

## 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, amortization of the GAAP imputed convertible debt discount, write-off of credit line debt issue costs, 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:						Six Months Ended:								
	July 5, 2009		April 5, 2009		June 29, 2008		July 5, 2009		June 29, 2008						
Net Revenues	\$	169.6	\$	120.6	\$	317.7	\$	290.2	\$	615.0					
Gross Margin - GAAP	\$	47.1	27.8%	\$	33.4	27.7%	\$	153.8	48.4%	\$	80.5	27.7%	\$	292.4	47.5%
Inventory step-up reversal <sup>(1)</sup>		3.9		1.2		-		5.1		4.3					
Insurance recovery		(1.0)		-		-		(1.0)		-					
Inventory provision reversal <sup>(2)</sup>		-		-		-		-		(0.9)					
Gross Margin - non-GAAP	\$	50.0	29.5%	\$	34.6	28.7%	\$	153.8	48.4%	\$	84.6	29.2%	\$	295.8	48.1%
(Loss)/Income from Operations - GAAP	\$	(62.1)	-36.6%	\$	(93.4)	-77.4%	\$	14.7	4.6%	\$	(155.5)	-53.6%	\$	16.1	2.6%
Restructuring and other, net <sup>(3)</sup>		15.3		16.0		12.7		31.2		24.5					
Acquired intangible asset amortization		8.2		8.2		4.8		16.5		8.6					
Inventory step-up reversal <sup>(1)</sup>		3.9		1.2		-		5.1		4.3					
Insurance recovery		(1.0)		-		-		(1.0)		-					
In-process research and development		-		-		-		-		1.1					
Inventory provision reversal <sup>(2)</sup>		-		-		-		-		(0.9)					
Profit sharing adjustment <sup>(5)</sup>		-		-		(0.7)		-		(1.5)					
(Loss)/Income from Operations - non-GAAP	\$	(35.7)	-21.0%	\$	(68.0)	-56.4%	\$	31.5	9.9%	\$	(103.7)	-35.7%	\$	52.2	8.5%
Net (Loss)/Income - GAAP	\$	(66.8)	-39.4%	\$	(90.7)	-75.2%	\$	11.1	3.5%	\$	(157.4)	-54.2%	\$	13.4	2.2%
Restructuring and other, net <sup>(3)</sup>		15.3		16.0		12.7		31.2		24.5					
Acquired intangible asset amortization		8.2		8.2		4.8		16.5		8.6					
Interest and other <sup>(4)</sup>		4.8		2.6		-		7.4		-					
Inventory step-up reversal <sup>(1)</sup>		3.9		1.2		-		5.1		4.3					
Insurance recovery		(1.0)		-		-		(1.0)		-					
In-process research and development		-		-		-		-		1.1					
Inventory provision reversal <sup>(2)</sup>		-		-		-		-		(0.9)					
Profit sharing adjustment <sup>(5)</sup>		-		-		(0.7)		-		(1.5)					
Income tax adjustment <sup>(6)</sup>		-		(2.9)		0.2		(2.9)		0.2					
Net (Loss)/Income - non-GAAP	\$	(35.6)	-21.0%	\$	(65.6)	-54.4%	\$	28.1	8.8%	\$	(101.1)	-34.8%	\$	49.7	8.1%
GAAP Net (Loss)/Income per Common Share - Basic		(0.39)		(0.53)		0.06		(0.91)		0.08					
Non-GAAP Net (Loss)/Income per Common Share - Basic		(0.21)		(0.38)		0.16		(0.59)		0.29					
GAAP and Non-GAAP Weighted Average Common Shares - Basic		173.0		172.1		170.6		172.6		172.2					
GAAP Net (Loss)/Income per Common Share - Diluted		(0.39)		(0.53)		0.06		(0.91)		0.08					
Non-GAAP Net (Loss)/Income per Common Share - Diluted		(0.21)		(0.38)		0.16		(0.59)		0.28					
GAAP and Non-GAAP Weighted Average Common Shares - Diluted		173.0		172.1		174.1		172.6		174.9					

(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):

	Quarter Ended:						Six Months Ended:			
	July 5, 2009		April 5, 2009		June 29, 2008		July 5, 2009		June 29, 2008	
Employee Severance	\$	15.0	\$	16.7	\$	5.5	\$	31.7	\$	12.6
Eagle Test Purchase Accounting Adjustment		(0.8)		(0.7)		-		(1.5)		-
Facility Related		-		-		8.3		-		13.0
Long-Lived Asset Impairment		1.1		-		0.6		1.1		0.6
(Gain)/Loss on Sale of Real Estate		-		-		(1.7)		-		(1.7)
	\$	15.3	\$	16.0	\$	12.7	\$	31.2	\$	24.5

(4) For the quarter and six months ended July 5, 2009, Interest and Other included a charge to expense deferred debt financing costs as a result of the repayment and termination of Teradyne's revolving line of credit and amortization of the GAAP imputed convertible debt discount. For the quarter ended April 5, 2009 and six months ended July 5, 2009, Interest and Other included a charge for other-than-temporary impairment and realized losses on marketable securities.

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

(6) Income tax adjustment for non-GAAP items. For the quarter ended April 5, 2009 and six months ended July 5, 2009, the income tax adjustment related to a discrete foreign exchange item.

For press releases and other information of interest to investors, please visit Teradyne's homepage on the World Wide Web at <http://www.teradyne.com>.

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## Teradyne, Inc.

### Certain Non-GAAP financial measures discussed during the Second Quarter of 2009 Earnings Conference Call July 2009

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

- Q2 2009 non-GAAP cash flow
- Q3 2009 non-GAAP earnings per share guidance of a net loss of \$(0.02) to net income of \$0.02
- Q3 2009 non-GAAP gross margin guidance of 44%
- Q3 2009 non-GAAP operating profit guidance of between 0% and 3%
- Non-GAAP Quarterly Operating Profit Breakeven target \$200 million (new model)
- Non-GAAP model revenue 15% profit of \$275 million (new model)

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

Teradyne's cash flow provided by operations for the second quarter of 2009 on a GAAP and non-GAAP basis was as follows:

	<u>Q2'09</u>
(in millions)	
GAAP cash flow provided by operations	\$18.8
Net property, plant and equipment additions	<u>(11.3)</u>
Non-GAAP cash flow provided by operations	<u>\$7.5</u>

Teradyne's earnings per share guidance for Q3 2009 of a net loss of \$(0.02) to net income of \$0.02, Teradyne's operating profit guidance for Q3 2009 of between 0% and 3%, and Teradyne's gross margin guidance for Q3 2009 of 44% are provided on a non-GAAP basis. On a GAAP basis, Teradyne's loss per diluted share guidance for Q3 2009 is between \$(0.13) and \$(0.09), Teradyne's operating loss guidance for Q3 2009 is between (9%) and (5%), and Teradyne's gross margin guidance for Q3 2009 is 41%.

Teradyne's non-GAAP Quarterly Operating Profit Breakeven target under its new model is \$200 million. This Quarterly Breakeven target is 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 new model is \$275 million. 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.