

## Teradyne, Inc.

### Certain Non-GAAP financial measures discussed during the First Quarter of 2010 Earnings Conference Call April 2010

On the Company's earnings conference call on April 22, 2010, the following non-GAAP financial measures were discussed or presented:

- Q1 2010 21% non-GAAP operating profit
- Q1 2010 non-GAAP earnings per share of \$0.33
- Q2 2008 (Last cycle's peak earnings per share) non-GAAP earnings per share of \$0.16
- Q2 2010 non-GAAP earnings per share guidance of \$0.45 to \$0.52
- Q2 2010 non-GAAP operating profit guidance of 25% to 27%
- Q1 2010 Semiconductor Test segment non-GAAP operating profit of approximately 26%
- Q1 2010 non-GAAP cash flow from operations of \$8.5 million
- Q1 2010, Q4 2009 and Q1 2009 non-GAAP gross margin of 52.6%, 48.2% and 28.7%, respectively
- Q1 2010, Q4 2009 and Q1 2009 non-GAAP R&D expense as a percentage of sales of 14.9%, 15.3% and 39.1%, respectively
- Q1 2010, Q4 2009 and Q1 2009 non-GAAP SG&A expense as a percentage of sales of 17.0%, 19.3% and 45.9%, respectively
- Q1 2010 non-GAAP operating expenses of \$105 million
- Q1 2010 non-GAAP interest and other expense of \$2.5 million
- Q2 2010 non-GAAP weighted average diluted common shares guidance of 200 million shares
- Q2 2010 mid point of guidance non-GAAP operating profit of about 26.5%
- Q2 2010 non-GAAP gross margin guidance of about 53%
- Q2 2010 non-GAAP guidance R&D expense as a percentage of sales of about 13%
- Q2 2010 non-GAAP guidance SG&A expense as a percentage of sales of about 14%
- Q2 2010 non-GAAP guidance net interest expense of \$2.2 million
- 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

Please see the attached GAAP to Non-GAAP reconciliation for a reconciliation of additional non-GAAP financial measures included in the Company's First Quarter 2010 earnings release and that were discussed or presented on the Company's earnings conference call on April 22, 2010.

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

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

GAAP cash flow from operations for first quarter of 2010 (in millions)	\$26.1
Include property, plant and equipment additions	<u>(17.6)</u>
Non-GAAP cash flow from operations for fiscal year 2009	<u>\$ 8.5</u>

Q1 2010 R&D expense as a % of sales of 14.9% is the same % for GAAP and non-GAAP results

Q1 2010 SG&A expense as a % of sales of 17.0% is the same % for GAAP and non-GAAP results

Q4 2009 R&D expense as a % of sales of 15.3% is the same % for GAAP and non-GAAP results

Q4 2009 SG&A expense as a % of sales of 19.3% is the same % for GAAP and non-GAAP results

Q1 2009 R&D expense as a % of sales of 39.1% is the same % for GAAP and non-GAAP results

Q1 2009 SG&A expense as a % of sales of 45.9% is the same % for GAAP and non-GAAP results

Q2 2008 R&D expense as a % of sales of 17.7% is the same % for GAAP and non-GAAP results

Q2 2008 SG&A expense as a % of sales of 20.6% is the same % for GAAP and non-GAAP results

For Q2 2010 non-GAAP guidance: Gross Margin, R&D and SG&A as a % of sales are the same % for GAAP and non-GAAP guidance

GAAP to non-GAAP reconciliation of Q1 2010 Semiconductor Test segment operating profit percentage:

Q1 2010 GAAP Semiconductor Test segment operating profit percentage	23%
Exclude intangible asset amortization	3
Exclude restructuring and other, net, costs	0
Q1 2010 non-GAAP Semiconductor Test segment operating profit percentage	26%

GAAP to non-GAAP reconciliation of Q1 2010 operating expenses:

Q1 2010 GAAP operating expenses (in millions)	\$113.5
Exclude intangible asset amortization	(7.4)
Exclude restructuring and other, net, costs	(1.3)
Q1 2010 non-GAAP operating expenses	<u>\$104.8</u>

GAAP to non-GAAP reconciliation of Q1 2010 interest and other expense:

Q1 2010 GAAP interest and other expense (in millions)	\$5.1
Exclude non-cash convertible debt interest	(2.5)
Q1 2010 non-GAAP interest and other expense	<u>\$2.6</u>

GAAP to non-GAAP reconciliation of Q2 2010 interest and other expense guidance:

Q2 2010 GAAP interest and other expense (in millions)	\$4.7
Exclude non-cash convertible debt interest	(2.5)
Q2 2010 Non-GAAP interest and other expense guidance	<u>\$2.2</u>

Teradyne's non-GAAP model revenue (15% profit) under its 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.

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:					
	April 4, 2010	% of Net Revenues	December 31, 2009	% of Net Revenues	April 5, 2009	% of Net Revenues
Net Revenues	\$ 329.6		\$ 267.1		\$ 120.6	
Gross Margin - GAAP	\$ 173.5	52.6%	\$ 124.4	46.6%	\$ 33.4	27.7%
Inventory step-up reversal <sup>(1)</sup>	-	-	4.6	1.7%	1.2	1.0%
Profit sharing adjustment <sup>(2)</sup>	-	-	(0.3)	-0.1%	-	-
Gross Margin - non-GAAP	\$ 173.5	52.6%	\$ 128.7	48.2%	\$ 34.6	28.7%
Income/(Loss) from Operations - GAAP	\$ 60.0	18.2%	\$ 24.3	9.1%	\$ (93.4)	-77.4%
Acquired intangible asset amortization	7.4	2.2%	7.6	2.8%	8.2	6.8%
Restructuring and other, net <sup>(3)</sup>	1.3	0.4%	0.1	0.0%	16.0	13.3%
Inventory step-up reversal <sup>(1)</sup>	-	-	4.6	1.7%	1.2	1.0%
Profit sharing adjustment <sup>(2)</sup>	-	-	(1.7)	-0.6%	-	-
Income/(Loss) from Operations - non-GAAP	\$ 68.7	20.8%	\$ 34.9	13.1%	\$ (68.0)	-56.4%

  

	April 4, 2010	% of Net Revenues	Net Income/(Loss) per Common Share		December 31, 2009	% of Net Revenues	Net Income/(Loss) per Common Share		April 5, 2009	% of Net Revenues	Net Income/(Loss) per Common Share	
			Basic	Diluted			Basic	Diluted			Basic	Diluted
Net Income/(Loss) - GAAP	\$ 50.1	15.2%	\$ 0.28	\$ 0.24	\$ 16.9	6.3%	\$ 0.10	\$ 0.09	\$ (90.7)	-75.2%	\$(0.53)	\$(0.53)
Acquired intangible asset amortization	7.4	2.2%	0.04	0.04	7.6	2.8%	0.04	0.04	8.2	6.8%	0.05	0.05
Interest and other <sup>(4)</sup>	2.5	0.8%	0.01	0.01	2.6	1.0%	0.01	0.01	2.6	2.2%	0.02	0.02
Restructuring and other, net <sup>(3)</sup>	1.3	0.4%	0.01	0.01	0.1	0.0%	0.00	0.00	16.0	13.3%	0.09	0.09
Convertible share adjustment <sup>(5)</sup>	-	-	-	0.03	-	-	-	-	-	-	-	-
Inventory step-up reversal <sup>(1)</sup>	-	-	-	-	4.6	1.7%	0.03	0.03	1.2	1.0%	0.01	0.01
Income tax adjustment	-	-	-	-	-	-	-	-	(2.9)	-2.4%	(0.02)	(0.02)
Profit sharing adjustment <sup>(2)</sup>	-	-	-	-	(1.7)	-0.6%	(0.01)	(0.01)	-	-	-	-
Net Income/(Loss) - non-GAAP	\$ 61.3	18.6%	\$ 0.35	\$ 0.33	\$ 30.1	11.3%	\$ 0.17	\$ 0.17	\$ (65.6)	-54.4%	\$(0.38)	\$(0.38)

  

GAAP and Non-GAAP Weighted Average Common Shares - Basic	176.9		174.8		172.1
GAAP Weighted Average Common Shares - Diluted	226.3		187.2		172.1
Exclude dilutive shares from convertible note hedge	-		(6.9)		-
Exclude dilutive shares from convertible note	(34.7)		-		-
Non-GAAP Weighted Average Common Shares - Diluted <sup>(5)</sup>	191.6		180.3		172.1

(1) Reversal of Eagle Test purchase accounting inventory step-up.

(2) Profit sharing adjustment for non-GAAP items. Commencing January 1, 2010, this adjustment is no longer made.

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

	Quarter Ended:		
	April 4, 2010	December 31, 2009	April 5, 2009
Employee Severance	\$ 1.3	\$ 0.6	\$ 16.7
Facility Related	-	(0.5)	-
Eagle Test Purchase Accounting Adjustment	-	-	(0.7)
	<u>\$ 1.3</u>	<u>\$ 0.1</u>	<u>\$ 16.0</u>

(4) For the quarter ended April 4, 2010 and December 31, 2009, Interest and Other includes non-cash convertible debt interest of \$2.5 million and \$2.4 million, respectively. For the quarter ended April 5, 2009, Interest and Other includes \$2.6 million for other-than-temporary impairment and realized (gains)/losses on marketable securities.

(5) For the quarter ended April 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, 9.1 million shares have been included in non-GAAP diluted shares and net interest expense of approximately \$2.4 million has been added back to non-GAAP net income for the non-GAAP diluted earnings per share calculation.

**GAAP to Non-GAAP Reconciliation of second quarter 2010 guidance:**

GAAP and Non-GAAP second quarter revenue guidance	\$390 million	\$420 million
GAAP net income per diluted share	\$ 0.33	\$ 0.40
Exclude acquired intangible asset amortization	0.04	0.04
Exclude restructuring and other	0.03	0.03
Exclude dilutive shares from convertible note	0.03	0.03
Exclude non-cash convertible debt interest	0.01	0.01
Non-GAAP net income per diluted share	<u>\$ 0.45</u>	<u>\$ 0.52</u>
GAAP operating profit	22%	24%
Exclude acquired intangible asset amortization	2%	2%
Exclude restructuring and other	1%	1%
Non-GAAP operating profit	25%	27%

**GAAP to Non-GAAP Reconciliation**

(In millions, except per share amounts)

	Last Cycle's Peak Quarter Ended:			Quarter Ended June 29, 2008 Income per Common Share from Continuing Operations - Diluted
	June 29, 2008	% of Net Revenues		
Net Revenues	\$ 317.7			
Gross Margin - GAAP and non-GAAP	\$ 153.8	48.4%		
Income from Operations - GAAP	\$ 14.7	4.6%	Income from Continuing Operations - GAAP	\$0.06
Acquired intangible asset amortization	4.8	1.5%	Acquired intangible asset amortization	\$0.03
Restructuring and other, net	12.7	4.0%	Restructuring and other, net	\$0.07
Profit sharing adjustment <sup>(2)</sup>	(0.7)	-0.2%	Profit sharing adjustment <sup>(2)</sup>	(\$0.00)
Income Operations - non-GAAP	\$ 31.5	9.9%	Income from Continuing Operations - non-GAAP	\$0.16

	Q2'10 Mid Guidance	
	July 4, 2010	% of Net Revenues
Q2'10 Mid Guidance Revenue	\$ 405.0	
Gross Margin - GAAP and non-GAAP	\$ 214.5	53.0%
Income from Operations - GAAP	\$ 95.3	23.5%
Acquired intangible asset amortization	7.4	1.8%
Restructuring and other, net	4.0	1.0%
Income Operations - non-GAAP	\$ 106.7	26.3%

	Q2'10 Mid Guidance		
	July 4, 2010	% of Net Revenues	Net Income per Common Share Diluted
Net Income - GAAP	\$ 80.4	19.9%	\$ 0.36
Acquired intangible asset amortization	7.4	1.8%	0.04
Interest and other <sup>(3)</sup>	2.5	0.6%	0.01
Restructuring and other, net	4.0	1.0%	0.03
Convertible share adjustment <sup>(1)</sup>	-	-	0.03
Net Income - non-GAAP	\$ 94.3	23.3%	\$ 0.48
GAAP Weighted Average Common Shares - Diluted	234.7		
Exclude dilutive shares from convertible note	(34.7)		
Non-GAAP Weighted Average Common Shares - Diluted <sup>(1)</sup>	200.0		

(1) 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. Net interest expense of approximately \$2.4 million has been added back to non-GAAP net income for the non-GAAP diluted earnings per share calculation.

(2) Profit sharing adjustment for non-GAAP items. Commencing January 1, 2010, this adjustment is no longer made.

(3) Interest and Other includes non-cash convertible debt interest of \$2.5 million