁽⁶⁾	(2.4)	-0.7%	-	-	-	-
Tax effect of non-GAAP adjustments	(5.3)	-1.6%	-	-	-	-
Restructuring and other ⁽³⁾	-	-	0.6	0.2%	0.3	0.1%
Pension mark-to-market adjustments ⁽¹⁾	-	-	(9.1)	-3.2%	-	-
Convertible share adjustment ⁽⁷⁾	-	-	-	-	-	-
Net income - non-GAAP	\$ 22.4	7.0%	\$ 13.2	4.6%	\$ 18.2	6.5%

	March 30, 2014		Quarter Ended December 31, 2013		March 31, 2013	
	\$	% of Net Revenues	\$	% of Net Revenues	\$	% of Net Revenues
Net income - GAAP	\$ 0.9	0.3%	\$ 0.00	0.00%	\$ 0.03	0.01%
Acquired intangible asset amortization	18.3	5.7%	0.09	0.03%	0.09	0.03%
Income tax adjustment ⁽⁴⁾	-	-	-	-	(0.06)	(0.02%)
Interest and other ⁽⁵⁾	4.3	1.3%	0.02	0.01%	0.02	0.01%
Equity modification charge ⁽²⁾	6.6	2.1%	0.03	0.01%	-	-
Exclude discrete tax adjustments ⁽⁶⁾	(2.4)	-0.7%	(0.01)	(0.00%)	-	-
Tax effect of non-GAAP adjustments	(5.3)	-1.6%	(0.03)	(0.01%)	-	-
Restructuring and other ⁽³⁾	-	-	-	-	0.00	0.00%
Pension mark-to-market adjustments ⁽¹⁾	-	-	-	-	-	-
Convertible share adjustment ⁽⁷⁾	-	-	0.01	0.00%	-	-
Net income - non-GAAP	\$ 22.4	7.0%	\$ 0.12	0.04%	\$ 0.10	0.04%

	March 30, 2014	December 31, 2013	March 31, 2013
GAAP and non-GAAP weighted average common shares - basic	193.3	191.5	189.7
GAAP weighted average common shares - diluted	236.5	236.9	234.8
Exclude dilutive shares from convertible note	(20.1)	(42.4)	(42.3)
Non-GAAP weighted average common shares - diluted ⁽⁶⁾	216.4	194.5	192.5

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

(2) For the quarter ended March 30, 2014, selling and administrative expenses include an equity charge for the modification of Teradyne's retired CEO's outstanding equity awards to allow continued vesting and maintain the original term in connection with his January 2014 departure.

(3) Restructuring and other consists of:

	March 30, 2014	Quarter Ended December 31, 2013	March 31, 2013
Employee severance	\$ -	\$ 0.6	\$ 0.3

(4) For the quarters December 31, 2013 and March 31, 2013, adjustment to record income taxes on a cash basis. Cash taxes reflects the usage of prior year favorable tax attributes (e.g. NOLs and credits) against current year tax liability.

(5) For the quarters ended March 30, 2014, December 31, 2013 and March 31, 2013, Interest and other included non-cash convertible debt interest expense. For the quarter ended December 31, 2013, Interest and other included a gain from the sale of an equity investment.

(6) For the quarter ended March 30, 2014, adjustment to exclude discrete income tax items.

(7) For the quarter ended March 30, 2014, the calculation of non-GAAP diluted earnings per share gives benefit to the Company's call option on its stock for 34.7 million shares at \$5.48. As a result 20.9 million shares have been included in non-GAAP diluted shares and net interest expense of \$2.0 million has been added back to non-GAAP net income for the non-GAAP diluted earnings per share calculation.

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Quarter Ended		Net Income per Common Share	
	June 30, 2013	% of Net Revenues	Basic	Diluted
Net revenues	\$ 428.9			
Gross profit - GAAP	\$ 241.2	56.2%		
Inventory step-up	-	-		
Pension mark-to-market adjustments ⁽¹⁾	(0.3)	-0.1%		
Gross profit - non-GAAP	\$ 240.9	56.2%		
Income from operations - GAAP	\$ 85.9	20.0%		
Acquired intangible asset amortization	18.1	4.2%		
Restructuring and other ⁽²⁾	0.3	0.1%		
Pension mark-to-market adjustments ⁽¹⁾	(1.4)	-0.3%		
Inventory step-up	-	-		
Income from operations - non-GAAP	\$ 102.9	24.0%		
Net income - GAAP	\$ 66.6	15.5%	\$ 0.35	\$ 0.28
Acquired intangible asset amortization	18.1	4.2%	0.09	0.08
Income tax adjustment ⁽³⁾	1.6	0.4%	0.01	0.01
Interest and other ⁽⁴⁾	3.9	0.9%	0.02	0.02
Restructuring and other ⁽²⁾	0.3	0.1%	0.00	0.00
Pension mark-to-market adjustments ⁽¹⁾	(1.4)	-0.3%	(0.01)	(0.01)
Inventory step-up	-	-	-	-
Convertible share adjustment ⁽⁵⁾	-	-	-	0.05
Net income - non-GAAP	\$ 89.1	20.8%	\$ 0.47	\$ 0.43
GAAP and non-GAAP weighted average common shares - basic	190.6			
GAAP weighted average common shares - diluted	234.9			
Exclude dilutive shares from convertible note	(23.3)			
Non-GAAP weighted average common shares - diluted ⁽⁵⁾	211.6			

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

⁽²⁾ Restructuring and other, net consists of:

	Quarter Ended
	June 30, 2013
Contingent consideration fair value adjustment	\$ -
Employee severance	0.3
	\$ 0.3

⁽³⁾ For the quarters ended June 30, 2013, March 31, 2013 and July 1, 2012, adjustment to record income taxes on a cash basis.

⁽⁴⁾ For the quarters ended June 30, 2013, March 31, 2013 and July 1, 2012, Interest and other included non-cash convertible debt interest.

⁽⁵⁾ For the quarters ended June 30, 2013 and July 1, 2012, the calculation of non-GAAP diluted earnings per share gives benefit to the Company's call option on its stock for 34.7 million shares at \$5.48. As a result, 18.7 million and

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Q3'13		Q2'14		Q3'14		Q4'14 Low Guidance		Q4'14 High Guidance	
	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>
GAAP Operating Expenses	\$161	37%	\$170	32%	\$163	34%	\$193	63%	\$193	59%
Intangible Asset Amortization	-\$18	-4%	-\$18	-3%	-\$18	-4%	-\$16	-5%	-\$16	-5%
Restructuring and Other	-\$1	0%	-\$1	0%	\$0	0%	\$0	0%	\$0	0%
Pension mark-to-market							-\$38	-12%	-\$38	-11%
Non GAAP Operating Expenses	\$142	33%	\$151	29%	\$145	30%	\$140	46%	\$140	43%

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	<u>Q3'13</u>		<u>Q2'14</u>		<u>Q3'14</u>	
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>
GAAP Income Tax	\$18	21%	\$20	17%	\$18	18%
Exclude discrete tax adjustments			\$1	0%	\$2	2%
Tax effect of non-GAAP adjustments			\$3	3%	\$3	3%
Income tax adjustment	-\$3	-3%				
Effect of Higher Non-GAAP PBT		-3%		-3%		-3%
Non GAAP Income Tax	<u>\$16</u>	<u>14%</u>	<u>\$24</u>	<u>17%</u>	<u>\$23</u>	<u>19%</u>

	<u>2013</u>
GAAP Income Tax	18%
Income Tax adjustment to record taxes on a cash basis	-5%
Non-GAAP Income Tax	<u>13%</u>

	<u>2014</u>
GAAP Income Tax	16%
Exclude discrete items	2%
Non-GAAP Income Tax	<u>18%</u>

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	FY 2014E		Net Income	
	FY 2014E	% of Net Revenues	Basic	Diluted
Net Revenues	\$ 1,643			
Gross profit - GAAP	\$ 875	53%		
Pension mark-to-market adjustments	13	1%		
Gross profit - non-GAAP	\$ 887	54%		
Income from operations - GAAP	\$ 186	11%		
Acquired intangible asset amortization	70	4%		
Equity modification charge	7	0%		
Restructuring and other	0	0%		
Pension mark-to-market adjustments	50	3%		
Income from operations - non-GAAP	\$ 313	19%		
Net income - GAAP	\$ 156	9.5%	\$ 0.77	\$ 0.72
Acquired intangible asset amortization	70	4.3%	0.35	0.32
Pension mark-to-market adjustments ⁽¹⁾	50	3.1%	0.25	0.23
Equity modification charge ⁽²⁾	7	0.4%	0.03	0.03
Restructuring and other ⁽³⁾	0	0.0%	0.00	0.00
Interest and other ⁽⁴⁾	4	0.3%	0.02	0.02
Exclude discrete tax adjustments ⁽⁵⁾	(5)	-0.3%	(0.02)	(0.02)
Tax effect of non-GAAP adjustments	(24)	-1.4%	(0.12)	(0.11)
Net income - non-GAAP	\$ 260	15.8%	\$ 1.28	\$ 1.20
GAAP and non-GAAP weighted average common shares - basic	202.9			
GAAP weighted average common shares - diluted	222.4			
Exclude dilutive shares from convertible note	(5.0)			
Non-GAAP weighted average common shares - diluted	217.4			

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Year Ended	
	December 31, 2010	% of Net Revenues
Net Revenues	\$ 1,566.2	
Income from Operations - GAAP	\$ 414.9	26.5%
Acquired intangible asset amortization	29.3	1.9%
Pension mark-to-market adjustments ⁽¹⁾	(1.3)	-0.1%
Restructuring and other, net ⁽²⁾	(3.8)	-0.2%
Income from Operations - non-GAAP	<u>\$ 439.1</u>	<u>28.0%</u>

	Income per Common Share from Continuing Operations	
	Diluted	
Income from Continuing Operations - GAAP	\$ 1.73	
Acquired intangible asset amortization	0.15	
Interest and other ⁽³⁾	0.05	
Restructuring and other, net ⁽¹⁾	(0.02)	
Pension mark-to-market adjustments ⁽¹⁾	(0.01)	
Convertible share adjustment ⁽⁴⁾	0.27	
Income from Continuing Operations - non-GAAP	<u>\$ 2.17</u>	
GAAP and Non-GAAP Weighted Average Common Shares -	179.9	
GAAP Weighted Average Common Shares - Diluted	226.8	
Exclude dilutive shares from convertible note	(30.8)	
Non-GAAP Weighted Average Common Shares - Diluted ⁽⁴⁾	<u>196.0</u>	

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

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 ⁽¹⁾	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 ⁽¹⁾	13.7	1.0%		
Restructuring and other, net ⁽²⁾	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 ⁽³⁾	-	-	-	-
Interest and other ⁽⁴⁾	12.0	0.8%	0.06	0.06
Inventory step-up	12.2	0.9%	0.07	0.06
Pension mark-to-market adjustments ⁽¹⁾	13.7	1.0%	0.07	0.07
Restructuring and other, net ⁽²⁾	8.5	0.6%	0.05	0.04
Deferred tax valuation allowance	(144.3)	-10.1%	(0.78)	(0.70)
Convertible share adjustment ⁽⁵⁾	-	-	-	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 ⁽⁵⁾	205.3			

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

⁽²⁾ Restructuring and other, net consists of:

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Years Ended			
	December 31, 2013	% of Net Revenues	December 31, 2012	% of Net Revenues
Net Revenues	\$ 1,427.9		\$ 1,656.8	
Gross profit - GAAP	\$ 808.8	56.6%	\$ 886.0	53.5%
Pension mark-to-market adjustments ⁽¹⁾	(3.1)	-0.2%	9.0	0.5%
Inventory step-up	-	-	6.1	0.4%
Gross profit - non-GAAP	\$ 805.7	56.4%	\$ 901.1	54.4%
Income from operations - GAAP	\$ 190.7	13.4%	\$ 287.4	17.3%
Acquired intangible asset amortization	72.4	5.1%	73.5	4.4%
Restructuring and other ⁽²⁾	2.1	0.1%	(7.7)	-0.5%
Pension mark-to-market adjustments ⁽¹⁾	(10.4)	-0.7%	23.3	1.4%
Inventory step-up	-	-	6.1	0.4%
Income from operations - non-GAAP	\$ 254.8	17.8%	\$ 382.6	23.1%

	Net Income per Common Share				Net Income per Common Share			
	December 31, 2013	% of Net Revenues	Basic	Diluted	December 31, 2012	% of Net Revenues	Basic	Diluted
Net income - GAAP	\$ 164.9	11.5%	\$ 0.86	\$ 0.70	\$ 217.0	13.1%	\$ 1.16	\$ 0.94
Acquired intangible asset amortization	72.4	5.1%	0.38	0.31	73.5	4.4%	0.39	0.35
Income tax adjustment ⁽³⁾	4.8	0.3%	0.03	0.02	11.5	0.7%	0.06	0.06
Interest and other ⁽⁴⁾	(18.4)	-1.3%	(0.10)	(0.08)	13.8	0.8%	0.07	0.07
Restructuring and other ⁽²⁾	2.1	0.1%	0.01	0.01	(7.7)	-0.5%	(0.04)	(0.04)
Pension mark-to-market adjustments ⁽¹⁾	(10.4)	-0.7%	(0.05)	(0.04)	23.3	1.4%	0.12	0.11
Inventory step-up	-	-	-	-	6.1	0.4%	0.03	0.03
Convertible share adjustment ⁽⁵⁾	-	-	-	0.14	-	-	-	0.15
Net income - non-GAAP	\$ 215.4	15.1%	\$ 1.13	\$ 1.06	\$ 337.5	20.4%	\$ 1.81	\$ 1.67

GAAP and non-GAAP weighted average common shares - basic	190.8	186.9
GAAP weighted average common shares - diluted	235.6	230.2
Exclude dilutive shares from convertible note	(23.3)	(22.4)
Non-GAAP weighted average common shares - diluted ⁽⁵⁾	212.3	207.8

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

⁽²⁾ Restructuring and other consists of:

	Years Ended	
	December 31, 2013	December 31, 2012
Employee severance	\$ 2.5	\$ 1.1
Facility related	(0.4)	-
Contingent consideration fair value adjustment	-	(8.8)
	\$ 2.1	\$ (7.7)

⁽³⁾ For the years ended December 31, 2013 and 2012, adjustment to record income tax provision on a cash basis.

⁽⁴⁾ For the years ended December 31, 2013 and 2012, Interest and Other included non-cash convertible debt interest expense. For the year ended December 31, 2013, Interest and Other included a gain from the sale of an equity investment.

⁽⁵⁾ For the years ended December 31, 2013 and 2012, the calculation of non-GAAP diluted earnings per share gives benefit to the Company's call option on its stock for 34.7 million shares at \$5.48. As a result, 18.8 million and 17.4 million shares have been included in non-GAAP diluted shares and net interest expense of approximately \$9.4 million and \$9.3 million, respectively, has been added back to non-GAAP net income for the non-GAAP diluted earnings per share calculation.

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	2005-2009 % of Net Revenues
Gross profit - GAAP	43.7%
Inventory Step up	0.4%
Gross Profit - Non-GAAP	<u>44.1%</u>
Income from operations - GAAP	-6.3%
Acquired intangible asset amortization	1.2%
Goodwill Impairment	6.0%
Restructuring and other	0.7%
Income from operations - non-GAAP	<u>1.6%</u>

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

- Q3 2013, Q2 2014 and Q3 2014: Gross Margin, R&D and SG&A expense as a % of sales are the same for GAAP and Non-GAAP
- Q4 2014 guidance for Gross Margin, R&D, and SG&A expense as a % of sales will differ between GAAP and Non-GAAP due to the forecasted pension charge:

	<u>Low End</u>	<u>High End</u>
Q4 2014 GAAP Gross Margin as a % of revenue	49%	49%
Exclude Pension Actuarial Loss	4%	4%
Q4 2014 Non-GAAP Gross Margin as a % of revenue	53%	53%
Q4 2014 GAAP R&D expense as a % of revenue	31%	29%
Exclude Pension Actuarial Loss	8%	8%
Q4 2014 Non-GAAP R&D Expense as a % of revenue	23%	21%
Q4 2014 GAAP SG&A Expense as a % of revenue	27%	26%
Exclude Pension Actuarial Loss	4%	4%
Q4 2014 Non-GAAP SG&A Expense as a % of revenue	23%	22%

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

GAAP to Non-GAAP Reconciliation of Fourth Quarter 2014 guidance:

GAAP and non-GAAP fourth quarter revenue guidance:	\$305 million to \$330 million	
GAAP net loss per diluted share	\$ (0.16)	\$ (0.11)
Exclude estimated pension actuarial loss from updated mortality tables	0.23	0.23
Exclude acquired intangible asset amortization	0.07	0.07
Tax effect of non-GAAP adjustments	(0.05)	(0.05)
Non-GAAP net income per diluted share	\$ 0.08	\$ 0.14

Fourth Quarter Guidance:

	<u>Low End</u>	<u>High End</u>
GAAP Operating Profit as % of sales	-15%	-9%
Acquired intangible asset amortization	5%	5%
Pension actuarial loss	16%	15%
Non-GAAP Operating Profit as % of sales	7%	11%
GAAP Diluted Weighted Average Common Shares	216.5	
Include Non-GAAP dilutive shares	1.8	
Non-GAAP Diluted Weighted Average Common Shares	218.3	

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

- Teradyne determines non-GAAP operating cash flow (“Free Cash Flow”) by adjusting GAAP cash flow from 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>Q3'13</u>	<u>Q2'14</u>	<u>Q3'14</u>	<u>Q4'14E</u>	<u>2013</u>	<u>2014E</u>
GAAP Cash Flow from Operations	154	209	133	89	268	405
Include Property, Plant, and Equipment Additions	(32)	(60)	(55)	(24)	(107)	(170)
Non-GAAP Operating Cash Flow ("Free Cash Flow")	122	149	78	65	161	235

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

- Teradyne's non-GAAP model revenue is \$375 million quarterly. 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 an industry 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. This model revenue number is provided only on a non-GAAP basis because of the inherent difficulty in forecasting and quantifying the amount of 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.