

GAAP to Non-GAAP Earnings Reconciliation

References by the Company to non-GAAP income/(loss) and non-GAAP income/(loss) per share refer to income/(loss) from continuing operations or income/(loss) per common share from continuing operations 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)/gains 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 income/(loss) from continuing operations. Non-GAAP income/(loss) from continuing operations (which is the basis for non-GAAP income/(loss) from continuing operations 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:						Nine Months Ended:								
	October 4, 2009		July 5, 2009		September 28, 2008		October 4, 2009		September 28, 2008						
Net Revenues	\$	262.2	\$	169.6	\$	297.3	\$	552.4	\$	912.3					
Gross Margin - GAAP	\$	106.8	40.7%	\$	47.1	27.8%	\$	127.9	43.0%	\$	187.2	33.9%	\$	420.3	46.1%
Inventory step-up reversal ⁽¹⁾		5.7		3.9		-		10.9		4.3					
Insurance recovery		-		(1.0)		-		(1.0)		-					
Inventory provision reversal ⁽²⁾		(0.6)		-		(0.5)		(0.6)		(1.4)					
Profit sharing adjustment ⁽³⁾		(0.4)		-		-		(0.4)		(0.3)					
Gross Margin - non-GAAP	\$	111.5	42.5%	\$	50.0	29.5%	\$	127.4	42.9%	\$	196.1	35.5%	\$	422.9	46.4%
Income/(Loss) from Operations - GAAP	\$	8.8	3.4%	\$	(62.1)	-36.6%	\$	(17.3)	-5.8%	\$	(146.7)	-26.6%	\$	(1.2)	-0.1%
Acquired intangible asset amortization		8.2		8.2		5.0		24.7		13.7					
Inventory step-up reversal ⁽¹⁾		5.7		3.9		-		10.9		4.3					
Restructuring and other, net ⁽⁴⁾		5.2		15.3		28.6		36.4		53.1					
Inventory provision reversal ⁽²⁾		(0.6)		-		(0.5)		(0.6)		(1.4)					
In-process research and development		-		-		-		-		1.1					
Insurance recovery		-		(1.0)		-		(1.0)		-					
Profit sharing adjustment ⁽³⁾		(2.2)		-		-		(2.2)		(1.5)					
Income/(Loss) from Operations - non-GAAP	\$	25.1	9.6%	\$	(35.7)	-21.0%	\$	15.8	5.3%	\$	(78.5)	-14.2%	\$	68.1	7.5%
Income/(Loss) from Continuing Operations - GAAP	\$	6.7	2.6%	\$	(66.8)	-39.4%	\$	(23.5)	-7.9%	\$	(150.8)	-27.3%	\$	(10.0)	-1.1%
Acquired intangible asset amortization		8.2		8.2		5.0		24.7		13.7					
Inventory step-up reversal ⁽¹⁾		5.7		3.9		-		10.9		4.3					
Restructuring and other, net ⁽⁴⁾		5.2		15.3		28.6		36.4		53.1					
Interest and other ⁽⁵⁾		1.8		4.7		5.5		9.1		5.5					
Inventory provision reversal ⁽²⁾		(0.6)		-		(0.5)		(0.6)		(1.4)					
In-process research and development		-		-		-		-		1.1					
Insurance recovery		-		(1.0)		-		(1.0)		-					
Profit sharing adjustment ⁽³⁾		(2.2)		-		-		(2.2)		(1.5)					
Income tax adjustment ⁽⁶⁾		-		-		-		(2.9)		0.2					
Income/(Loss) from Continuing Operations - non-GAAP	\$	24.8	9.5%	\$	(35.7)	-21.0%	\$	15.1	5.1%	\$	(76.4)	-13.8%	\$	65.0	7.1%
GAAP Income/(Loss) per Common Share from Continuing Operations - Basic	\$	0.04		\$	(0.39)		\$	(0.14)		\$	(0.87)		\$	(0.06)	
Non-GAAP Income/(Loss) per Common Share from Continuing Operations - Basic	\$	0.14		\$	(0.21)		\$	0.09		\$	(0.44)		\$	0.38	
GAAP and Non-GAAP Weighted Average Common Shares - Basic		174.5		173.0		168.8		173.2		171.1					
GAAP Income/(Loss) per Common Share from Continuing Operations - Diluted	\$	0.04		\$	(0.39)		\$	(0.14)		\$	(0.87)		\$	(0.06)	
Non-GAAP Income/(Loss) per Common Share from Continuing Operations - Diluted	\$	0.14		\$	(0.21)		\$	0.09		\$	(0.44)		\$	0.37	
GAAP Weighted Average Common Shares - Diluted		180.8		173.0		168.8		173.2		171.1					
Non-GAAP Weighted Average Common Shares - Diluted		179.0		173.0		170.3		173.2		173.4					

(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) Profit sharing adjustment for non-GAAP items.

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

	Quarter Ended:			Nine Months Ended:	
	October 4, 2009	July 5, 2009	September 28, 2008	October 4, 2009	September 28, 2008
Facility Related	\$ 4.4	\$ -	\$ 3.4	\$ 4.4	\$ 16.4
Employee Severance	1.2	15.0	2.6	32.9	15.2
Eagle Test Purchase Accounting Adjustment & Other	(0.4)	(0.8)	-	(2.0)	-
Long-Lived Asset Impairment	-	1.1	-	1.1	0.6
Loss on Sale of Real Estate	-	-	22.6	-	20.9
	\$ 5.2	\$ 15.3	\$ 28.6	\$ 36.4	\$ 53.1

(5) For the quarter and nine months ended October 4, 2009, Interest and Other included amortization of the GAAP imputed convertible debt discount. For the quarter ended July 5, 2009 and nine months ended October 4, 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. For the nine months ended October 4, 2009, Interest and Other included a charge for other-than-temporary impairment and realized (losses)/gains on marketable securities.

(6) Income tax adjustment for non-GAAP items. For the nine months ended October 4, 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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Certain Non-GAAP financial measures discussed during the Third Quarter of 2009 Earnings Conference Call October 2009

On the Company's earnings conference call on October 29, 2009, the following Non-GAAP financial measures were discussed or presented:

- Q4 2009 non-GAAP earnings per share guidance of net income per share of \$0.12 to \$0.17
- Q4 2009 non-GAAP gross margin guidance of 47% or 48%
- Q4 2009 non-GAAP research & development expense guidance of 16% or 15%
- Q4 2009 non-GAAP selling, general & administrative expense guidance of 20% or 19%
- Q4 2009 non-GAAP operating profit guidance of between 11% and 13%
- Non-GAAP model revenue of \$275 million including no Hard Disk Hard and High-Speed Memory revenue
- Non-GAAP model revenue of \$290 million including \$25 million of Hard Disk Hard and High-Speed Memory revenue
- Non-GAAP model revenue of \$300 million including \$35 million of Hard Disk Hard and High-Speed Memory revenue
- Non-GAAP Quarterly Operating Profit Breakeven target \$200 million (prior model)

Teradyne's earnings per share guidance for Q4 2009 of net income per share of \$0.12 to \$0.17, Q4 2009 gross margin guidance of 47% or 48%, Q4 2009 research & development expense guidance of 16% or 15%, Q4 2009 selling, general & administrative expense guidance of 20% or 19% and Q4 2009 operating profit guidance of between 11% and 13% are provided on a non-GAAP basis. On a GAAP basis, Teradyne's net income per diluted share guidance for Q4 2009 is between \$0.04 and \$0.09, Q4 2009 gross margin guidance is 46% or 47%, Q4 2009 research & development expense guidance of 16% or 15%, Q4 2009 selling, general & administrative expense guidance of 19% or 18% and Q4 2009 operating profit guidance of between 6% and 8%.

Teradyne's non-GAAP Quarterly Operating Profit Breakeven target under its prior model was \$200 million. This Quarterly Breakeven target was provided only on a non-GAAP basis due to the difficulty in forecasting and quantifying amounts that would have or could have been 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 including no Hard Disk Hard and High-Speed Memory revenue, \$290 million including \$25 million of Hard Disk Hard and High-Speed Memory revenue and \$300 million including \$35 million of Hard Disk Hard and High-Speed Memory revenue. 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 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.

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.

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.