

Teradyne, Inc.

Certain Non-GAAP financial measures discussed during the Second Quarter of 2011 Earnings Conference Call July 2011

On the Company's earnings conference call on July 28, 2011, the following non-GAAP financial measures were discussed or presented:

- Q3 2011 non-GAAP operating profit guidance of 15% to 17%
- Q3 2011 non GAAP diluted EPS guidance of \$0.22 - \$0.26
- Q2 2011 non-GAAP income from continuing operations of \$101.5 million
- Model non-GAAP operating profit of 15%
- Q4 2010 non-GAAP operating profit of 20%
- Q4 2010 non-GAAP diluted EPS of \$0.35
- Q1 2011 non-GAAP diluted EPS of \$0.39
- Q2 2010 non-GAAP diluted EPS of \$0.69
- Q2 2011 non-GAAP diluted EPS of \$0.50
- Q2 2011 non-GAAP operating profit of 27%
- Average quarterly non-GAAP operating profit of 27% for the last six quarters
- Average quarterly non-GAAP operating cash flow ("free cash flow") as a percentage of sales of 24% for the last six quarters
- Q2 2011 non-GAAP gross margin of 52%
- Q1 2011 non-GAAP gross margin of 51%
- Q2 2011 non-GAAP R&D expense amount of \$47 million and as a percentage of sales of 12%
- Q1 2011 non-GAAP R&D expense amount of \$48 million and as a percentage of sales of 13%
- Q2 2011 non-GAAP SG&A expense amount of \$57 million and as a percentage of sales of 14%
- Q1 2011 non-GAAP SG&A expense amount of \$58 million and as a percentage of sales of 15%
- Q2 2011 non-GAAP operating expenses of \$105 million
- \$1 million decrease in non-GAAP operating expenses from Q1 2011 to Q2 2011
- Q2 2011 non-GAAP interest and other expense of \$1 million
- Q2 2011 cash flow used provided by operations after capital additions ("free cash flow") of \$80 million
- Q3 2011 non-GAAP diluted weighted average share guidance of 207 million shares
- Q3 2011 mid point of guidance non-GAAP operating profit of 16%
- Q3 2011 non-GAAP gross margin guidance of 47%
- Q3 2011 non-GAAP guidance R&D expense as a percentage of sales of 15%
- Q3 2011 non-GAAP guidance SG&A expense as a percentage of sales of 16% to 17%
- Q3 2011 non-GAAP guidance net interest expense of \$1.6 million
- Q1 2010 non-GAAP gross margin amount of \$170 million and as a percentage of sales of 53%
- Q1 2010 non-GAAP R&D expense amount of \$48 million and as a percentage of sales of 15%
- Q1 2010 non-GAAP SG&A expense amount of \$55 million and as a percentage of sales of 17%
- Q1 2010 non-GAAP operating profit amount of \$67 million and as a percentage of sales of 21%
- Q2 2010 non-GAAP gross margin amount of \$251 million and as a percentage of sales of 56%
- Q2 2010 non-GAAP R&D expense amount of \$49 million and as a percentage of sales of 11%
- Q2 2010 non-GAAP SG&A expense amount of \$58 million and as a percentage of sales of 13%
- Q2 2010 non-GAAP operating profit amount of \$144 million and as a percentage of sales of 32%
- Q3 2010 non-GAAP gross margin amount of \$272 million and as a percentage of sales of 55%

- Q3 2010 non-GAAP R&D expense amount of \$49 million and as a percentage of sales of 10%
- Q3 2010 non-GAAP SG&A expense amount of \$60 million and as a percentage of sales of 12%
- Q3 2010 non-GAAP operating profit amount of \$162 million and as a percentage of sales of 33%
- Q4 2010 non-GAAP gross margin amount of \$163 million and as a percentage of sales of 53%
- Q4 2010 non-GAAP R&D expense amount of \$47 million and as a percentage of sales of 15%
- Q4 2010 non-GAAP SG&A expense amount of \$54 million and as a percentage of sales of 17%
- Q4 2010 non-GAAP operating profit amount of \$63 million and as a percentage of sales of 20%
- Q1 2011 non-GAAP gross margin amount of \$192 million
- Q2 2011 non-GAAP gross margin amount of 215 million
- Q1 2011 non-GAAP operating profit amount of \$86 million
- Q2 2011 non-GAAP operating profit amount of \$110 million
- Q1 2010 non-GAAP operating cash flow ("free cash flow") as a percentage of sales of 3%
- Q2 2010 non-GAAP operating cash flow ("free cash flow") as a percentage of sales of 20%
- Q3 2010 non-GAAP operating cash flow ("free cash flow") as a percentage of sales of 48%
- Q4 2010 non-GAAP operating cash flow ("free cash flow") as a percentage of sales of 50%
- Q1 2011 non-GAAP operating cash flow ("free cash flow") as a percentage of sales of 1%
- Q2 2011 non-GAAP operating cash flow ("free cash flow") as a percentage of sales of 20%
- Q2 2010, Q1 2011 and Q2 2011 non-GAAP gross margin of 56.3%, 51.0% and 52.4%, respectively
- Q2 2010, Q1 2011 and Q2 2011 non-GAAP R&D expense as a percentage of sales of 11.1%, 12.7% and 11.5%, respectively
- Q2 2010, Q1 2011 and Q2 2011 non-GAAP SG&A expense as a percentage of sales of 13.0%, 15.4% and 14.0%, respectively
- Q2 2010, Q1 2011 and Q2 2011 non-GAAP operating profit of 32.3%, 22.9% and 26.8%, respectively
- Q2 2010 non-GAAP diluted weighted average shares of 197 million shares
- Q1 2011 non-GAAP diluted weighted average shares of 209 million shares
- Q2 2011 non-GAAP diluted weighted average shares of 208 million shares
- Q2 2010 non-GAAP free cash flow of \$89 million
- Q1 2011 non-GAAP free cash flow of \$2 million
- Non-GAAP model revenue of \$295 million including no Hard Disk Hard and High-Speed Memory revenue
- Non-GAAP model revenue of \$305 million including \$25 million of Hard Disk Hard and High-Speed Memory revenue
- Non-GAAP model revenue of \$315 million including \$50 million of Hard Disk Hard and High-Speed Memory revenue
- Non-GAAP model revenue of \$325 million including \$75 million of Hard Disk Hard and High-Speed Memory revenue

Please see the attached GAAP to Non-GAAP reconciliations for a reconciliation of additional non-GAAP financial measures included in the Company's Second Quarter 2011 earnings release and that were discussed or presented on the Company's earnings conference call on July 28, 2011.

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, 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.

GAAP to non-GAAP reconciliation of second quarter 2011 cash flow from operations:

GAAP cash flow from operations for second quarter of 2011 (in millions)	\$102
Include property, plant and equipment additions	<u>(22)</u>
Non-GAAP cash flow from operations for second quarter of 2011	<u>\$ 80</u>

GAAP to non-GAAP reconciliation of first quarter 2011 cash flow from operations:

GAAP cash flow from operations for first quarter 2011(in millions)	\$24
Include property, plant and equipment additions	<u>(22)</u>
Non-GAAP cash flow from operations for first quarter 2011	<u>\$2</u>

GAAP to non-GAAP reconciliation of second quarter 2010 cash flow from operations:

GAAP cash flow from operations for second quarter of 2010 (in millions)	\$107
Include property, plant and equipment additions	<u>(18)</u>
Non-GAAP cash flow from operations for second quarter of 2010	<u>\$ 89</u>

	<u>Q1'10</u>	<u>Q2'10</u>	<u>Q3'10</u>	<u>Q4'10</u>	<u>Q1'11</u>	<u>Q2'11</u>
GAAP cash flows from continuing operations as a % of sales	8%	24%	52%	57%	6%	25%
Include property, plant and equipment additions as a % of sales	<u>-5%</u>	<u>-4%</u>	<u>-4%</u>	<u>-7%</u>	<u>-6%</u>	<u>-4%</u>
Non-GAAP cash flow from continuing operations as a % of sales	3%	20%	48%	50%	1%	20%

Q1 2010 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q2 2010 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q3 2010 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q4 2010 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q1 2011 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q2 2011 Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP results

Q3 2011 Non-GAAP Guidance: Gross Margin, R&D and SG&A amounts and expense as a % of sales are the same for GAAP and Non-GAAP guidance

GAAP to non-GAAP reconciliation of Q2 2011 operating expenses:	
Q2 2011 GAAP operating expenses (in millions)	\$113
Exclude intangible asset amortization	(7)
Exclude restructuring and other, net, costs	<u>(1)</u>
Q2 2011 non-GAAP operating expenses	<u>\$105</u>
GAAP to non-GAAP reconciliation of decrease in non-GAAP operating expenses:	
Decrease in GAAP operating expenses from Q1 2011 to Q2 2011	(\$1)
Plus decrease in restructuring and other, net, costs	<u>0</u>
Decrease in non-GAAP operating expenses from Q1 2011 to Q2 2011	<u>(\$1)</u>
GAAP to non-GAAP reconciliation of Q2 2011 interest and other expense:	
Q2 2011 GAAP interest and other expense (in millions)	\$4.0
Exclude non-cash convertible debt interest	<u>(3.0)</u>
Q2 2011 non-GAAP interest and other expense	<u>\$1.0</u>
GAAP to non-GAAP reconciliation of Q3 2011 interest and other expense guidance:	
Q3 2011 GAAP interest and other expense (in millions)	\$4.6
Exclude non-cash convertible debt interest	<u>(3.0)</u>
Q3 2011 Non-GAAP interest and other expense guidance	<u>\$1.6</u>

Teradyne's non-GAAP model revenue (15% profit) is \$295 million including no Hard Disk Hard and High-Speed Memory revenue, \$305 million including \$25 million of Hard Disk Hard and High-Speed Memory revenue, \$315 million including \$50 million of Hard Disk Hard and High-Speed Memory revenue and \$325 million including \$75 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.

In addition to disclosing results that are determined in accordance with GAAP, Teradyne also discloses on the earnings call these 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 our 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. This 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.

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Quarter Ended											
	July 3, 2011	% of Net Revenues	April 3, 2011		% of Net Revenues	July 4, 2010		% of Net Revenues				
Net Revenues	\$ 410.5		\$ 377.2		\$ 445.3							
Income from Operations - GAAP	\$ 101.6	24.8%	\$ 78.5	20.8%	\$ 136.1	30.6%						
Acquired intangible asset amortization	7.3	1.8%	7.3	1.9%	7.3	1.6%						
Restructuring and other, net ⁽¹⁾	1.3	0.3%	0.4	0.1%	0.4	0.1%						
Income from Operations - non-GAAP	<u>\$ 110.2</u>	<u>26.8%</u>	<u>\$ 86.2</u>	<u>22.9%</u>	<u>\$ 143.8</u>	<u>32.3%</u>						
	July 3, 2011	% of Net Revenues	Income per Common Share from Continuing Operations		April 3, 2011	% of Net Revenues	Income per Common Share from Continuing Operations		July 4, 2010	% of Net Revenues	Income per Common Share from Continuing Operations	
Income from Continuing Operations - GAAP	\$ 89.9	21.9%	\$ 0.48	\$ 0.39	\$ 68.1	18.1%	\$ 0.37	\$ 0.29	\$ 122.5	27.5%	\$ 0.68	\$ 0.55
Acquired intangible asset amortization	7.3	1.8%	0.04	0.04	7.3	1.9%	0.04	0.03	7.3	1.6%	0.04	0.04
Restructuring and other, net ⁽¹⁾	1.3	0.3%	0.01	0.01	0.4	0.1%	-	-	0.4	0.1%	-	-
Convertible share adjustment ⁽²⁾	-	-	-	0.05	-	-	-	0.06	-	-	-	0.09
Interest and other ⁽³⁾	3.0	0.7%	0.02	0.01	2.9	0.8%	0.02	0.01	2.6	0.6%	0.01	0.01
Income from Continuing Operations - non-GAAP	<u>\$ 101.5</u>	<u>24.7%</u>	<u>\$ 0.55</u>	<u>\$ 0.50</u>	<u>\$ 78.7</u>	<u>20.9%</u>	<u>\$ 0.43</u>	<u>\$ 0.39</u>	<u>\$ 132.8</u>	<u>29.8%</u>	<u>\$ 0.74</u>	<u>\$ 0.69</u>
GAAP and Non-GAAP Weighted Average Common Shares - Basic	185.4				184.7				180.0			
GAAP Weighted Average Common Shares - Diluted	230.5				232.1				231.5			
Exclude dilutive shares from convertible note	(22.7)				(23.4)				(34.7)			
Non-GAAP Weighted Average Common Shares - Diluted ⁽²⁾	<u>207.8</u>				<u>208.7</u>				<u>196.8</u>			

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

Quarter Ended

	July 3, 2011	April 3, 2011	July 4, 2010
Employee Severance	\$ 0.3	\$ 0.8	\$ 0.4
Non-U.S. Pension Settlement	0.9	-	-
Facility Related	-	(0.4)	-
	<u>\$ 1.3</u>	<u>\$ 0.4</u>	<u>\$ 0.4</u>

(2) For the quarters ended July 3, 2011, April 3, 2011 and July 4, 2010, 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, 17.9 million, 18.8 million and 11.2 million shares, respectively, have been included in non-GAAP diluted shares and net interest expense of \$2.4 million has been added back to non-GAAP net income for the non-GAAP diluted earnings per share calculation.

(3) For the quarters ended July 3, 2011, April 3, 2011 and July 4, 2010, Interest and Other included non-cash convertible debt interest.

GAAP to Non-GAAP Reconciliation of Third Quarter 2011 guidance:

GAAP and Non-GAAP third quarter revenue guidance:	\$320 million	to	\$340 million
GAAP income from continued operations per diluted share	\$0.15		\$0.18
Exclude acquired intangible asset amortization	\$0.03		\$0.03
Exclude non-cash convertible debt interest	\$0.01		\$0.01
Exclude dilutive shares from convertible note	\$0.03		\$0.04
Non-GAAP income from continuing operations per diluted share	\$0.22		\$0.26
GAAP income from operations as a % of revenue	13%		15%
Exclude acquired intangible asset amortization	2%		2%
Non - GAAP income from operations as a % of revenue	15%		17%
GAAP weighted average common shares - Diluted	228M		228M
Exclude dilutive shares from convertible debt	(21M)		(21M)
Non - GAAP weighted average common shares - Diluted	207M		207M

GAAP to Non-GAAP Reconciliation of Third Quarter 2011 mid guidance:

GAAP income from operations as a % of revenue	14%
Exclude acquired intangible asset amortization	2%

Non - GAAP income from operations as a % of revenue

16%

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Quarter Ended					
	December 31, 2010	% of Net Revenues	October 3, 2010	% of Net Revenues	April 4, 2010	% of Net Revenues
Net Revenues	\$ 310.2		\$ 491.4		\$ 319.3	
Income from Operations - GAAP	\$ 55.7	18.0%	\$ 157.0	31.9%	\$ 59.0	18.5%
Acquired intangible asset amortization	7.3	2.4%	7.3	1.5%	7.4	2.3%
Restructuring and other, net ⁽¹⁾	(0.1)	0.0%	(2.0)	-0.4%	0.9	0.3%
Income from Operations - non-GAAP	<u>\$ 62.9</u>	<u>20.3%</u>	<u>\$ 162.3</u>	<u>33.0%</u>	<u>\$ 67.3</u>	<u>21.1%</u>

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

	December 31, 2010	October 3, 2010	April 4, 2010
Employee Severance	\$ 0.2	\$ 0.5	\$ 0.9
Facility Related	(0.3)	(2.5)	-
Restructuring and other, net	<u>\$ (0.1)</u>	<u>\$ (2.0)</u>	<u>\$ 0.9</u>

Quarter Ended December 31, 2010

	Income per Common Share from Continuing Operations
	Diluted
Income from Continuing Operations - GAAP	\$ 0.26
Acquired intangible asset amortization	0.04
Convertible share adjustment ⁽¹⁾	0.04
Interest and other ⁽²⁾	0.01
Income from Continuing Operations - non-GAAP	<u>\$ 0.35</u>

(1) For the quarter ended December 31, 2010, 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, 13.1 million shares have been included in non-GAAP diluted shares and net interest expense of \$2.4 million has been added back to non-GAAP income from continuing operations for the non-GAAP diluted earnings per share calculation.

(2) For the quarter ended December 31, 2010, Interest and Other included non-cash convertible debt interest.