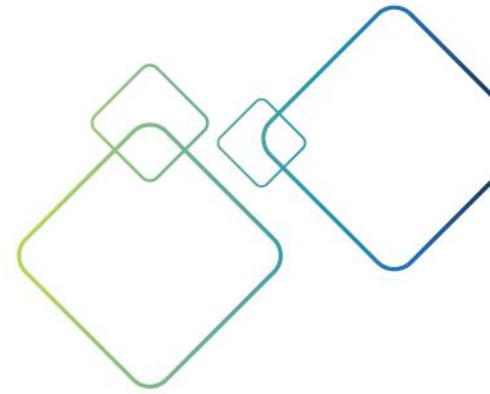


**TERADYNE**



Financial Results for Q2 2017  
July 27, 2017





# SAFE HARBOR

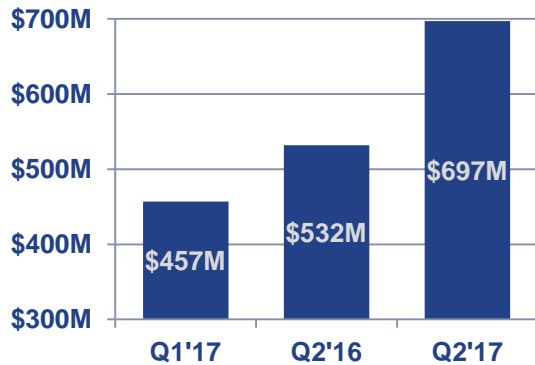
This presentation contains forward-looking statements regarding Teradyne's future business prospects, results of operations, market conditions, earnings per share, the payment of a quarterly dividend, the repurchase of Teradyne common stock pursuant to a share repurchase program, use of proceeds and potential dilution from the senior convertible notes offering and potential borrowings under 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, events, earnings per share, use of cash, payment of dividends, repurchases of common stock, payment of the senior convertible notes, or availability of, or borrowing under, the credit facility. 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, earnings per share, use of cash, dividend payments, repurchases of common stock, payment of the senior convertible notes, 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 from one of more significant customers; development, delivery and acceptance of new products; the ability to grow Universal Robots' business; increased research and development spending; deterioration of Teradyne's financial condition; the consummation or success of any mergers or acquisitions; unexpected cash needs; insufficient cash flow to make required payments and pay the principal amount on the senior convertible notes; the business judgment of the board of directors that a declaration of a dividend, the repurchase of common stock or borrowing 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, 2016 and the Quarterly Report on Form 10-Q for the fiscal quarter ended April 2, 2017. 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

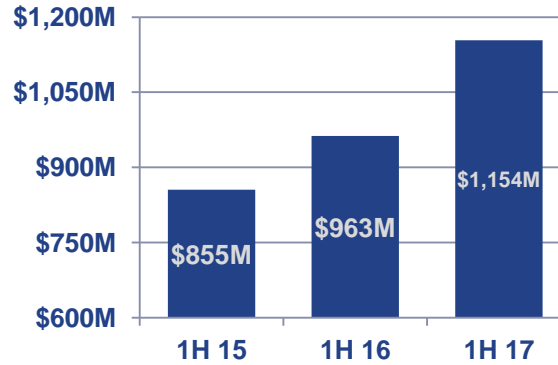
**Mark Jagiela, Teradyne President and CEO**



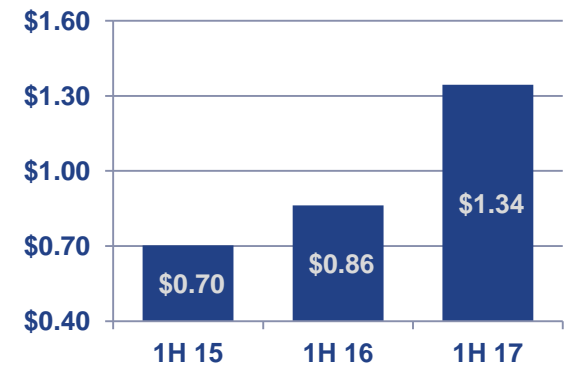
# Q2'17 Summary



**Quarterly Sales**



**1<sup>st</sup> Half Sales**



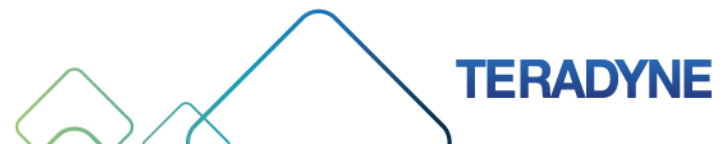
**1<sup>st</sup> Half Non-GAAP EPS<sup>(1)</sup>**

- Q2'17 sales of \$697M, up 31% from Q2'16
- Strength in Mobility, Automotive, Analog, Image Sensor and Microcontrollers in SemiTest
- Q2'17 UR sales of \$39M, up 57% from Q2'16

- SemiTest 1H'17 sales of \$949M up 22% from 1H'16
- Expect SOC Test market of ~\$2.6B and Memory Test market of \$550M - \$600M
- UR 1H'17 sales up 81% from 1H'16

- Q2'17 Non-GAAP EPS of \$0.90 up 64% from Q2'16
- 1H'17 Non-GAAP EPS of \$1.34 up 56% from 1H'16 driven by strength in SemiTest and UR

(1) See appendix for GAAP to Non-GAAP reconciliation



## Q2'17 Update

- Broad strength in SemiTest (Mobility, Automotive, Analog, Image Sensor, Microcontroller, Memory Test) driving market growth
- Universal Robots 1H'17 sales up 81% vs 1H'16 ; Expect 50%+ annual growth in 2017
- Universal Robots' expanding range of applications and powerful distribution system driving growth
- LitePoint 1H'17 up 24% from 1H'16. Market growth expected in 2018/2019 timeframe
- In 2017, plan to repurchase a minimum of \$200M in TER shares and pay \$56M in dividends

# Second Quarter Financial Results and Third Quarter Guidance

**Greg Beecher, Teradyne Vice President and Chief Financial Officer**



# Semiconductor Test Segment Summary

**Semiconductor Test**

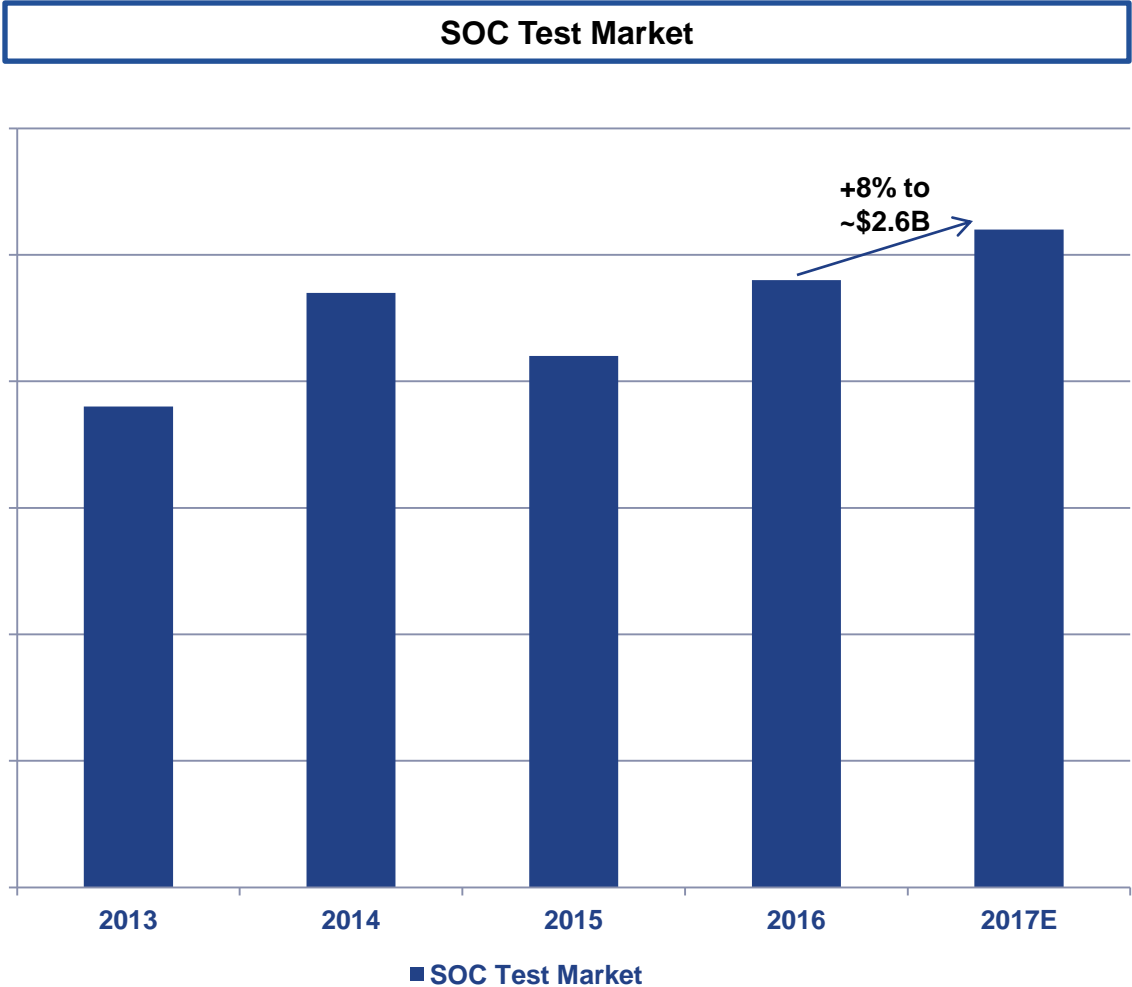
2<sup>nd</sup> Qtr Orders: \$369M  
2<sup>nd</sup> Qtr Sales: \$593M

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1H'17 SOC sales of \$876M up 22% from 1H'16

Mobility, Automotive, Analog, Microcontroller and Memory end markets driving 1H'17 strength

1H'17 Memory Test sales up 25% from 1H'16, results driven by NAND final test



# Segment Summary

## Industrial Automation

2<sup>nd</sup> Qtr Orders: \$33M  
2<sup>nd</sup> Qtr Sales: \$39M

1H'17 sales of \$76M up  
81% vs 1H'16

Continue to strengthen  
UR's distribution  
capabilities

Expanding array of  
applications showcased  
on UR+

## System Test

2<sup>nd</sup> Qtr Orders: \$29M  
2<sup>nd</sup> Qtr Sales: \$37M

Defense/Aerospace &  
Production Board Test  
performing above  
model profitability

Storage Test investing  
in new product; expect  
to return to model  
operating profits in Q4

## Wireless Test

2<sup>nd</sup> Qtr Orders: \$30M  
2<sup>nd</sup> Qtr Sales: \$28M

Double digit 1H'17  
operating profit rate

Preparing for next  
generation WiFi  
standard 802.11ax in  
2018/2019, 5G cellular  
in 2020



# Cash and Capital Return Summary

1.7M shares repurchased for \$57M at avg price of \$33.60, and \$14M in dividends in Q2'17

	Cash Resources <sup>(1)</sup>		
	<u>U.S.</u>	<u>Offshore</u>	<u>Total</u>
Gross Cash Resources at 7/02/2017	\$751M	\$869M	\$1,620M
Minimum Operating Balance	<u>\$300M</u>	<u>\$100M</u>	<u>\$400M</u>
Available Cash Resources	\$451M	\$769M	\$1,220M

U.S. vs. Foreign Cash Generation History <sup>(2)</sup>						
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>1H 2017</u>
<b>U.S.</b>	\$189M	\$199M	\$61M	\$88M	\$75M	\$36M
<b>Foreign</b>	\$113M	(\$19M)	\$283M	\$255M	\$305M	\$102M
<b>Total</b>	\$302M	\$180M	\$344M	\$343M	\$380M	\$138M
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>1H 2017</u>
<b>U.S. %</b>	63%	111%	18%	26%	20%	26%
<b>Foreign %</b>	37%	-11%	82%	74%	80%	74%

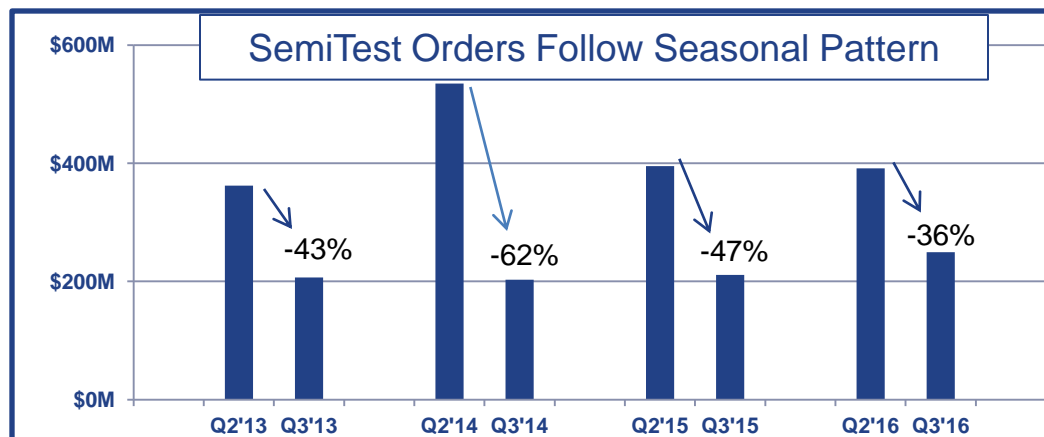
(1) Includes cash, cash equivalents and marketable securities

(2) Includes free cash flow plus approximately \$20M annually for cash received from Teradyne's Employee Stock Purchase Plan. Teradyne calculates free cash flow as: GAAP Cash flow from operations, excluding discontinued operations, less property, plant and equipment additions; see GAAP to non-GAAP reconciliations.

# Q2'17 Non-GAAP Results

\$s in millions, except EPS		Q2'16 Actual <sup>(1)</sup>		Q1'17 Actual <sup>(1)</sup>		Q2'17 Actual <sup>(1)</sup>
Sales		\$532M		\$457M		\$697M
Gross Margin	53.2%	\$283M	58.0%	\$265M	56.0%	\$391M
R&D	14.4%	\$76M	16.7%	\$76M	11.8%	\$82M
SG&A	15.4%	\$82M	18.6%	\$85M	12.9%	\$90M
OPEX	<u>29.8%</u>	<u>\$158M</u>	<u>35.2%</u>	<u>\$161M</u>	<u>24.8%</u>	<u>\$173M</u>
Operating Profit	23.4%	\$125M	22.7%	\$104M	31.3%	\$218M
Income Taxes (& effective tax rate)	10.5%	\$13M	16.0%	\$17M	16.7%	\$36M
EPS		\$0.55		\$0.44		\$0.90
Diluted Shares		205M		202M		201M
Net Orders		\$471M		\$595M		\$462M

# Q3'17 Non-GAAP Guidance



\$s in millions, except EPS	Q2'17 Actual <sup>(1)</sup>	Q3'17 Guidance <sup>(1)</sup>
Sales	\$697M	\$455M - \$485M
Gross Margin	56%	57%
OPEX	25%	34% - 37%
Operating Profit	31%	20% - 23%
Net Interest & Other Income	\$0M	\$1M
Effective Tax Rate	16.7%	16.5%
EPS	\$0.90	\$0.39 - \$0.46
Diluted Shares	201M	200M

# OPEX

Annual Non-GAAP OPEX <sup>(1)</sup>				
	2014	2015	2016	2017E
UR <sup>(2)</sup>		\$14M	\$43M	↑ +~\$25M
Test	\$525M	\$514M	\$513M	→ ~Flat
Variable Comp	<u>\$46M</u>	<u>\$61M</u>	<u>\$53M</u>	↑ +~\$25M
Total OPEX	\$571M	\$589M	\$609M	↑ +~\$50M

- UR OPEX increasing to ~\$20M per quarter by late 2017 on further distribution, UR+ and R&D investments
- Test OPEX ~flat YoY in 2017 excluding changes in variable compensation tied to profitability levels

(1) See attached appendix for GAAP to non-GAAP reconciliations; 2017E denotes movement vs 2016.

(2) Commencing from date of acquisition - June 12th, 2015 onwards

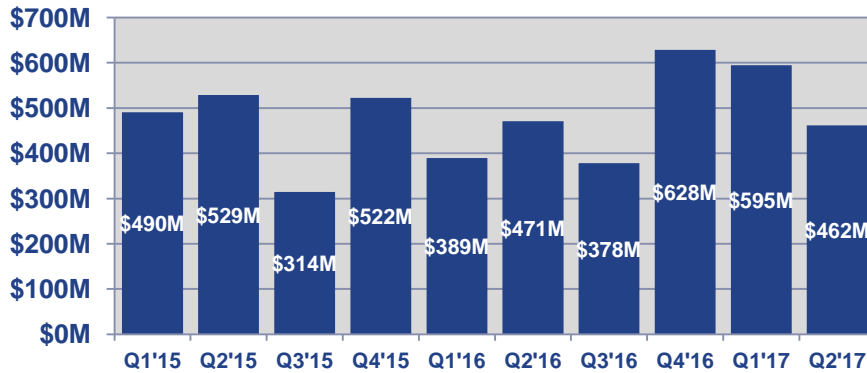
## Q2'17 Update

- Broad strength in SemiTest (Mobility, Automotive, Analog, Image Sensor, Microcontroller, Memory Test) driving market growth
- Universal Robots 1H'17 sales up 81% vs 1H'16 ; Expect 50%+ annual growth in 2017
- Universal Robots' expanding range of applications and powerful distribution system driving growth
- LitePoint 1H'17 up 24% from 1H'16. Market growth expected in 2018/2019 timeframe
- In 2017, plan to repurchase a minimum of \$200M in TER shares and pay \$56M in dividends

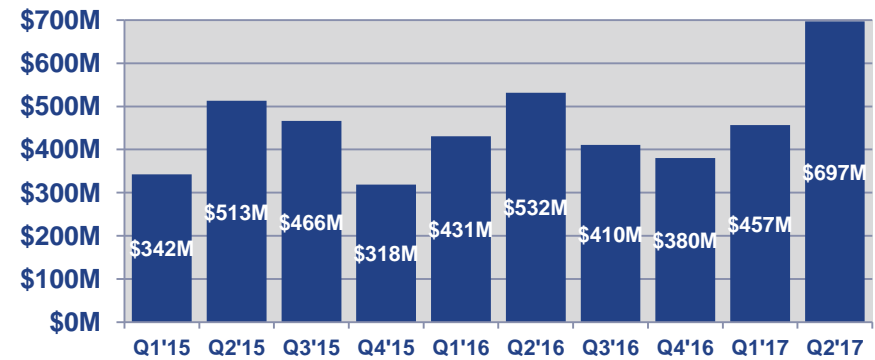
# Supplemental Information

# Q2'17 Company Orders and Sales

## Total Company Orders



## Total Company Sales



- Highest Quarterly Sales Since Q3'00

# Cash & Balance Sheet

	Q2'16 Actual	Q1'17 Actual	Q2'17 Actual
Cash and Marketable Securities	<u>\$1,106M</u>	<u>\$1,482M</u>	<u>\$1,620M</u>
• U.S.	\$438M	\$778M	\$751M
• Off-Shore	\$668M	\$704M	\$869M
Inventory	\$129M	\$203M	\$154M
DSO	60 days	63 days	53 days
Capital Additions	\$26M	\$22M	\$24M
Depreciation and Amortization <sup>(1)</sup>	\$40M	\$36M	\$36M
Free Cash Flow <sup>(2)</sup>	\$155M	(\$83M)	\$206M

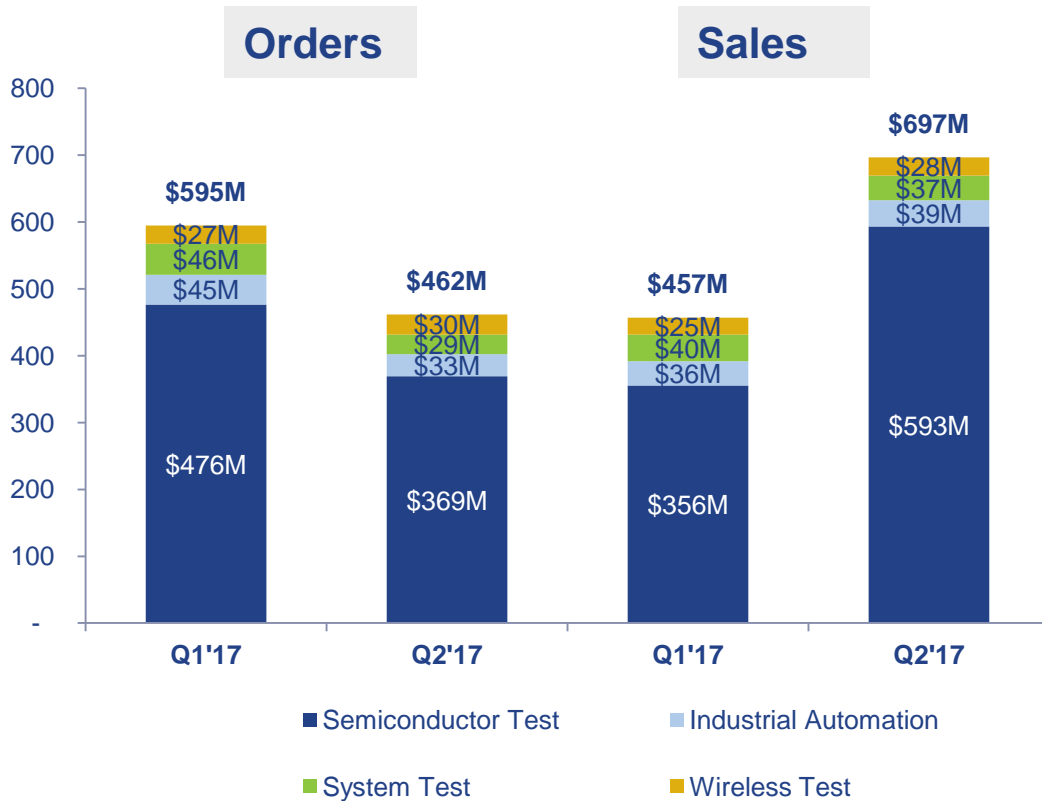
(1) Includes depreciation, stock based compensation, amortization of acquired intangible assets and amortization of the non-cash convertible debt discount

(2) Teradyne calculates free cash flow as: GAAP Cash flow from operations, excluding discontinued operations, less property, plant and equipment additions; see GAAP to non-GAAP reconciliations.





# Sales & Order Detail



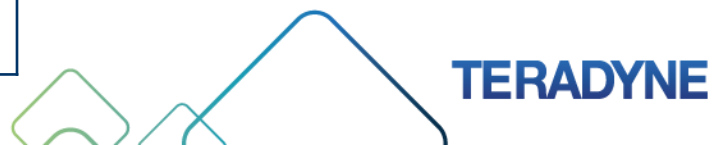
Book to Bill	Q1'17	Q2'17
Semiconductor Test	1.3	0.6
Industrial Automation	1.2	0.8
System Test	1.2	0.8
Wireless Test	<u>1.1</u>	<u>1.1</u>
<b>Total</b>	<b>1.3</b>	<b>0.7</b>

Sales	Q1'17		Q2'17	
Product	82%	\$373M	88%	\$610M
Service	18%	<u>\$84M</u>	12%	<u>\$87M</u>
<b>Total</b>		<b>\$457M</b>		<b>\$697M</b>

Orders	Q1'17		Q2'17	
Product	83%	\$492M	79%	\$366M
Service	17%	<u>\$103M</u>	21%	<u>\$96M</u>
<b>Total</b>		<b>\$595M</b>		<b>\$462M</b>

Bookings/Region	Q1'17		Q2'17	
	Asia	74%	69%	67%
US	11%	15%	12%	9%
Europe	7%	8%	8%	6%
Japan	6%	7%	12%	5%
Rest of World	<u>2%</u>	<u>1%</u>	<u>1%</u>	<u>1%</u>
	100%	100%	100%	100%

Backlog	
Ending Q2'17	<b>\$632M</b>
Shippable within 6 months	<b>~82%</b>





## Appendix | GAAP to Non-GAAP Reconciliation

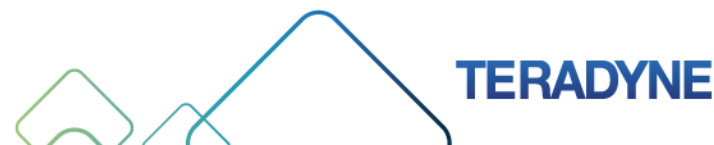
In addition to disclosing results that are determined in accordance with GAAP, Teradyne also discloses in this presentation and on the earnings call non-GAAP results of operations that exclude certain income items and charges. These results are provided as a complement to results provided in accordance with GAAP. These non-GAAP performance 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 performance 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](http://www.teradyne.com) by clicking on "Investors" and then selecting the "GAAP to Non-GAAP Reconciliation" link. The non-GAAP performance 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											
	July 2, 2017		April 2, 2017				July 3, 2016					
	July 2, 2017	% of Net Revenues	Net Income per Common Share		April 2, 2017	% of Net Revenues	Net Income per Common Share		July 3, 2016	% of Net Revenues	Net (Loss) Income per Common Share	
			Basic	Diluted			Basic	Diluted			Basic	Diluted
Net revenues	\$ 696.9				\$ 456.9				\$ 531.8			
Gross profit - GAAP	\$ 391.2	56.1%			\$ 264.9	58.0%			\$ 282.9	53.2%		
Pension mark-to-market adjustment (1)	(0.7)	-0.1%			-	-			(0.2)	0.0%		
Gross profit - non-GAAP	\$ 390.5	56.0%			\$ 264.9	58.0%			\$ 282.7	53.2%		
Income (loss) from operations - GAAP	\$ 209.9	30.1%			\$ 93.4	20.4%			\$ (231.8)	-43.6%		
Acquired intangible assets amortization	8.2	1.2%			8.0	1.8%			16.2	3.0%		
Restructuring and other (2)	2.3	0.3%			2.5	0.5%			2.6	0.5%		
Pension mark-to-market adjustment (1)	(2.5)	-0.4%			-	-			(0.7)	-0.1%		
Goodwill impairment (3)	-	-			-	-			254.9	47.9%		
Acquired intangible assets impairment (3)	-	-			-	-			83.3	15.7%		
Income from operations - non-GAAP	\$ 217.9	31.3%			\$ 103.9	22.7%			\$ 124.5	23.4%		
Net income (loss) - GAAP	\$ 175.0	25.1%	\$ 0.88	\$ 0.87	\$ 85.2	18.6%	\$ 0.43	\$ 0.42	\$ (223.5)	-42.0%	\$ (1.10)	\$ (1.10)
Acquired intangible assets amortization	8.2	1.2%	0.04	0.04	8.0	1.8%	0.04	0.04	16.2	3.0%	0.08	0.08
Interest and other (4)	3.1	0.4%	0.02	0.02	3.1	0.7%	0.02	0.02	-	-	-	-
Restructuring and other (2)	2.3	0.3%	0.01	0.01	2.5	0.5%	0.01	0.01	2.6	0.5%	0.01	0.01
Pension mark-to-market adjustment (1)	(2.5)	-0.4%	(0.01)	(0.01)	-	-	-	-	(0.7)	-0.1%	(0.00)	(0.00)
Goodwill impairment (3)	-	-	-	-	-	-	-	-	254.9	47.9%	1.26	1.24
Acquired intangible assets impairment (3)	-	-	-	-	-	-	-	-	83.3	15.7%	0.41	0.41
Exclude discrete tax adjustments (5)	0.5	0.1%	0.00	0.00	(7.0)	-1.5%	(0.04)	(0.03)	25.1	4.7%	0.12	0.12
Non-GAAP tax adjustments (6)	(5.1)	-0.7%	(0.03)	(0.03)	(3.1)	-0.7%	(0.02)	(0.02)	(45.5)	-8.6%	(0.22)	(0.22)
Net income - non-GAAP	\$ 181.5	26.0%	\$ 0.91	\$ 0.90	\$ 88.7	19.4%	\$ 0.44	\$ 0.44	\$ 112.4	21.1%	\$ 0.55	\$ 0.55
GAAP and non-GAAP weighted average common shares - basic	198.8				200.0				203.0			
GAAP weighted average common shares - diluted	201.5				201.9				203.0			
Exclude dilutive shares from convertible note	(0.7)				-				-			
Include dilutive shares	-				-				1.9			
Non-GAAP weighted average common shares - diluted	200.8				201.9				204.9			



# Appendix | GAAP to Non-GAAP Reconciliation

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

(2) Restructuring and other consists of:

	<u>July 2, 2017</u>	<u>Quarter Ended April 2, 2017</u>	<u>July 3, 2016</u>
Contingent consideration fair value adjustment	\$ 1.5	\$ 0.6	\$ 1.3
Employee severance	0.8	0.6	1.3
Facility related	-	1.3	-
Impairment of fixed assets and expenses related to Japan earthquake	-	-	5.1
Property insurance recovery	-	-	(5.1)
	<u>\$ 2.3</u>	<u>\$ 2.5</u>	<u>\$ 2.6</u>

(3) Goodwill and acquired intangible assets impairment related to Teradyne's Wireless Test business segment.

(4) For the quarters ended July 2, 2017 and April 2, 2017, interest and other included non-cash convertible debt interest expense.

(5) For the quarters ended July 2, 2017, April 2, 2017 and July 3, 2016 adjustment to exclude discrete income tax items. For the quarter ended July 3, 2016, adjustment to treat Wireless Test business segment goodwill and intangible assets impairments as discrete tax items.

(6) For periods after December 31, 2016, the non-GAAP annual effective tax rate is based on a with and without calculation with respect to non-GAAP reconciling items.

# Appendix | GAAP to Non-GAAP Reconciliation

	Six Months Ended							
	July 2, 2017	% of Net Revenues	Net Income per Common Share		July 3, 2016	% of Net Revenues	Net (Loss) Income per Common Share	
			Basic	Diluted			Basic	Diluted
Net Revenues	\$1,153.8				\$ 962.8			
Gross profit - GAAP	\$ 656.1	56.9%			\$ 513.2	53.3%		
Pension mark-to-market adjustment (1)	(0.7)	-0.1%			(0.6)	-0.1%		
Gross profit - non-GAAP	\$ 655.4	56.8%			\$ 512.6	53.2%		
Income (loss) from operations - GAAP	\$ 303.3	26.3%			\$ (175.7)	-18.2%		
Acquired intangible assets amortization	16.1	1.4%			36.2	3.8%		
Restructuring and other (2)	4.8	0.4%			4.2	0.4%		
Pension mark-to-market adjustment (1)	(2.5)	-0.2%			(1.9)	-0.2%		
Goodwill impairment (3)	-	-			254.9	26.5%		
Acquired intangible assets impairment (3)	-	-			83.3	8.7%		
Income from operations - non-GAAP	\$ 321.7	27.9%			\$ 201.0	20.9%		
Net income (loss) - GAAP	\$ 260.2	22.6%	\$ 1.30	\$ 1.29	\$ (173.6)	-18.0%	\$ (0.85)	\$ (0.85)
Acquired intangible assets amortization	16.1	1.4%	0.08	0.08	36.2	3.8%	0.18	0.18
Interest and other (4)	6.1	0.5%	0.03	0.03	-	-	-	-
Restructuring and other (2)	4.8	0.4%	0.02	0.02	4.2	0.4%	0.02	0.02
Pension mark-to-market adjustment (1)	(2.5)	-0.2%	(0.01)	(0.01)	(1.9)	-0.2%	(0.01)	(0.01)
Goodwill impairment (3)	-	-	-	-	254.9	26.5%	1.25	1.24
Acquired intangible assets impairment (3)	-	-	-	-	83.3	8.7%	0.41	0.41
Exclude discrete tax adjustments (5)	(6.5)	-0.6%	(0.03)	(0.03)	22.7	2.4%	0.11	0.11
Non-GAAP tax adjustments (6)	(8.2)	-0.7%	(0.04)	(0.04)	(49.0)	-5.1%	(0.24)	(0.24)
Net income - non-GAAP	\$ 270.0	23.4%	\$ 1.35	\$ 1.34	\$ 176.8	18.4%	\$ 0.87	\$ 0.86
GAAP and non-GAAP weighted average common shares - basic	199.4				203.6			
GAAP weighted average common shares - diluted	201.7				203.6			
Exclude dilutive shares from convertible note	(0.3)				-			
Include dilutive shares	-				1.7			
Non-GAAP weighted average common shares - diluted	201.4				205.3			

# Appendix | GAAP to Non-GAAP Reconciliation

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

(2) Restructuring and other consists of:

	<b>Six Months Ended</b>	
	<b>July 2, 2017</b>	<b>July 3, 2016</b>
Contingent consideration fair value adjustment	\$ 2.1	\$ 2.5
Employee severance	1.4	1.7
Facility related	1.3	-
Impairment of fixed assets and expenses related to Japan earthquake	-	5.1
Property insurance recovery	-	(5.1)
	<u>\$ 4.8</u>	<u>\$ 4.2</u>

(3) Goodwill and acquired intangible assets impairment related to Teradyne's Wireless Test business segment.

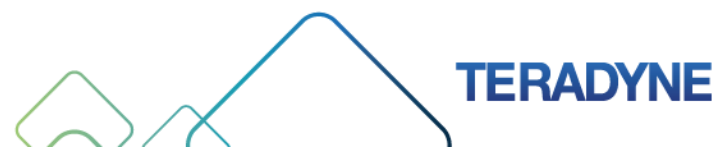
(4) For the six months ended July 2, 2017, Interest and other included non-cash convertible debt interest expense.

(5) For the six months ended July 2, 2017 and July 3, 2016, adjustment to exclude discrete income tax items. For the six months ended July 3, 2016, adjustment to treat Wireless Test business segment goodwill and intangible assets impairments as discrete tax items.

(6) For periods after December 31, 2016, the non-GAAP annual effective tax rate is based on a with and without calculation with respect to non-GAAP reconciling items.

# Appendix | GAAP to Non-GAAP Reconciliation

	Six Months Ended							
	July 3, 2016	% of Net Revenues	Net (Loss) Income per Common Share		July 5, 2015	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted			Basic	Diluted
Net Revenues	\$ 962.8				\$ 855.1			
Gross profit - GAAP	\$ 512.8	53.3%			\$ 491.0	57.4%		
Inventory step-up	-	-			0.6	0.1%		
Pension mark-to-market adjustment (1)	(0.6)	-0.1%			-	-		
Gross profit - non-GAAP	\$ 512.2	53.2%			\$ 491.6	57.5%		
(Loss) income from operations - GAAP	\$ (175.7)	-18.2%			\$ 165.9	19.4%		
Goodwill impairment (2)	254.9	26.5%			-	-		
Restructuring and other (3)	87.5	9.1%			(0.4)	0.0%		
Acquired intangible asset amortization	36.2	3.8%			29.1	3.4%		
Pension mark-to-market adjustment (1)	(1.9)	-0.2%			-	-		
Inventory step-up	-	-			0.6	0.1%		
Income from operations - non-GAAP	\$ 201.0	20.9%			\$ 195.2	22.8%		
Net (loss) income - GAAP	\$ (173.6)	-18.0%	\$ (0.85)	\$ (0.85)	\$ 135.7	15.9%	\$ 0.63	\$ 0.62
Goodwill impairment (2)	254.9	26.5%	1.25	1.24	-	-	-	-
Restructuring and other (3)	87.5	9.1%	0.43	0.43	(0.4)	0.0%	(0.00)	(0.00)
Acquired intangible asset amortization	36.2	3.8%	0.18	0.18	29.1	3.4%	0.14	0.13
Interest and other (4)	-	-	-	-	(5.4)	-0.6%	(0.03)	(0.02)
Pension mark-to-market adjustment (1)	(1.9)	-0.2%	(0.01)	(0.01)	-	-	-	-
Inventory step-up	-	-	-	-	0.6	0.1%	0.00	0.00
Exclude discrete tax adjustments (5)	22.7	2.4%	0.11	0.11	(1.6)	-0.2%	(0.01)	(0.01)
Tax effect of non-GAAP adjustments	(49.0)	-5.1%	(0.24)	(0.24)	(5.8)	-0.7%	(0.03)	(0.03)
Net income - non-GAAP	\$ 176.8	18.4%	\$ 0.87	\$ 0.86	\$ 152.2	17.8%	\$ 0.71	\$ 0.70
GAAP and non-GAAP weighted average common shares - basic	203.6				215.5			
GAAP weighted average common shares - diluted	203.6				217.2			
Include dilutive shares	1.7				-			
Non-GAAP weighted average common shares - diluted	205.3				217.2			



# Appendix | GAAP to Non-GAAP Reconciliation

	Q2'16		Q1'17		Q2'17		Q3'17 Low Guidance	Q3'17 High Guidance
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	% of sales	% of sales
GAAP Operating Expenses	\$515	97%	\$172	38%	\$181	26%	38%	36%
Intangible Asset Amortization	-\$16	-3%	-\$8	-2%	-\$8	-1%	-2%	-2%
Restructuring and Other	-\$3	0%	-\$3	-1%	-\$2	0%		
Pension MTM	\$0	0%	\$0	0%	\$2	0%		
Acquired Intangible Assets Impairment	-\$83	-16%						
Goodwill Impairment	-\$255	-48%						
Non GAAP Operating Expenses	\$158	30%	\$161	35%	\$173	25%	37%	34%

	Q2'16		Q1'17		Q2'17	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP SG&A Expense	\$81	15%	\$85	19%	\$89	13%
Pension MTM	\$0	0%	\$0	0%	\$1	0%
Non GAAP SG&A Expense	\$82	15%	\$85	19%	\$90	13%

	Q2'16		Q1'17		Q2'17	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP R&D Expense	\$76	14%	\$76	17%	\$82	12%
Pension MTM	\$0	0%	\$0	0%	\$1	0%
Non GAAP R&D Expense	\$76	14%	\$76	17%	\$82	12%

	Q2'16		Q1'17		Q2'17		Q3'17 Guidance
	\$'s	%	\$'s	%	\$'s	%	%
GAAP Income Tax	-\$7	3%	\$7	7%	\$32	15%	15%
Exclude discrete tax adjustments	-\$25	11%	\$7	8%	-\$1	0%	0%
Tax effect of non-GAAP adjustments	\$46	-20%	\$3	3%	\$5	2%	3%
Effect of Higher Non-GAAP PBT		16%		-2%		-1%	-2%
Non GAAP Income Tax	\$13	10.5%	\$17	16.0%	\$36	16.7%	16.5%



# Appendix | GAAP to Non-GAAP Reconciliation

	<u>2016</u>	<u>2015</u>	<u>2014</u>
GAAP Operating Expenses	1,020	673	782
Less Goodwill Impairment Charge	(255)	-	(99)
Less Intangible Asset Impairment	(83)	-	-
Less Intangible Asset Amortization	(53)	(69)	(71)
Less Restructuring and Other	(22)	(5)	(1)
Pension Mark to Market Adjustment	2	(10)	(34)
Less Equity Modification Charge	-	-	(7)
Non GAAP Operating Expenses	609	589	571

	<u>2016</u>	<u>2015</u>	<u>2014</u>
UR GAAP Operating Expenses	84	28	-
Less Intangible Asset Amortization	(25)	(14)	-
Less Restructuring and Other	(16)	-	-
UR non GAAP Operating Expenses	43	14	-

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Test GAAP Operating Expenses (1)	936	645	782
Less Goodwill Impairment Charge	(255)	-	(99)
Less Intangible Asset Impairment	(83)	-	-
Less Intangible Asset Amortization	(28)	(55)	(71)
Less Restructuring and Other	(6)	(5)	(1)
Pension Mark to Market Adjustment	2	(10)	(34)
Less Equity Modification Charge	-	-	(7)
Test Non GAAP Operating Expenses (1)	566	575	571

UR Q4'17 GAAP OPEX	\$26
Intangible Asset Amortization	-\$6
UR Q4'17 Non-GAAP OPEX	\$20

(1) = Includes Variable Compensation of \$53M, \$61M and \$46M for 2016, 2015 and 2014, respectively.

# Appendix | GAAP to Non-GAAP Reconciliation

## GAAP to Non-GAAP Reconciliation of Third Quarter 2017 guidance:

GAAP and non-GAAP third quarter revenue guidance:	\$455 million	to	\$485 million
GAAP net income per diluted share	\$ 0.35		\$ 0.42
Exclude acquired intangible assets amortization	0.04		0.04
Exclude non-cash convertible debt interest	0.02		0.02
Non-GAAP tax adjustment	(0.02)		(0.02)
Non-GAAP net income per diluted share	\$ 0.39		\$ 0.46

### Q2'17

GAAP net interest and other income	-\$3.0
Exclude non cash convertible debt interest	\$3.1
Non-GAAP net interest and other income	\$0.1

### Q3'17 Guidance

GAAP net interest and other income	-\$2.1
Exclude non cash convertible debt interest	\$3.1
Non-GAAP net interest and other income	\$1.0

### Third Quarter Guidance:

	<u>Low End</u>	<u>High End</u>
GAAP Operating Profit as % of Sales	19%	21%
Acquired intangible asset amortization	<u>2%</u>	<u>2%</u>
Non-GAAP Operating Profit as % of Sales	20%	23%

# 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, less 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>Q2'16</u>	<u>Q1'17</u>	<u>Q2'17</u>			
GAAP Cash Flow From Operations, Excl Disc Ops	\$181	-\$61	\$230			
Less Property, Plant and Equipment Additions	-\$26	-\$22	-\$24			
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$155	-\$83	\$206			

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>1H'17</u>
GAAP Cash Flow From Operations, Excl Disc Ops	\$403	\$269	\$492	\$413	\$446	\$169
Less Property, Plant and Equipment Additions	-\$119	-\$107	-\$169	-\$90	-\$85	-\$46
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$284	\$162	\$323	\$323	\$361	\$123
Include Cash From ESPP	\$18	\$18	\$21	\$20	\$20	\$15
Total Cash Generation	\$302	\$180	\$344	\$343	\$380	\$138