



Because Technology Never Stops

TERADYNE FINANCIAL RESULTS FOR Q1-2015

May 1, 2015

SAFE HARBOR

This presentation contains forward-looking statements regarding future business prospects, Teradyne's results of operations, market conditions, the payment of a quarterly dividend, the repurchase of Teradyne common stock pursuant to a share repurchase program and a senior secured credit facility. Such statements are based on the current assumptions and expectations of Teradyne's management and are neither promises nor guarantees of future performance, future payment of dividends, future repurchases of common stock or future availability of, or borrowing under, a credit facility. 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. Additionally, the current dividend and share repurchase programs may be modified, suspended or discontinued at any time. Important factors that could cause actual results, dividend payments, repurchases of common stock or borrowings under the credit facility 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, the repurchase of common stock or debt under the credit facility 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, 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 OUTLOOK

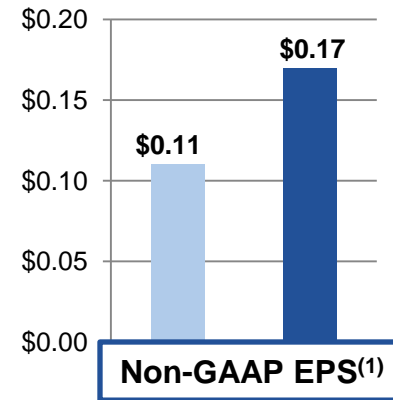
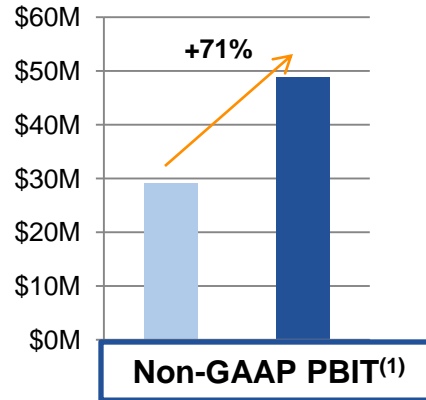
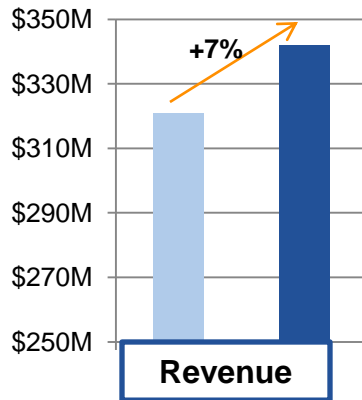


Mark Jagiela, Teradyne President and CEO



SEMICONDUCTOR TEST STRENGTH DRIVES TERADYNE'S Q1'15 RESULTS

Year-over-Year Revenue, Profit and EPS Growth in Q1



Q1 Accomplishments

- 66% sequential growth in SOC Test Orders
 - Applications Processors, Imagers, and Analog semiconductor were strongest sectors
- Record Memory Test orders
 - Flash and High Speed DRAM for mobile and SSD
- Record Saturn 3.5" HDD orders for cloud storage
- Returned \$60M in cash through dividends and share repurchases in Q1

2015 OUTLOOK AND BEYOND

- Raising 2015 SOC Market size estimate to \$2.0B - \$2.25B
- Seeing early indicators of future market growth; increasing device complexity and diminishing returns from parallel test
- Great start to 2015, expect stronger first half than second
- Earnings growth will be driven by a balance of core market share gains, attractive M&A, and capital return

FIRST QUARTER FINANCIAL RESULTS AND SECOND QUARTER GUIDANCE

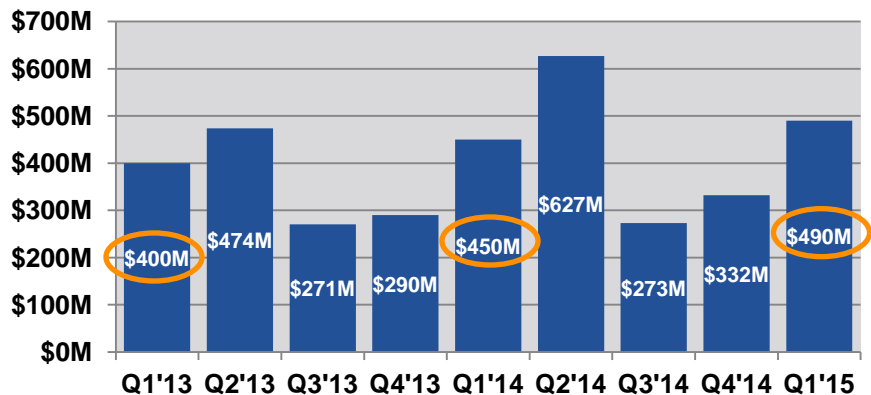


Greg Beecher, Teradyne Vice President and Chief Financial Officer



Q1'15 FINANCIAL HIGHLIGHTS

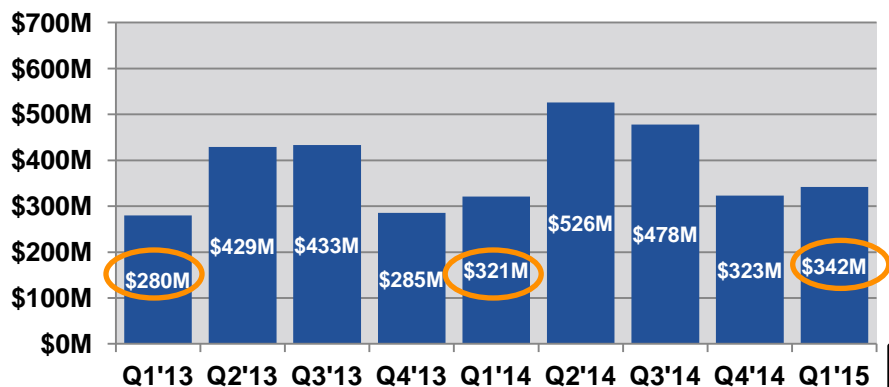
Total Company Orders



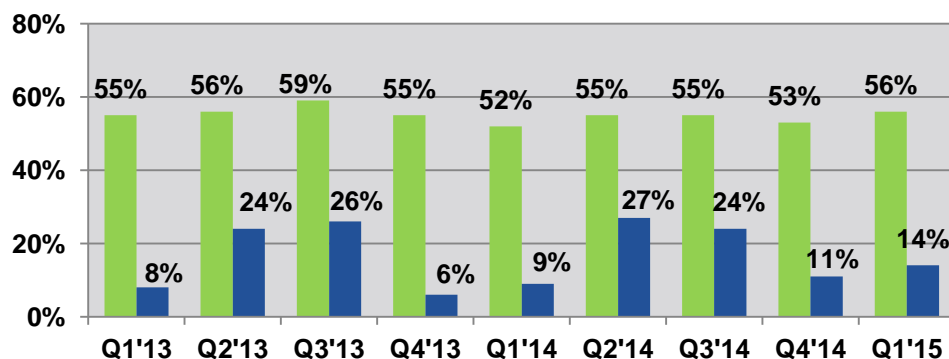
Q1 Highlights

- Orders up 9% Y/Y and seasonally up 48% Q/Q
- Sales up 7% Y/Y and seasonally up 6% Q/Q
- Non-GAAP EPS of \$0.17 exceeded high guidance
- Backlog of \$544M, with 85% shippable within 6 months
- 23rd consecutive quarter of positive Non-GAAP PBIT

Total Company Sales



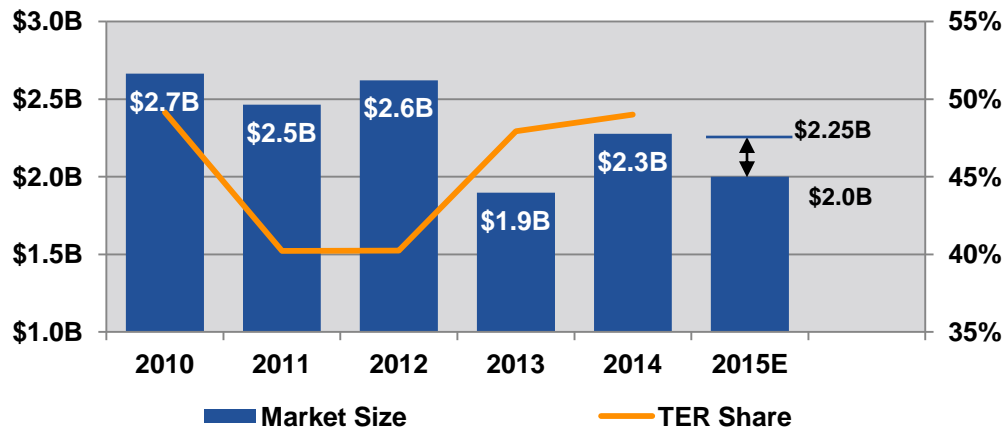
Gross Margin (%)⁽¹⁾ and PBIT (%)⁽¹⁾



EPS ⁽¹⁾	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15
Value	\$0.09	\$0.43	\$0.46	\$0.07	\$0.11	\$0.54	\$0.44	\$0.14	\$0.17

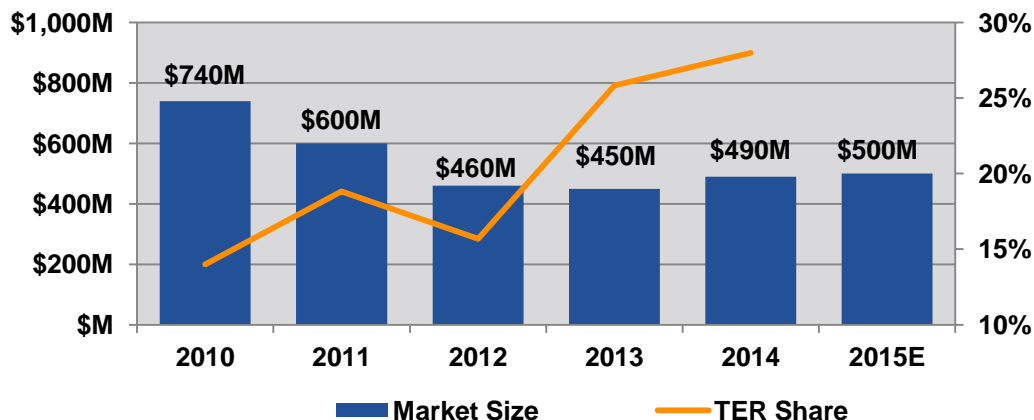
SEMI TEST MARKET AND HIGHLIGHTS

SOC TAM



- Raised 2015 SOC Market Size range to \$2.0B - \$2.25B (from \$1.9B - \$2.2B)
- Complexity is slowing rate of parallel test expansion
- Goal: Consolidate and hold share in 2015

Memory TAM



- Increasing NAND spend for mobile devices and SSD aligns to new Magnum V
- Productivity of UltraFLEX-M driving LPDDR4 and DDR4 share gains

April 2015

Source: WWSEMS, February 2015 (Worldwide Semiconductor Equipment Market Statistics) – Product only; augmented to include service; VLSI Research Inc. 2015E figure stems from internal and multiple third party forecasts augmented internally for service where applicable

CAPITAL RETURN SUMMARY

Repurchased 3.9 million shares for \$75M through April 30, 2015

	Cash Position		
	<u>U.S.</u>	<u>Offshore</u>	<u>Total</u>
Cash Balance at 4/5/2015	\$621M	\$650M	\$1,271M
Minimum Operating Balance	\$400M	\$100M	\$500M
Available Cash	\$221M	\$550M	\$771M
Minimum 2015 Cash Return:	\$352M		
Cash Returned Q1'15	\$60M		

U.S. vs. Foreign Free Cash Flow				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	
U.S. FCF	\$172M	\$181M	\$40M	
Foreign FCF	\$113M	(\$19M)	\$283M	
Total FCF	\$285M	\$162M	\$323M	
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>'12-'14 Weighted Average</u>
U.S. % of FCF	60%	112%	12%	51%
Foreign % of FCF	40%	-12%	88%	49%

Q2'15 NON-GAAP GUIDANCE

\$s in millions, except EPS		Q1'15 Actual ⁽¹⁾	Q2'15 Guidance ⁽¹⁾
Sales		\$342M	\$470M - \$500M
Gross Margin	56%	\$192M	58% - 59%
R&D	21%	\$71M	16% - 15%
SG&A	<u>21%</u>	<u>\$72M</u>	<u>16% - 16%</u>
OPEX	42%	\$143M	32% - 31%
Operating Profit	14%	\$49M	26% - 28%
Net Interest & Other Income		\$3M	\$1M
Effective Tax Rate	27%	\$14M	27%
EPS		\$0.17	\$0.42 - \$0.48
Diluted Shares		219M	217M
Free Cash Flow ⁽²⁾		\$16M	\$104M

(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.

Q1'15 SUMMARY

- 23rd consecutive quarter of operating profits
- Q1 revenue of \$342 million, up 7% over Q1 2014
- Expect Q2 revenue of \$470 to \$500 million, Non-GAAP EPS of \$0.42 - \$0.48
- Expect balance of accretive M&A and capital returns going forward
- 3.9M shares repurchased through April 30th at average price of \$19.15

SUPPLEMENTAL INFORMATION

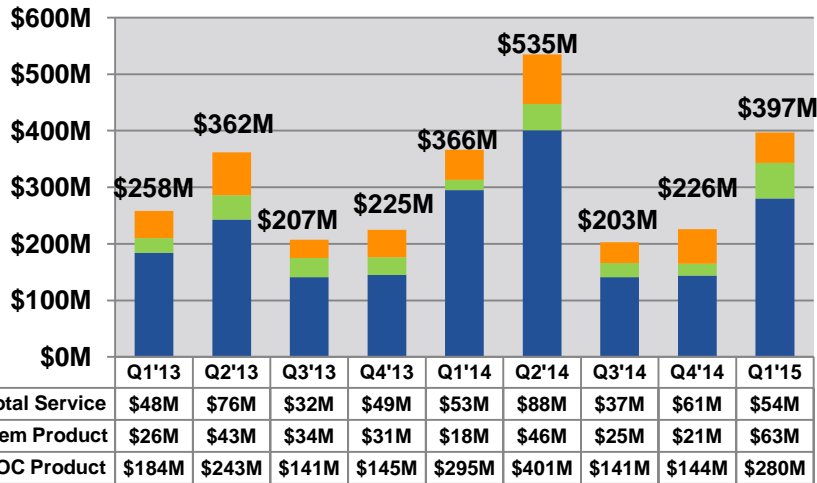


Q1'15 NON-GAAP RESULTS

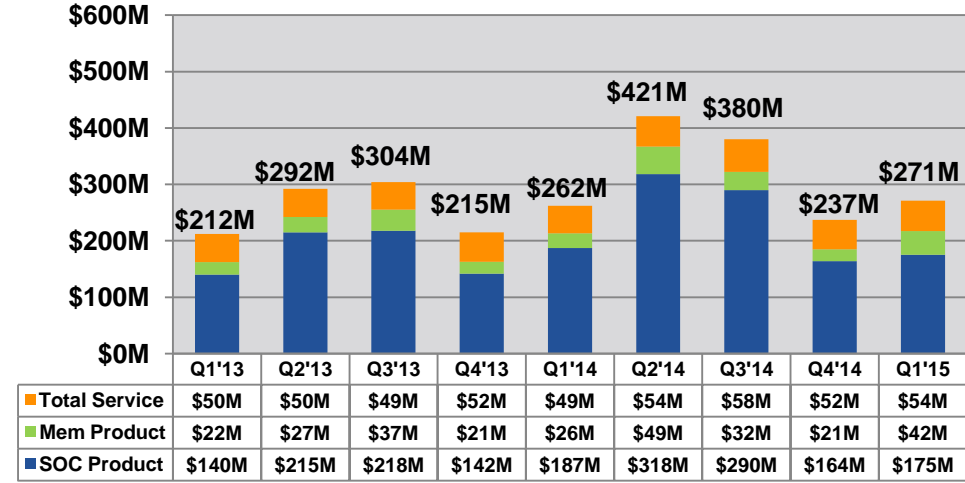
\$s in millions, except EPS		Q1'14 Actual ⁽¹⁾		Q4'14 Actual ⁽¹⁾		Q1'15 Actual ⁽¹⁾
Sales		\$321M		\$323M		\$342M
Gross Margin	52.0%	\$167M	53.5%	\$173M	56.2%	\$192M
R&D	20.9%	\$67M	20.7%	\$67M	20.9%	\$71M
SG&A	<u>22.2%</u>	<u>\$71M</u>	<u>21.5%</u>	<u>\$70M</u>	<u>21.0%</u>	<u>\$72M</u>
OPEX ⁽¹⁾	43.1%	\$138M	42.2%	\$136M	41.9%	\$143M
Operating Profit	8.9%	\$29M	11.3%	\$36M	14.3%	\$49M
Income Taxes (& effective tax rate)	18%	\$5M	18.2%	\$7M	27%	\$14M
EPS ⁽¹⁾		\$0.11		\$0.14		\$0.17
Diluted Shares		216M		219M		219M
Net Bookings		\$450M		\$332M		\$490M

TERADYNE SEMI TEST HIGHLIGHTS

Semi Orders



Semi Sales

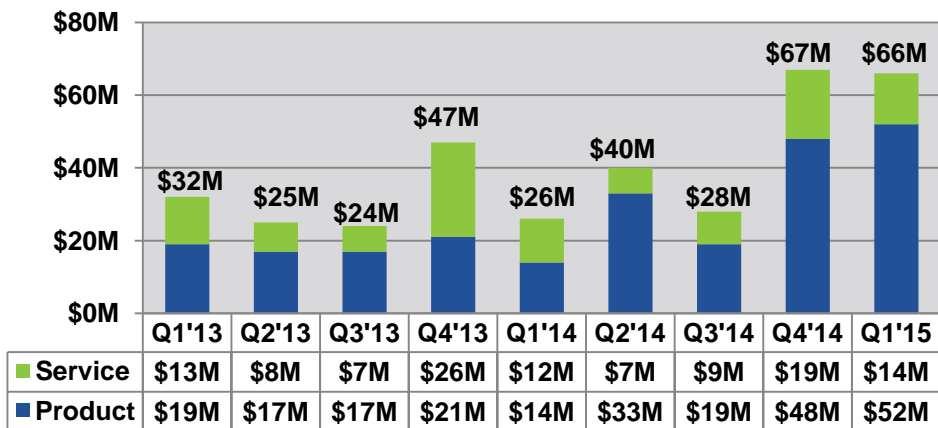


Q1 Highlights

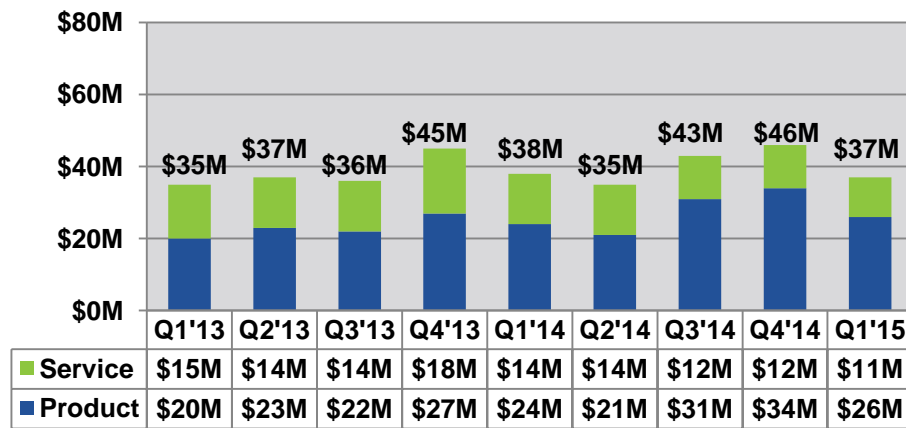
- SemiTest orders up 76% from Q4'14 on strength in memory, mobile processors, imager, and analog test
- Record Magnum V and UltraFLEX-M Memory Test orders
- Highest ever total Memory Test orders of \$64M
- Highest IP-750 imager test orders in over three years
- Strongest analog test orders since 2010

SYSTEM TEST HIGHLIGHTS

System Test Orders



System Test Sales



Q1 Highlights

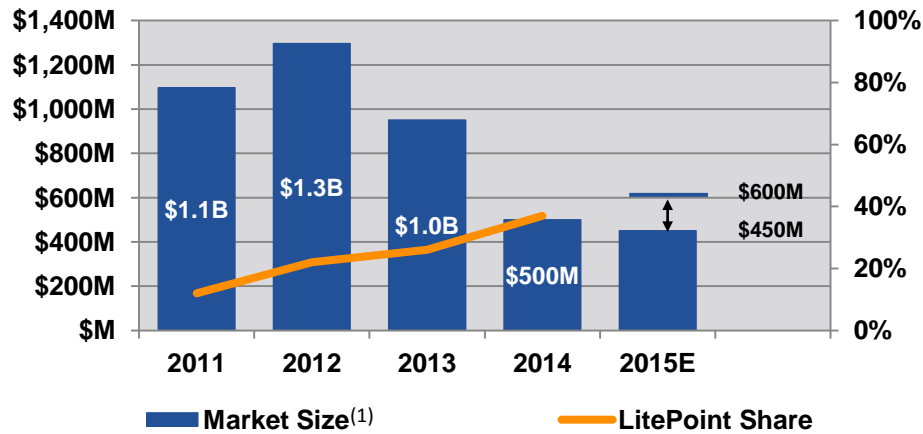
- Record Storage Test orders for Saturn 3.5” HDD test system
- 2015 Goals
 - Successfully ramp HDD shipments
 - Expand automated in-line TestStation base
 - Build on the addition of AIT into Defense and Aerospace group

WIRELESS TEST HIGHLIGHTS

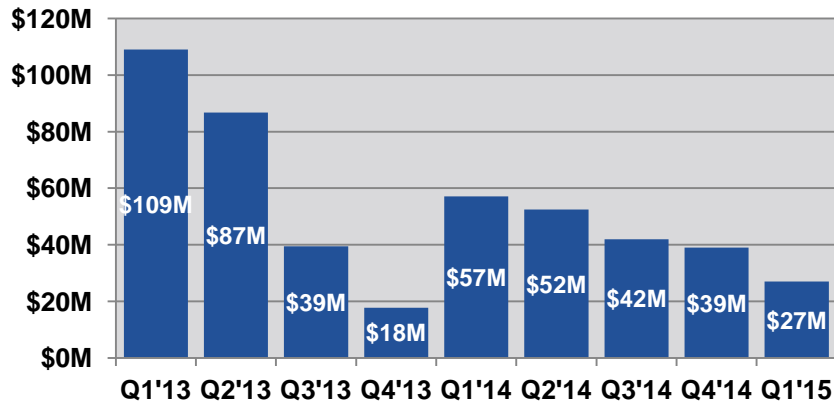
Q1 Highlights

- Expecting Wireless Test market at the low end of 2015 range
- Highest Q1 revenue in history
- Doubling new product launches in 2015, increasing addressable markets

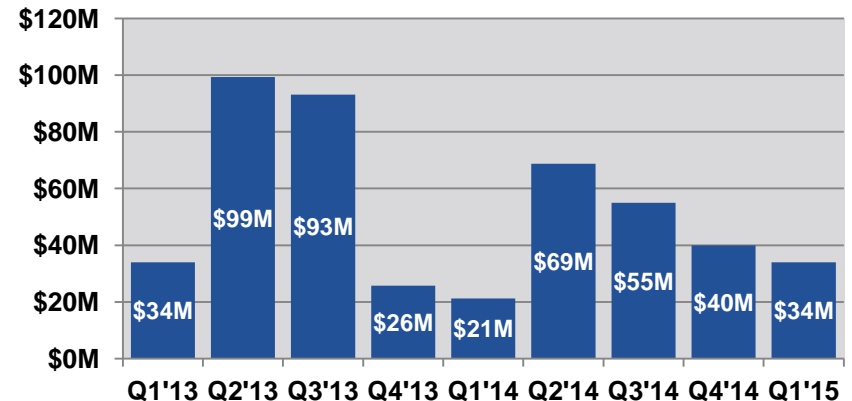
Wireless Market



LitePoint Orders



LitePoint Sales



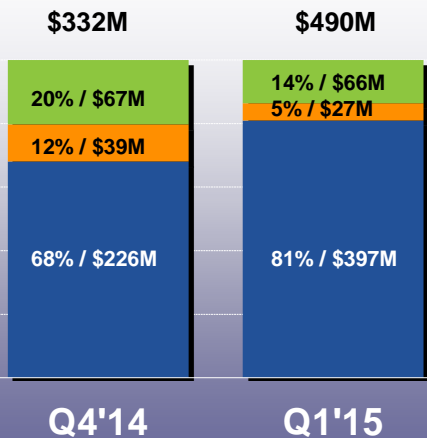
CASH & BALANCE SHEET

	Q1'14 Actual	Q4'14 Actual	Q1'15 Actual
Cash and Marketable Securities	<u>\$967M</u>	<u>\$1,299M</u>	<u>\$1,271M</u>
•U.S.	\$ 627M	\$683M	\$621M
•Off-Shore	\$ 340M	\$616M	\$650M
Inventory	\$137M	\$105M	\$121M
DSO	60 days	44 days	49 days
Capital Additions	\$31M	\$23M	\$21M
Depreciation, Amortization, SBC	\$48M	\$46M	\$42M
Free Cash Flow ⁽¹⁾	(\$57M)	\$152M	\$16M

SALES & BOOKINGS DETAIL

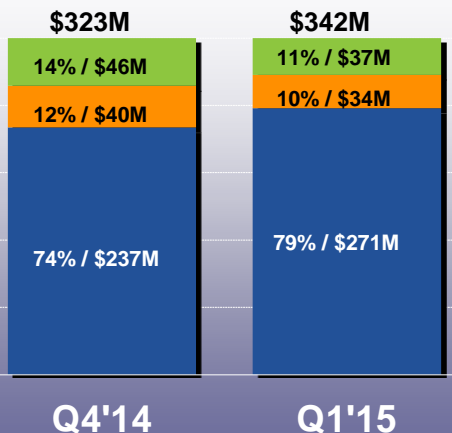
Bookings

■ Semiconductor Test ■ Wireless Test ■ System Test



Sales

■ Semiconductor Test ■ Wireless Test ■ System Test



Book to Bill

	Q4'14	Q1'15
Semiconductor Test	1.0	1.5
Wireless Test	1.0	0.8
System Test	1.5	1.8
Total	1.0	1.4

Product vs. Service

	Q4'14	Q1'15
Sales		
Product	\$253M (78%)	\$272M (80%)
Service	\$70M (22%)	\$70M (20%)
Total	\$323M	\$342M
Bookings		
Product	\$251M (75%)	\$421M (86%)
Service	\$81M (25%)	\$69M (14%)
Total	\$332M	\$490M

Bookings/Region

	Q4'14	Q1'15
Asia	71%	71%
US	15%	9%
Europe	7%	7%
Japan	6%	12%
Rest of World	1%	1%
Total	100%	100%

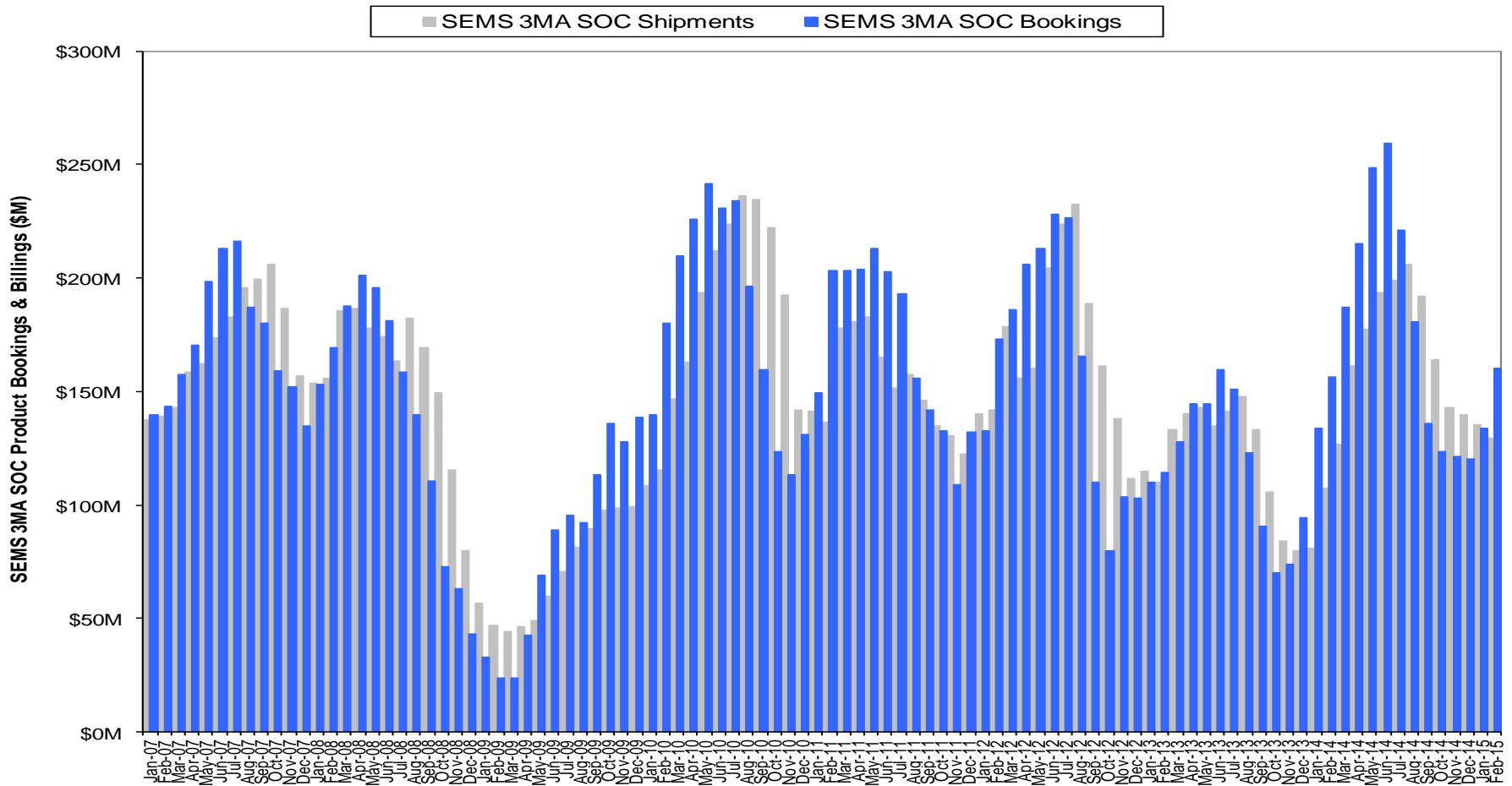
Sales/Region

	Q4'14	Q1'15
Asia	71%	72%
US	16%	14%
Europe	8%	6%
Japan	4%	7%
Rest of World	1%	1%
Total	100%	100%

Backlog ending Q1'15: \$544M

Shippable within 6 months: ~85%

SOC TEST 3 MONTH MOVING AVERAGE BOOK/BILL



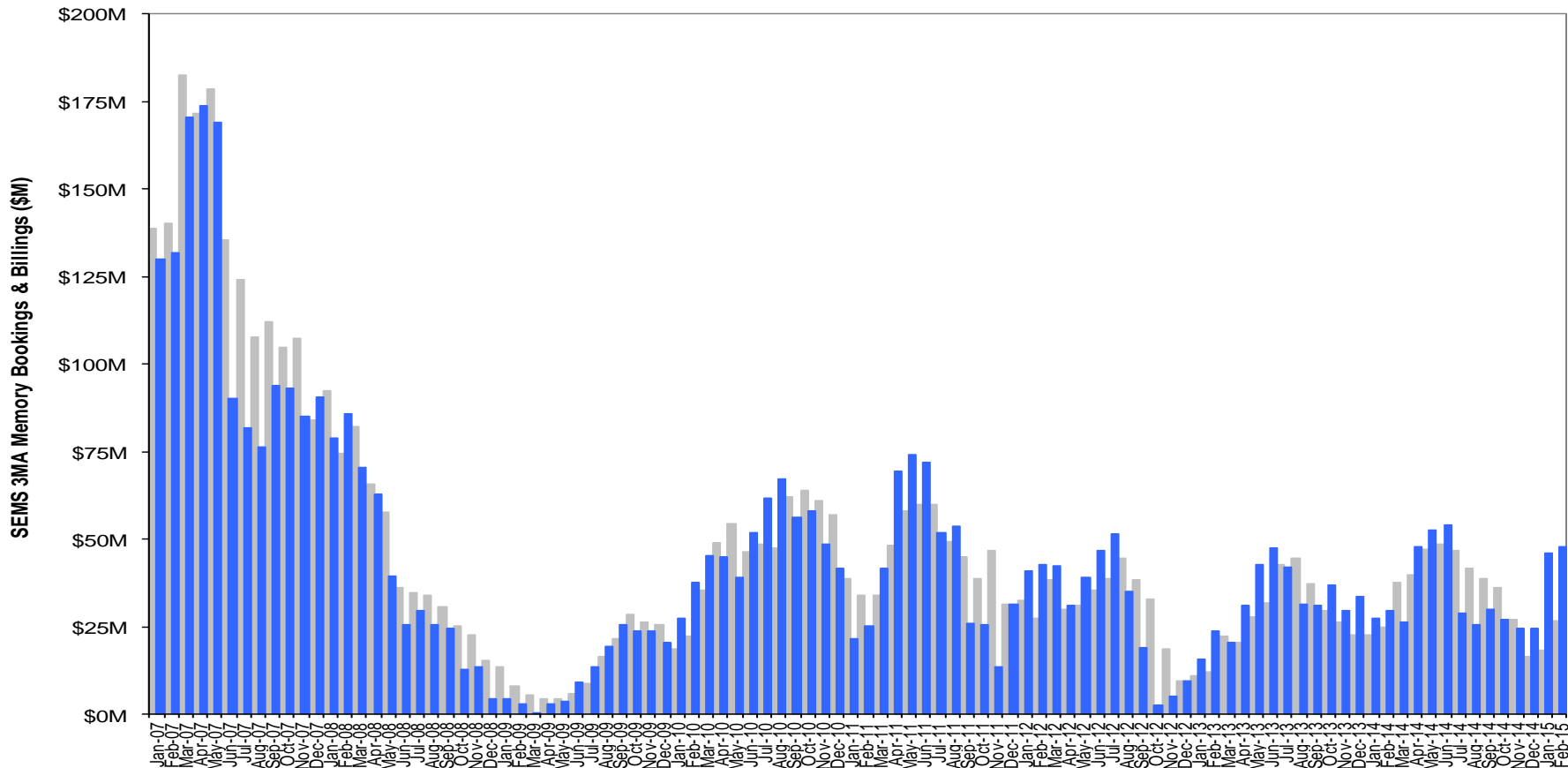
SoC Test Market Size
SoC Test Buy Rate

	2007	2008	2009	2010	2011	2012	2013	2014
SoC Test Market Size	\$2.5B	\$2.3B	\$1.3B	\$2.7B	\$2.5B	\$2.6B	\$1.9B	\$2.3B
SoC Test Buy Rate	1.5%	1.4%	0.9%	1.4%	1.3%	1.3%	0.9%	1.1%

Source: WWSEMS, February 2015 (Worldwide Semiconductor Equipment Market Statistics) – Product only; augmented to include service; VLSI Research Inc.

MEMORY TEST 3 MONTH MOVING AVERAGE BOOK/BILL

■ SEMS 3MA Memory Shipments ■ SEMS 3MA Memory Bookings



Memory Test Market Size

2007

\$1.8B

2008

\$0.7B

2009

\$0.2B

2010

\$0.7B

2011

\$0.6B

2012

\$0.5B

2013

\$0.4B

2014

\$0.5B

Memory Test Buy Rate

3.1%

1.6%

0.4%

1.1%

1.0%

0.8%

0.7%

0.6%

Source: WWSEMS, February 2015 (Worldwide Semiconductor Equipment Market Statistics) – Product only; augmented to include service; VLSI Research Inc.

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

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Quarter Ended											
	April 5, 2015		December 31, 2014		March 30, 2014		April 5, 2015		December 31, 2014		March 30, 2014	
		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues		% of Net Revenues
Net revenues	\$ 342.4		\$ 323.2		\$ 321.0		\$ 342.4		\$ 323.2		\$ 321.0	
Gross profit - GAAP	\$ 192.4	56.2%	\$ 160.2	49.6%	\$ 167.0	52.0%	\$ 192.4	56.2%	\$ 160.2	49.6%	\$ 167.0	52.0%
Pension mark-to-market adjustments ⁽¹⁾	-	-	12.7	3.9%	-	-	-	-	12.7	3.9%	-	-
Gross profit - non-GAAP	\$ 192.4	56.2%	\$ 172.9	53.5%	\$ 167.0	52.0%	\$ 192.4	56.2%	\$ 172.9	53.5%	\$ 167.0	52.0%
Income (loss) from operations - GAAP	\$ 35.1	10.3%	\$ (126.2)	-39.0%	\$ 3.7	1.2%	\$ 35.1	10.3%	\$ (126.2)	-39.0%	\$ 3.7	1.2%
Acquired intangible asset amortization	13.8	4.0%	16.0	5.0%	18.3	5.7%	13.8	4.0%	16.0	5.0%	18.3	5.7%
Goodwill impairment ⁽²⁾	-	-	98.9	30.6%	-	-	-	-	98.9	30.6%	-	-
Restructuring and other ⁽³⁾	-	-	1.2	0.4%	-	-	-	-	1.2	0.4%	-	-
Pension mark-to-market adjustments ⁽¹⁾	-	-	46.6	14.4%	-	-	-	-	46.6	14.4%	-	-
Equity modification charge ⁽⁴⁾	-	-	-	-	6.6	2.1%	-	-	-	-	6.6	2.1%
Income from operations - non-GAAP	\$ 48.9	14.3%	\$ 36.5	11.3%	\$ 28.6	8.9%	\$ 48.9	14.3%	\$ 36.5	11.3%	\$ 28.6	8.9%

	Net Income per Common Share				Net Income per Common Share				Net Income per Common Share			
	April 5, 2015		December 31, 2014		March 30, 2014		April 5, 2015		December 31, 2014		March 30, 2014	
		% of Net Revenues	Basic	Diluted		% of Net Revenues	Basic	Diluted		% of Net Revenues	Basic	Diluted
Net income (loss) - GAAP	\$ 32.8	9.6%	\$ 0.15	\$ 0.15	\$ (103.8)	-32.1%	\$ (0.48)	\$ (0.48)	\$ 0.9	0.3%	\$ 0.00	\$ 0.00
Acquired intangible asset amortization	13.8	4.0%	0.06	0.06	16.0	5.0%	0.07	0.07	18.3	5.7%	0.09	0.08
Interest and other ⁽⁵⁾	(4.8)	-1.4%	(0.02)	(0.02)	-	-	-	-	4.3	1.3%	0.02	0.02
Goodwill impairment ⁽²⁾	-	-	-	-	98.9	30.6%	0.46	0.45	-	-	-	-
Restructuring and other ⁽³⁾	-	-	-	-	1.2	0.4%	0.01	0.01	-	-	-	-
Pension mark-to-market adjustments ⁽¹⁾	-	-	-	-	46.6	14.4%	0.22	0.21	-	-	-	-
Equity modification charge ⁽⁴⁾	-	-	-	-	-	-	-	-	6.6	2.1%	0.03	0.03
Exclude discrete tax adjustments ⁽⁶⁾	(1.8)	-0.5%	(0.01)	(0.01)	1.5	0.5%	0.01	0.01	(2.4)	-0.7%	(0.01)	(0.01)
Tax effect of non-GAAP adjustments	(2.4)	-0.7%	(0.01)	(0.01)	(29.3)	-9.1%	(0.14)	(0.13)	(5.3)	-1.6%	(0.03)	(0.02)
Convertible share adjustment ⁽⁷⁾	-	-	-	-	-	-	-	-	-	-	-	0.01
Net income - non-GAAP	\$ 37.6	11.0%	\$ 0.17	\$ 0.17	\$ 31.1	9.6%	\$ 0.14	\$ 0.14	\$ 22.4	7.0%	\$ 0.12	\$ 0.11

	April 5, 2015	December 31, 2014	March 30, 2014
GAAP and non-GAAP weighted average common shares - basic	217.2	216.5	193.3
GAAP weighted average common shares - diluted	218.8	216.5	236.5
Include GAAP dilutive shares	-	2.3	-
Exclude dilutive shares from convertible note	-	-	(20.1)
Non-GAAP weighted average common shares - diluted ⁽⁷⁾	218.8	218.8	216.4

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

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

(2) Goodwill impairment related to Teradyne's Wireless Test business segment.

(3) Restructuring and other consists of:

	Quarter Ended		
	April 5, 2015	December 31, 2014	March 30, 2014
Employee severance	\$ -	\$ 0.8	\$ -
Acquisition costs	-	0.4	-
	<u>\$ -</u>	<u>\$ 1.2</u>	<u>\$ -</u>

(4) 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 31, 2014 retirement.

(5) For the quarter ended April 5, 2015, Interest and other included a gain from the sale of an equity investment. For the quarter ended March 30, 2014, Interest and other included non-cash convertible debt interest expense.

(6) For the quarters ended April 5, 2015, December 31, 2014 and 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)

	December 31, 2014		Quarter Ended				December 31, 2013	
	\$	% of Net Revenues	September 28, 2014	% of Net Revenues	Basic	Diluted	\$	% of Net Revenues
Net revenues	\$ 323.2		\$ 478.0				\$ 285.3	
Gross profit - GAAP	\$ 160.2	49.6%	\$ 261.1	54.6%			\$ 159.9	56.0%
Pension mark-to-market adjustments (1)	12.7	3.9%	-	-			(2.7)	-0.9%
Gross profit - non-GAAP	\$ 172.9	53.5%	\$ 261.1	54.6%			\$ 157.2	55.1%
(Loss) income from operations - GAAP	\$ (126.2)	-39.0%	\$ 98.2	20.5%			\$ 6.8	2.4%
Acquired intangible asset amortization	16.0	5.0%	18.3	3.8%			18.3	6.4%
Goodwill impairment (2)	98.9	30.6%	-	-			-	-
Restructuring and other (3)	1.2	0.4%	(0.4)	-0.1%			0.6	0.2%
Pension mark-to-market adjustments (1)	46.6	14.4%	-	-			(9.0)	-3.2%
Income from operations - non-GAAP	\$ 36.5	11.3%	\$ 116.1	24.3%			\$ 16.7	5.9%

	December 31, 2014		Net Income per Common Share				September 28, 2014		Net Income per Common Share				December 31, 2013	
	\$	% of Net Revenues	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net (loss) income - GAAP	\$ (103.8)	-32.1%	\$ (0.48)	\$ (0.48)	\$ 0.40	\$ 0.38	\$ 22.3	7.8%	\$ 0.12	\$ 0.09	\$ 0.12	\$ 0.09	\$ 0.12	\$ 0.09
Acquired intangible asset amortization	16.0	5.0%	0.07	0.07	0.09	0.08	18.3	6.4%	0.10	0.08	0.10	0.08	0.10	0.08
Goodwill impairment (2)	98.9	30.6%	0.46	0.45	-	-	-	-	-	-	-	-	-	-
Restructuring and other (3)	1.2	0.4%	0.01	0.01	(0.00)	(0.00)	(0.4)	-0.1%	0.00	0.00	0.6	0.2%	0.00	0.00
Pension mark-to-market adjustments (1)	46.6	14.4%	0.22	0.21	-	-	-	-	-	-	(9.0)	-3.2%	(0.05)	(0.04)
Exclude discrete tax adjustments (4)	1.5	0.5%	0.01	0.01	(1.6)	(0.01)	(1.6)	-0.3%	(0.01)	(0.01)	-	-	-	-
Tax effect of non-GAAP adjustments	(29.3)	-9.1%	(0.14)	(0.13)	(3.4)	(0.02)	(3.4)	-0.7%	(0.02)	(0.02)	-	-	-	-
Income tax adjustment (5)	-	-	-	-	-	-	-	-	-	-	11.1	3.9%	0.06	0.05
Interest and other (6)	-	-	-	-	-	-	-	-	-	-	(30.0)	-10.5%	(0.16)	(0.13)
Convertible share adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02
Net income - non-GAAP	\$ 31.1	9.6%	\$ 0.14	\$ 0.14	\$ 0.46	\$ 0.44	\$ 13.3	4.7%	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07

	December 31, 2014	September 28, 2014	December 31, 2013
GAAP and non-GAAP weighted average common shares - basic	216.5	207.4	191.5
GAAP weighted average common shares - diluted	216.5	218.3	236.9
Include GAAP dilutive shares	2.3	-	-
Exclude dilutive shares from convertible note	-	-	(42.4)
Non-GAAP weighted average common shares - diluted	218.8	218.3	194.5

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⁾	-	-	(9.0)	-3.2%	-	-
Income from operations - non-GAAP	\$ 28.6	8.9%	\$ 16.7	5.9%	\$ 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%	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 31, 2014 retirement.

(3) Restructuring and other consists of:

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

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Quarter Ended		September 29,	
	June 29, 2014	% of Net Revenues	2013	% of Net Revenues
Net revenues	\$ 525.6		\$ 433.4	
Gross profit - GAAP and non-GAAP	\$ 290.4	55.3%	\$ 254.3	58.7%
Income from operations - GAAP	\$ 120.7	23.0%	\$ 93.5	21.6%
Acquired intangible asset amortization	18.3	3.5%	18.1	4.2%
Restructuring and other ⁽¹⁾	0.6	0.1%	0.9	0.2%
Income from operations - non-GAAP	<u>\$ 139.6</u>	<u>26.6%</u>	<u>\$ 112.5</u>	<u>26.0%</u>

	June 29, 2014		Net Income per Common Share		September 29, 2013		Net Income per Common Share	
	% of Net Revenues			% of Net Revenues				
		Basic	Diluted		Basic	Diluted		
Net income - GAAP	\$ 101.2	19.3%	\$ 0.52	\$ 0.47	\$ 69.5	16.0%	\$ 0.36	\$ 0.29
Acquired intangible asset amortization	18.3	3.5%	0.09	0.08	18.1	4.2%	0.09	0.08
Restructuring and other ⁽¹⁾	0.6	0.1%	0.00	0.00	0.9	0.2%	0.00	0.00
Exclude discrete tax adjustments ⁽²⁾	(0.5)	-0.1%	(0.00)	(0.00)	-	-	-	-
Tax effect of non-GAAP adjustments	(3.2)	-0.6%	(0.02)	(0.01)	-	-	-	-
Income tax adjustment ⁽⁴⁾	-	-	-	-	2.5	0.6%	0.01	0.01
Interest and other ⁽³⁾	-	-	-	-	4.0	0.9%	0.02	0.02
Convertible share adjustment ⁽⁵⁾	-	-	-	-	-	-	-	0.06
Net income - non-GAAP	<u>\$ 116.4</u>	<u>22.1%</u>	<u>\$ 0.60</u>	<u>\$ 0.54</u>	<u>\$ 95.0</u>	<u>21.9%</u>	<u>\$ 0.50</u>	<u>\$ 0.46</u>

GAAP and non-GAAP weighted average common shares - basic	194.4	191.3
GAAP weighted average common shares - diluted	216.6	235.8
Exclude dilutive shares from convertible note	-	(23.3)
Non-GAAP weighted average common shares - diluted ⁽⁶⁾	<u>216.6</u>	<u>212.5</u>

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	<u>Q1'14</u>		<u>Q4'14</u>		<u>Q1'15</u>		<u>Q2'15 Low Guidance</u>		<u>Q2'15 High Guidance</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>	<u>\$'s</u>	<u>% of sales</u>
GAAP Operating Expenses	\$163	51%	\$286	89%	\$157	46%	\$165	35%	\$166	33%
Intangible Asset Amortization	-\$18	-6%	-\$16	-5%	-\$14	-4%	-\$14	-3%	-\$14	-3%
Restructuring and Other			-\$1	0%						
CEO Equity Modification	-\$7	-2%								
Pension MTM			-\$34	-10%						
Goodwill Impairment			-\$99	-31%						
Non GAAP Operating Expenses	<u>\$138</u>	<u>43%</u>	<u>\$136</u>	<u>42%</u>	<u>\$143</u>	<u>42%</u>	<u>\$151</u>	<u>32%</u>	<u>\$152</u>	<u>31%</u>

	<u>Q1'15</u>
GAAP Net Interest and Other Income	<u>\$7</u>
Gain from sale of Equity Investment	<u>-\$5</u>
Non-GAAP Net Interest and Other Income	<u>\$3</u>

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Q1'14		Q4'14		Q1'15	
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>
GAAP Income Tax	-\$3	149%	-\$21	17%	\$10	23%
Exclude discrete tax adjustments	\$2	-128%	-\$2	1%	\$2	4%
Tax effect of non-GAAP adjustments	\$5	-283%	\$29	-23%	\$2	6%
Income tax adjustment						
Effect of Higher Non-GAAP PBT		280%		23%		-6%
Non GAAP Income Tax	<u>\$5</u>	<u>18%</u>	<u>\$7</u>	<u>18%</u>	<u>\$14</u>	<u>27%</u>

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

- Q1 2014 and Q4 2014 R&D and SG&A expense as a % of sales differ by the following:

	Q1'14		Q4'14	
	\$'s	% of sales	\$'s	% of sales
GAAP SG&A Expense	\$78	24%	\$91	28%
Pension MTM			-\$22	-7%
CEO Equity Modification	-\$7	-2%		
Non GAAP SG&A Expense	\$71	22%	\$70	22%

	Q1'14		Q4'14	
	\$'s	% of sales	\$'s	% of sales
GAAP R&D Expense	\$67	24%	\$79	24%
Pension MTM			-\$12	-4%
Non GAAP R&D Expense	\$67	24%	\$67	21%

- Q1 2015 and Q2 2015 guidance for Gross Margin, R&D, and SG&A expense as a % of sales are the same for GAAP and Non-GAAP

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

GAAP to Non-GAAP Reconciliation of Second Quarter 2015 guidance:

GAAP and non-GAAP second quarter revenue guidance:	\$470 million	to	\$500 million
GAAP net income per diluted share	\$ 0.37		\$ 0.43
Exclude acquired intangible asset amortization	0.06		0.06
Tax effect of non-GAAP adjustment	(0.02)		(0.02)
Non-GAAP net income per diluted share	<u>\$ 0.42</u>		<u>\$ 0.48</u>

Second Quarter Guidance:	<u>Low End</u>	<u>High End</u>
GAAP Operating Profit as % of Sales	<u>23%</u>	<u>26%</u>
Acquired intangible asset amortization	<u>3%</u>	<u>3%</u>
Non-GAAP Operating Profit as % of Sales	26%	28%

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 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>Q1'14</u>	<u>Q4'14</u>	<u>Q1'15</u>	<u>Q2'15E</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
GAAP Cash Flow From Operations, Excl Disc Ops	-\$26	\$175	\$38	\$125	\$405	\$269	\$494
Include Property, Plant and Equipment Additions	-\$31	-\$23	-\$21	-\$21	-\$119	-\$107	-\$170
Non-GAAP Operating Cash Flow ("Free Cash Flow")	-\$57	\$152	\$16	\$104	\$285	\$162	\$323