



Because Technology Never Stops

TERADYNE FINANCIAL RESULTS FOR Q4-2014

January 29, 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 and the repurchase of Teradyne common stock pursuant to a share repurchase program. 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 or future repurchases of common stock. 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 or that dividends will be declared in the future. Additionally, the share repurchase program may be suspended or discontinued at any time. Important factors that could cause actual results, dividend payments, or repurchases of common stock 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 or the repurchase of common stock 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, 2013, and the Quarterly Report on Form 10-Q for the fiscal quarter ended September 28, 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 MID-TERM OUTLOOK

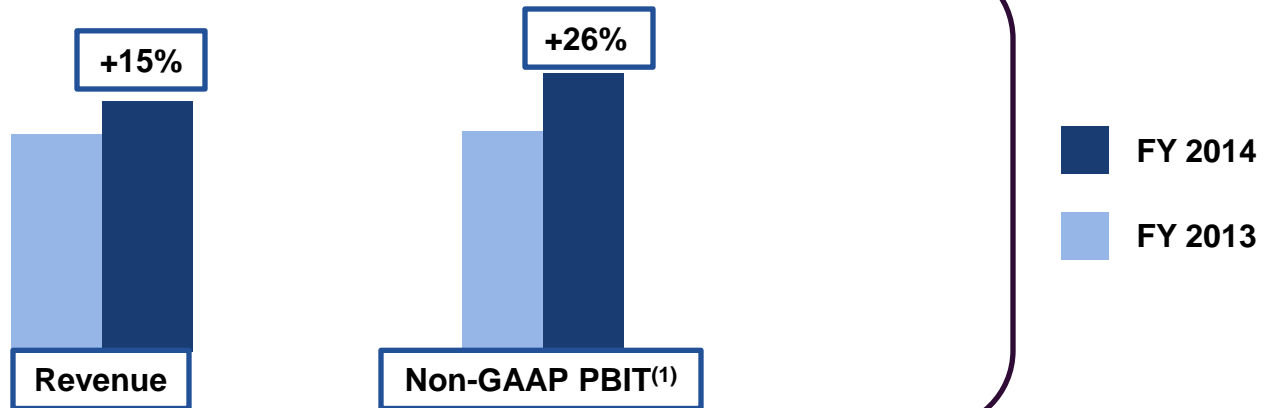


Mark Jagiela, Teradyne President and CEO



STRENGTH IN 2014 ACROSS ALL BUSINESS UNITS

Total Company Revenue and Profit Growth in 2014



2014 Accomplishments

- SemiTest gains in SOC and Memory Test drove two points of share to 46%. Revenue up >25%, operating profit up >50%
- LitePoint expanded cellular customer base from 2 to 8 handset makers and entered the NFC test market
- System Test revenue grew 6% on strength of new products in Production Board and Storage Test

2014 SUMMARY & 2015 OUTLOOK

- 2014 revenue up 15%, operating profit grew 26%, and generated over \$300 million in free cash flow in an above-average SOC test market of \$2.35B driven by mobility demand
- Expect 2015 SOC market to be flat to 15% below the nominal \$2.2B market size as mobile markets absorb 2014 investments
- Expect modest growth in Wireless Test and System Test businesses in 2015
- Capital allocation plans include \$500 million share repurchase authorization with \$300 million planned in 2015, \$0.06/qtr dividend, and if attractive, M&A

FOURTH QUARTER FINANCIAL RESULTS AND FIRST QUARTER GUIDANCE



Greg Beecher, Teradyne Vice President and Chief Financial Officer



STRONG OPERATING MODEL HAS DELIVERED 5 YEARS OF ABOVE-MODEL PBIT %

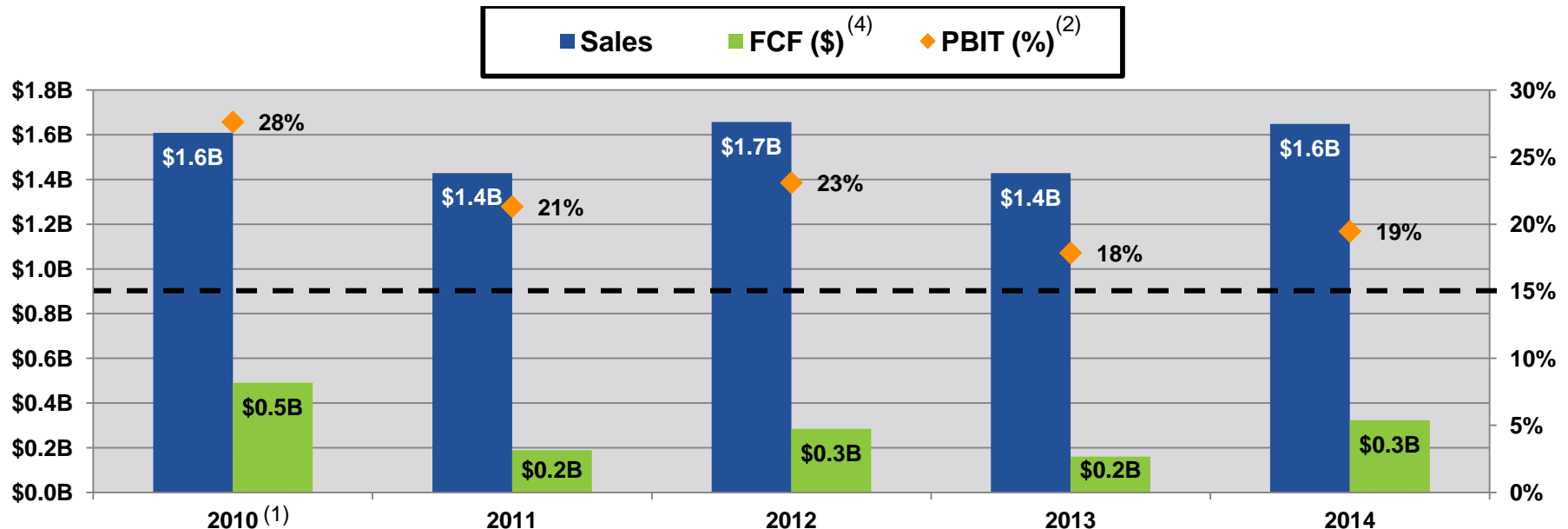
2015 Quarterly Model

Revenue	\$375M
Gross Margin	52%
OPEX	<u>37%</u>
Operating PBIT	15%

Tax Rates:

2015E: 25%⁽³⁾

~50% PBIT Drop Through



1) 2010 restated to exclude DS, which was divested in 2011

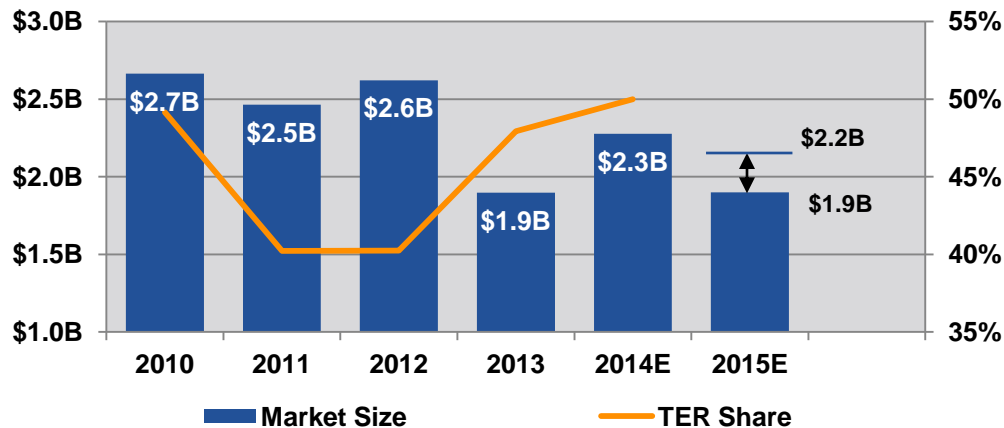
2) Non-GAAP; See appendix for GAAP to Non-GAAP reconciliations

3) Assumes enactment of R&D tax credit, ~2 point impact

4) Teradyne calculates free cash flow as: Cash flow from operations, excluding discontinued operations, less capital additions; see GAAP to non-GAAP reconciliations.

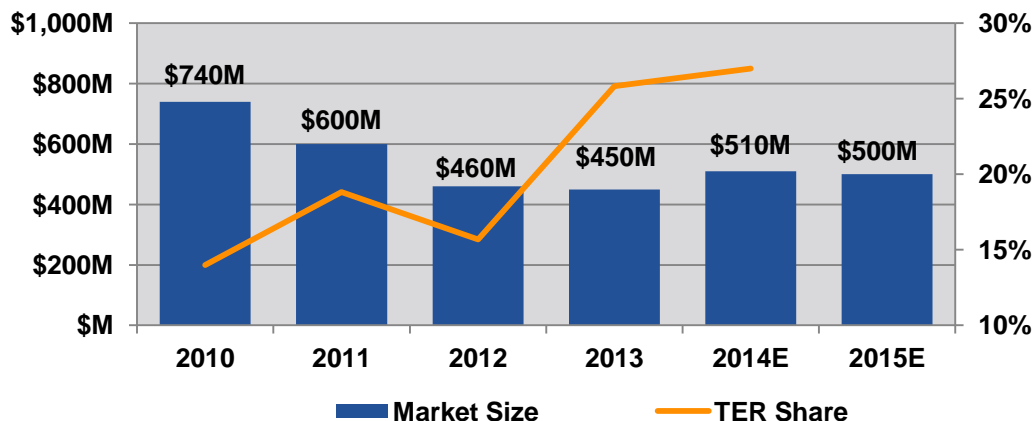
SEMI-TEST MARKET SIZE AND TERADYNE SHARE

SOC TAM



• Expect average of ~1 pt of share gain per year and 3-5% average annual SOC market growth over the mid-term

Memory TAM



• Expect ~3-5 pts of share gain and flat market over the mid-term

Source: WWSEMS, November 2014 (Worldwide Semiconductor Equipment Market Statistics) – Product only; augmented to include service; VLSI Research Inc. 2014E and 2015E figure stems from internal and multiple third party forecasts augmented internally for service where applicable

ANNUAL FINANCIAL UPDATE

	2013	2014	Comments
Revenue	\$1,428M	\$1,648M	<ul style="list-style-type: none"> •SOC market grew from \$1.9B to \$2.3B •Semi -Test share from 44% to 46%
Gross Margin ⁽¹⁾	56%	54%	<ul style="list-style-type: none"> •2014 product mix shift towards mobile processors and memory increased profit dollars at lower GM%
PBIT ⁽¹⁾	\$255M 18%	\$321M 19%	<ul style="list-style-type: none"> •5th consecutive year above 15% PBIT model
EPS ⁽¹⁾	\$1.06	\$1.23	<ul style="list-style-type: none"> •Non-GAAP tax rate increased from 13% in 2013 to 18% in 2014, average share count from 212M to 218M
Cash and Marketable Securities	\$1,200M	\$1,299M	<ul style="list-style-type: none"> •\$190 million convertible debt settled in 2014 •\$37 million cumulative dividend payments in 2014 •\$30 million pension funding
Capital Additions	\$107M	\$170M	<ul style="list-style-type: none"> •2014 includes ~\$75M in leases, not expected to repeat in 2015
Depreciation	\$57M	\$73M	<ul style="list-style-type: none"> •Reflects increase in leased systems
Free Cash Flow ⁽²⁾	\$157M	\$323M	<ul style="list-style-type: none"> •11% of sales in 2013 •20% of sales in 2014

1) Non-GAAP results; see 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.

CAPITAL RETURN SUMMARY

	Cash Position		
	<u>U.S.</u>	<u>Offshore</u>	<u>Total</u>
12/31/2014	\$683M	\$616M	\$1,299M
Minimum Balance	<u>\$400M</u>	<u>\$100M</u>	<u>\$500M</u>
Available Cash	\$283M	\$516M	\$799M
Planned 2015 Buybacks ⁽¹⁾	\$300M	\$0M	\$300M
2015 Dividends	<u>\$52M</u>	<u>\$0M</u>	<u>\$52M</u>
Excess Cash Before 2015 FCF	(\$69M)	\$516M	\$447M
Total Planned 2015 Cash Return:	\$352M	9% Total Return Yield⁽²⁾	

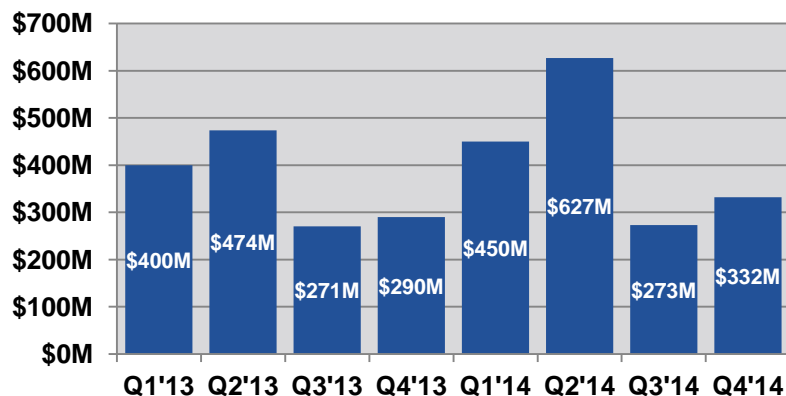
U.S. vs. Foreign Free Cash Flow				
	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	
U.S. FCF	\$172M	\$176M	\$40M	
Foreign FCF	\$113M	(\$19M)	\$283M	
Total FCF	\$285M	\$157M	\$323M	
	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>'12-'14 Weighted Average</u>
U.S. % of FCF	60%	112%	12%	51%
Foreign % of FCF	40%	-12%	88%	49%

Q4'14 FINANCIAL HIGHLIGHTS

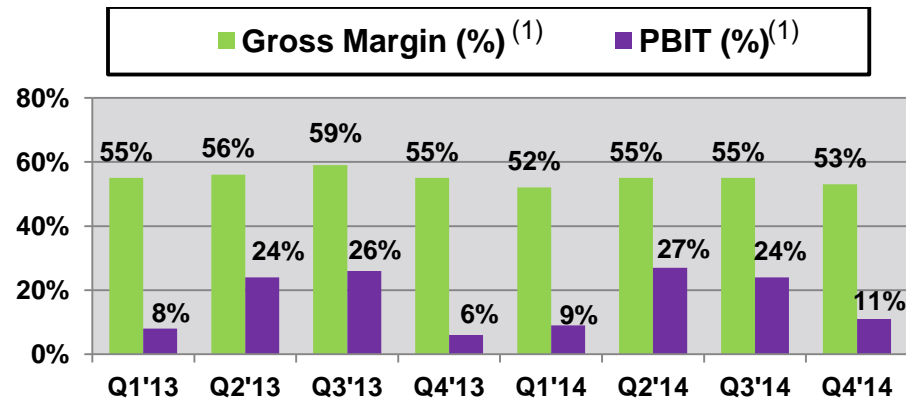
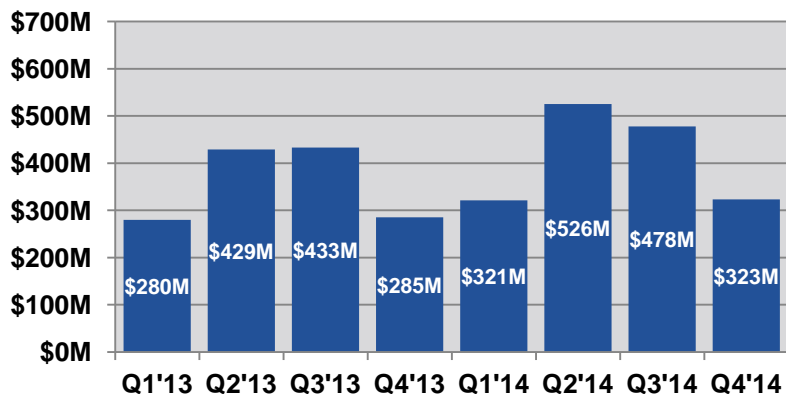
Q4 Highlights

- Orders up 15% Y/Y and seasonally up 22% Q/Q
- Sales up 13% Y/Y and seasonally down 32% Q/Q
- Non-GAAP EPS of \$0.14, in-line with high end of guidance
- Backlog of \$396M, with 78% shippable within 6 months
- 22nd consecutive quarter of Non-GAAP PBIT
- 2014 dividends: \$37M, Q4 average yield of 1.3%⁽²⁾

Total Company Orders



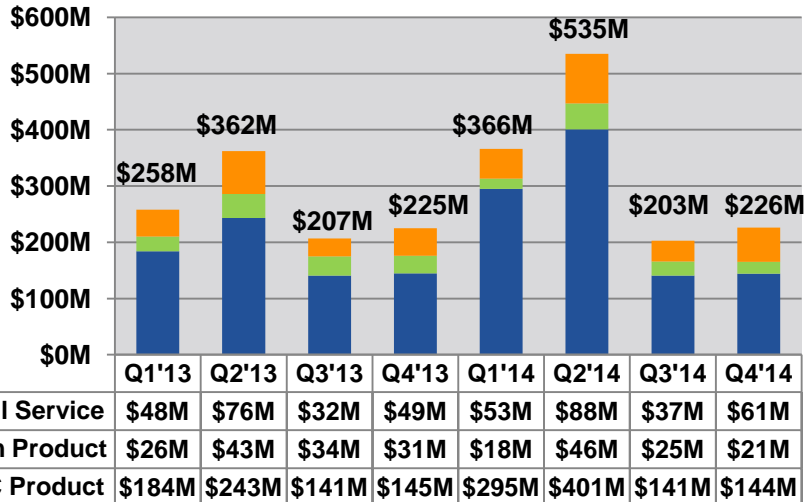
Total Company Sales



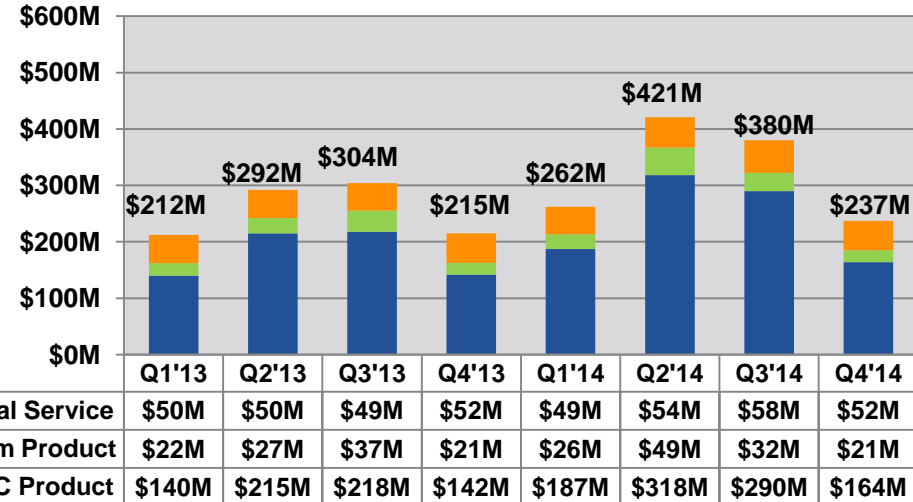
Non-GAAP EPS	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14
Non-GAAP EPS	\$0.09	\$0.43	\$0.46	\$0.07	\$0.11	\$0.54	\$0.44	\$0.14

TERADYNE SEMI-TEST HIGHLIGHTS

Semi Orders



Semi Sales



Q4 & 2014 Highlights

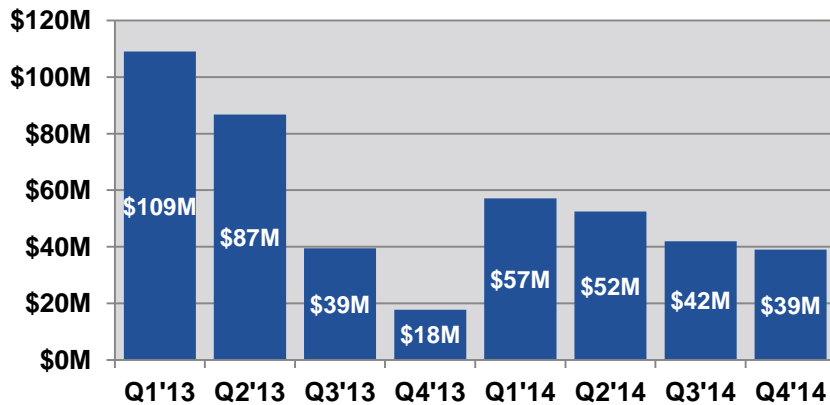
- Q4 2014 sales 10% higher than Q4 2013 on strength in mobility (RF and Applications Processor)
- Q4 orders increased 11% sequentially, in-line with seasonal pattern due to strength in mobility, analog test and service
- Q4 UltraFlex unit shipments increased 97% year on year, powered by new RF, digital, and power instrumentation
- Full Year Semi-Test share of 46%, up from 44% in 2013
 - SOC Test share of 50%
 - Memory Test share of 27%

WIRELESS TEST HIGHLIGHTS

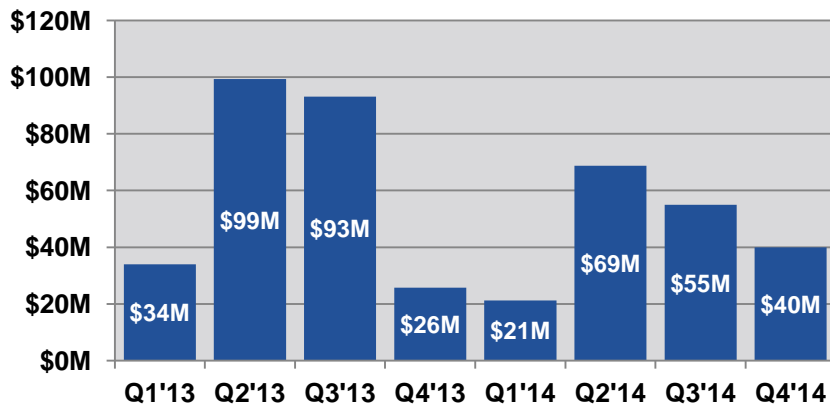
Q4 & 2014 Highlights

- Gained share in a smaller market in 2014
- Established strong position in cellular test, now serving 8 of top 10 cell phone manufacturers
- Market leader in emerging NFC test market
- Expect 5% market growth at the mid-point of 2015 forecasted range

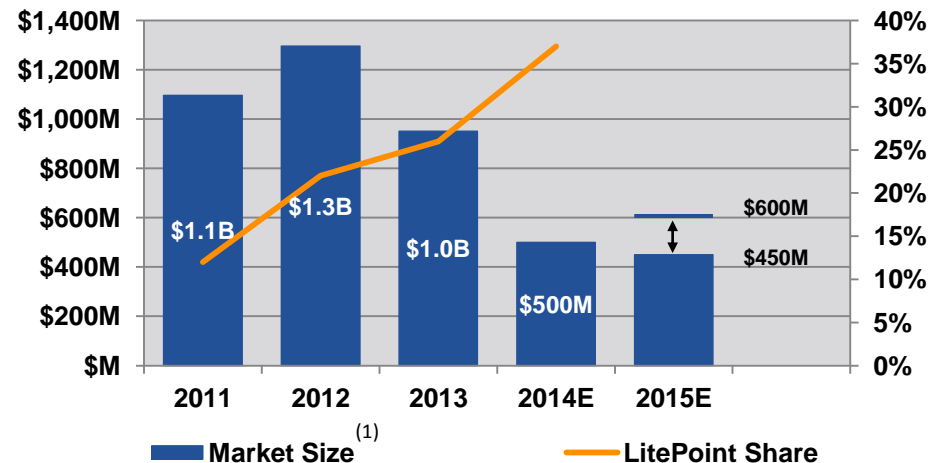
LitePoint Orders



LitePoint Sales

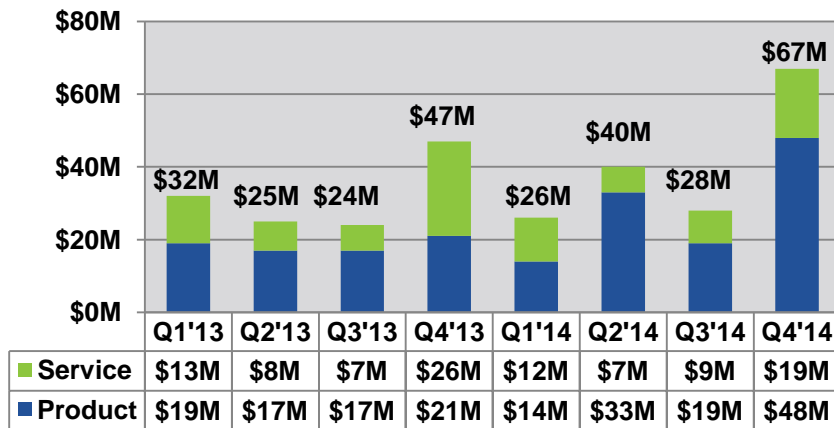


Wireless Market

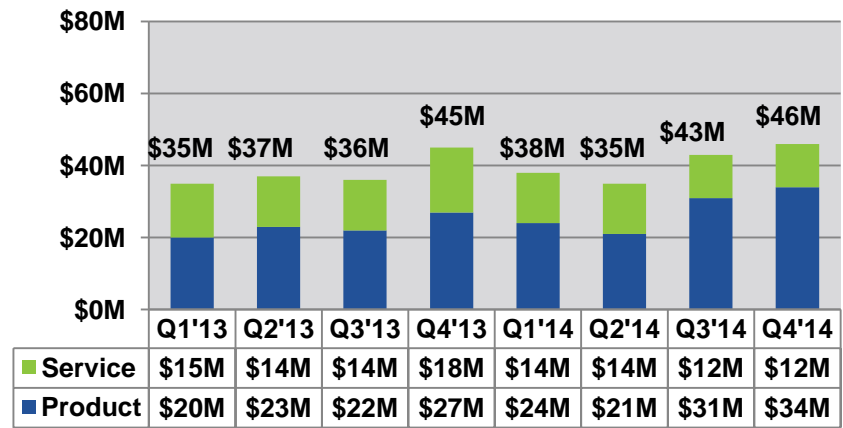


SYSTEM TEST HIGHLIGHTS

System Test Orders



System Test Sales



Q4 & 2014 Highlights

- Full Year 2014 sales 6% higher than 2013
- Q4 orders highest since Q4 2011 driven by Defense & Aerospace and Storage Test
- Second consecutive year of Production Board Test order growth driven by new product success
- Highest Storage Test orders since Q4 2011 on growing 3.5" demand

Q1'15 NON-GAAP GUIDANCE

\$s in millions, except EPS	Q4'14 Actual ⁽¹⁾		Q1'15 Guidance ⁽¹⁾
Sales		\$323M	\$320M - \$345M
Gross Margin	53%	\$173M	52% - 53%
R&D	21%	\$67M	21% - 20%
SG&A	<u>21%</u>	<u>\$70M</u>	<u>22% - 21%</u>
OPEX	42%	\$136M	43% - 41%
Operating Profit	11%	\$36M	9% - 12%
Net Interest & Other Income		\$1M	\$1M
EPS		\$0.14	\$0.09 - \$0.14
Diluted Shares ⁽³⁾		219M	220M
Free Cash Flow ⁽²⁾		\$155M	(\$44M)

(1) See attached appendix for GAAP to non-GAAP reconciliations.

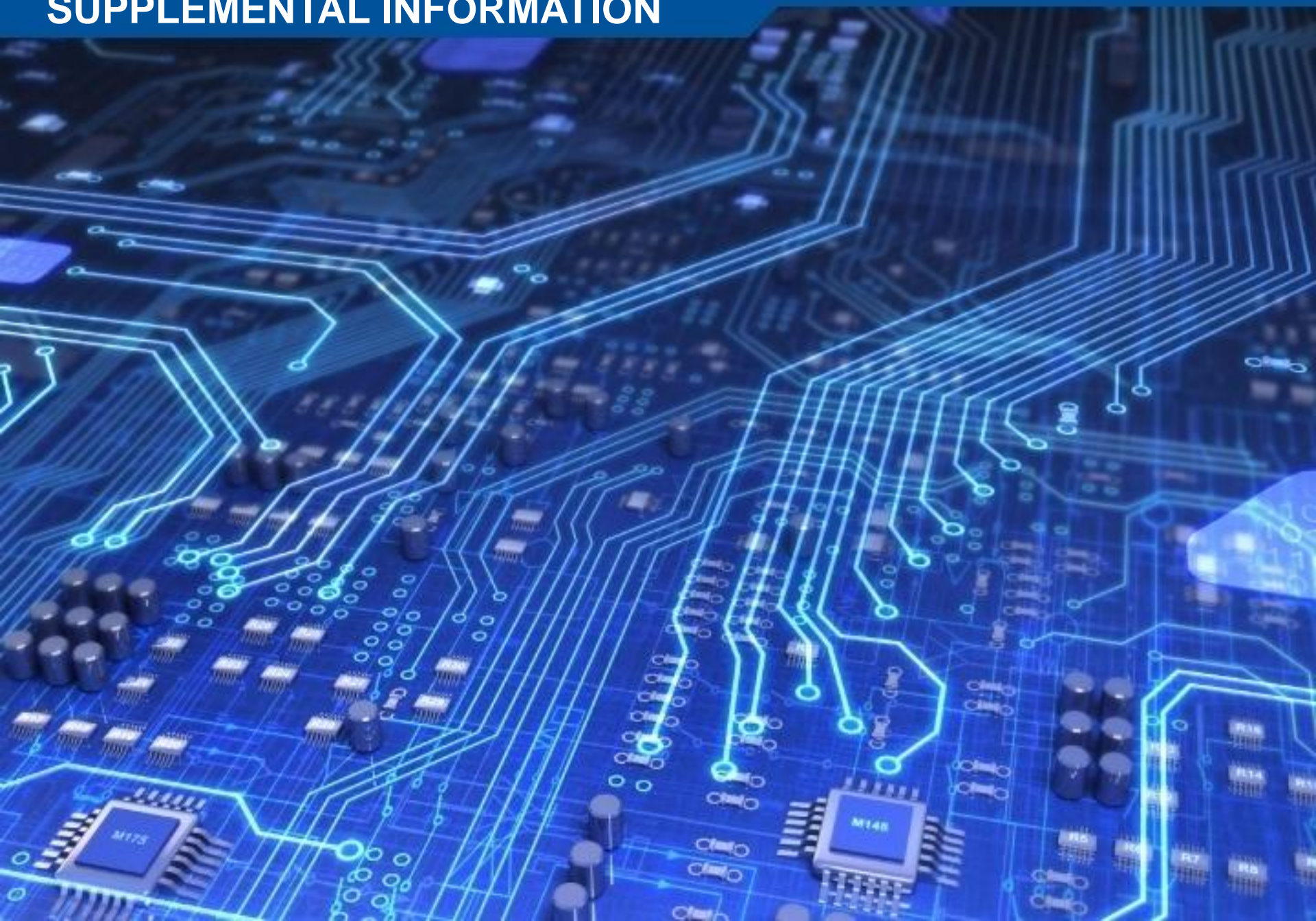
(2) Teradyne calculates free cash flow as: Cash flow from operations, excluding discontinued operations, less capital additions; see GAAP to non –GAAP reconciliations.

(3) Q1'15 share count guidance excludes potential share repurchases

Q4'14 & 2014 SUMMARY

- Q4 revenue of \$323 million, up 13% over Q4 2013
- Full year revenues up 15% and operating profit up 26%
- Semi-Test share grew 2 points to 46%, driven by strong mobility demand
- Expect Q1 revenue of \$320 to \$345 million, in-line with historical Q1 levels
- Expect balance of accretive M&A and capital returns going forward
- \$500M share repurchase program announced with \$300M planned for 2015

SUPPLEMENTAL INFORMATION



Q4'14 NON-GAAP RESULTS

\$s in millions, except EPS	Q4'13 Actual ⁽¹⁾		Q3'14 Actual ⁽¹⁾		Q4'14 Actual ⁽¹⁾	
Sales		\$285M		\$478M		\$323M
Gross Margin	55.1%	\$157M	54.6%	\$261M	53.5%	\$173M
R&D	24.0%	\$68M	15.0%	\$72M	20.7%	\$67M
SG&A	<u>25.2%</u>	<u>\$72M</u>	<u>15.3%</u>	<u>\$73M</u>	<u>21.5%</u>	<u>\$70M</u>
OPEX	49.2%	\$140M	30.3%	\$145M	42.2%	\$136M
Operating Profit	5.9%	\$17M	24.3%	\$116M	11.3%	\$36M
Income Taxes (& effective tax rate)	13.0%	\$2M	19.2%	\$23M	18.2%	\$7M
EPS ⁽¹⁾		\$0.07		\$0.44		\$0.14
Diluted Shares		195M		218M		219M
Net Bookings		\$290M		\$273M		\$332M

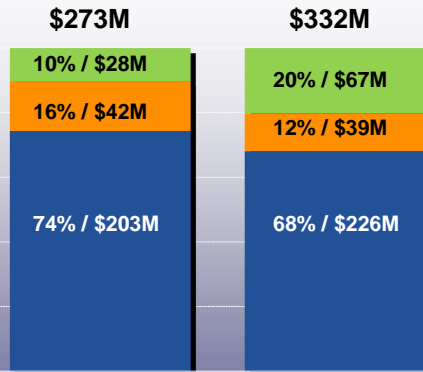
CASH & BALANCE SHEET

	Q4'13 Actual	Q3'14 Actual	Q4'14 Actual
Cash and Marketable Securities	<u>\$1,200M</u>	<u>\$1,181M</u>	<u>\$1,299M</u>
•U.S.	\$ 860M	\$721M	\$683M
•Off-Shore	\$ 340M	\$460M	\$616M
Inventory	\$138M	\$108M	\$105M
DSO	51 days	61 days	44 days
Capital Additions	\$24M	\$55M	\$24M
Depreciation, Amortization, SBC	\$49M	\$47M	\$46M
Free Cash Flow ⁽¹⁾	\$17M	\$78M	\$155M

SALES & BOOKINGS DETAIL

Bookings

■ Semiconductor Test ■ Wireless Test ■ System Test

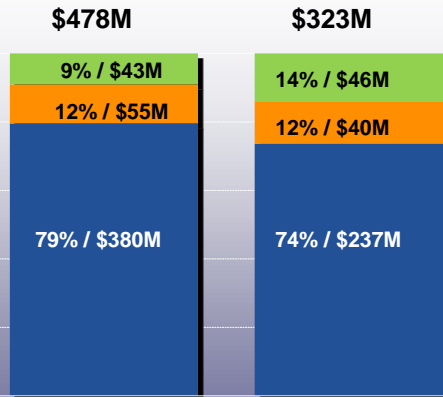


Q3'14

Q4'14

Sales

■ Semiconductor Test ■ Wireless Test ■ System Test



Q3'14

Q4'14

Book to Bill

	Q3'14	Q4'14
Semiconductor Test	0.5	1.0
Wireless Test	0.8	1.0
System Test	0.6	1.5
Total	0.6	1.0

Product vs. Service

	Q3'14	Q4'14
Sales		
Product	\$403M (84%)	\$253M (78%)
Service	\$75M (16%)	\$70M (22%)
Total	\$478M	\$323M
Bookings		
Product	\$227M (83%)	\$251M (75%)
Service	\$46M (17%)	\$81M (25%)
Total	\$273M	\$332M

Bookings/Region

Q3'14 Q4'14

Asia	67%	71%
US	19%	15%
Europe	10%	7%
Japan	3%	6%
Rest of World	1%	1%
	100%	100%

Sales/Region

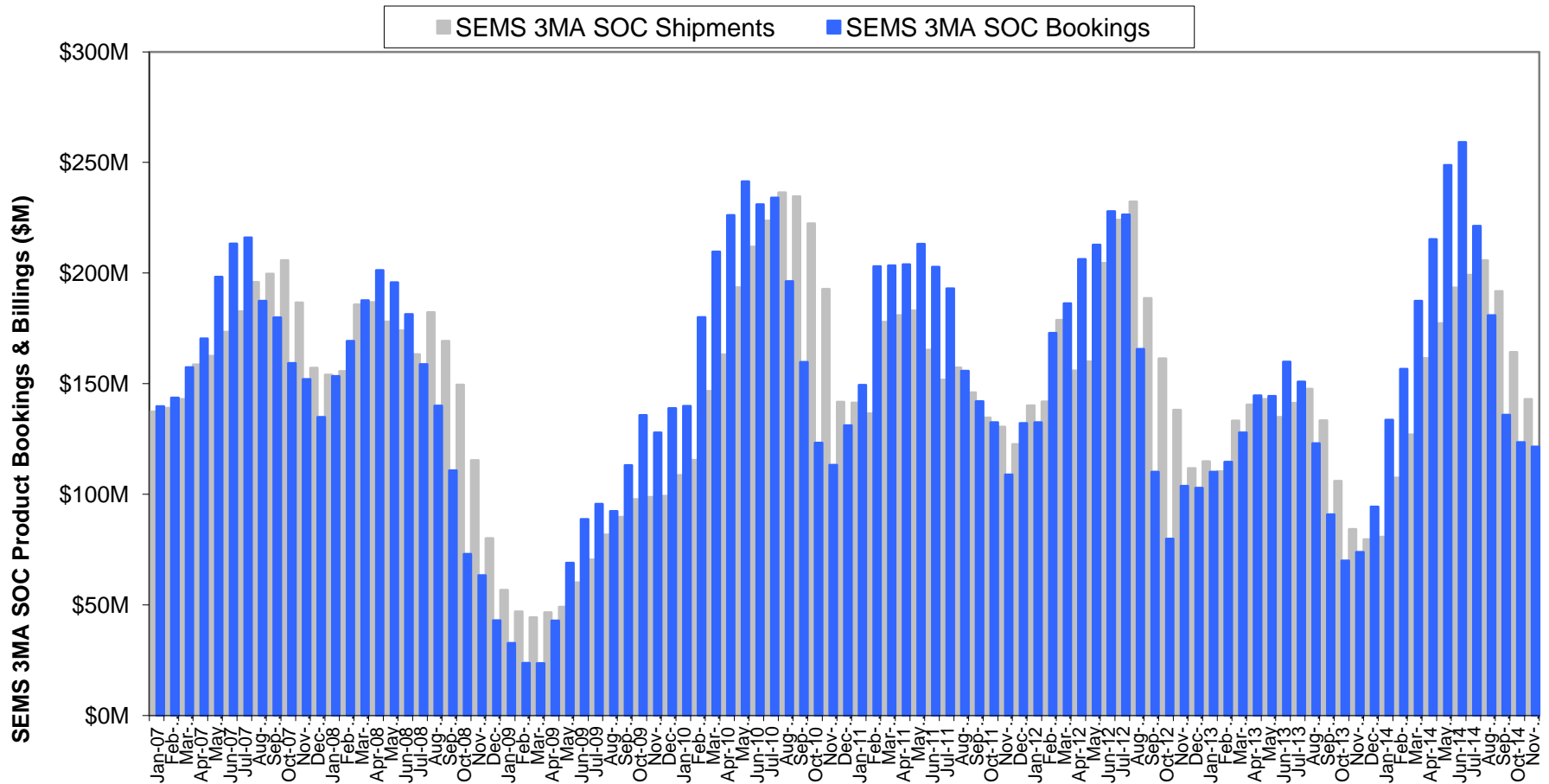
Q3'14 Q4'14

Asia	76%	71%
US	12%	16%
Europe	7%	8%
Japan	4%	4%
Rest of World	1%	1%
	100%	100%

Backlog ending Q4'14: \$396M

Shippable within 6 months: ~78%

SOC TEST 3 MONTH MOVING AVERAGE BOOK/BILL

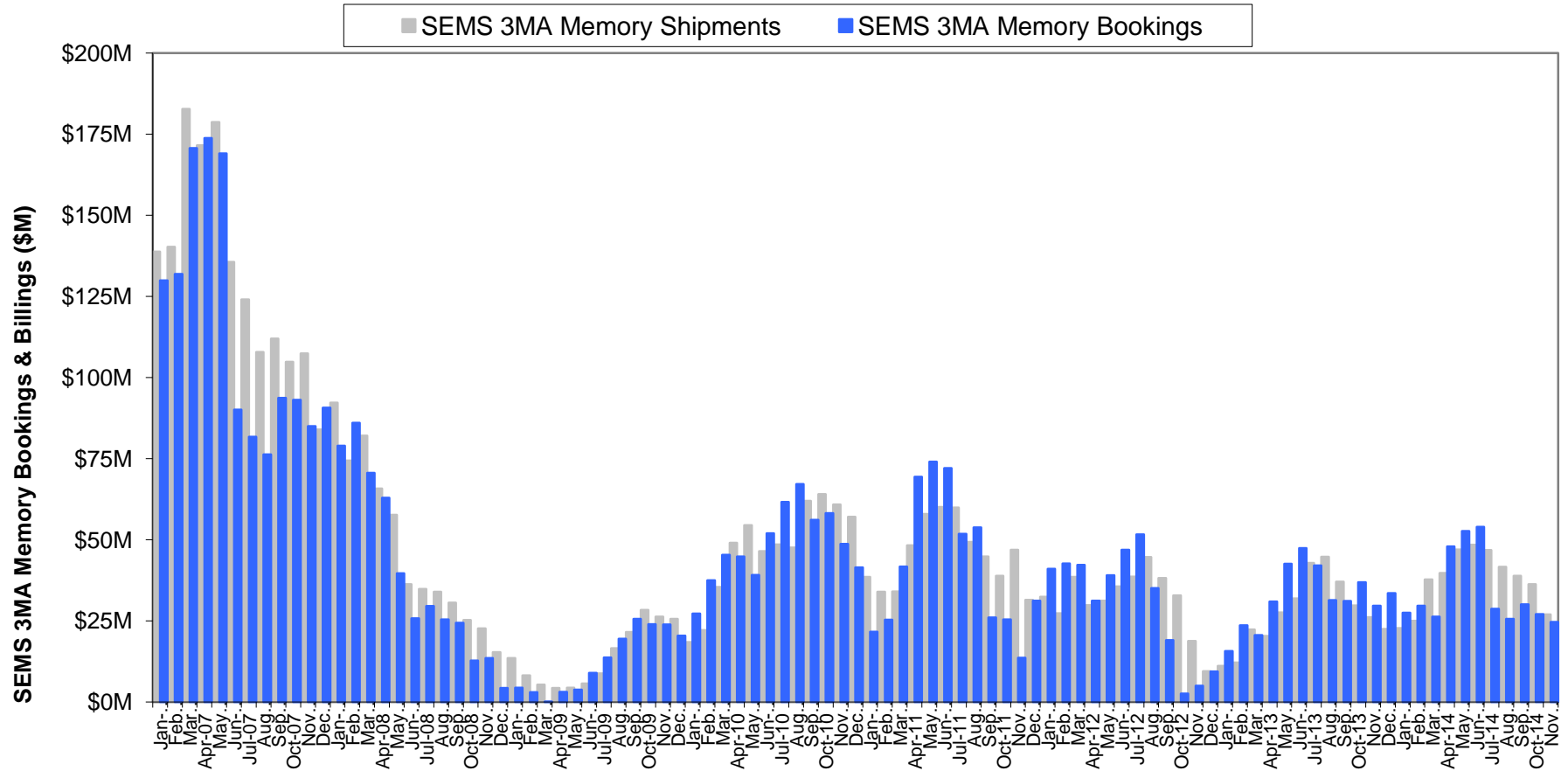


	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014E</u>
SoC Test Market Size	\$2.5B	\$2.3B	\$1.3B	\$2.7B	\$2.5B	\$2.6B	\$1.9B	\$2.3B
SoC Test Buy Rate	1.5%	1.4%	0.9%	1.4%	1.3%	1.3%	0.9%	1.1%

Source: WWSEMS, November 2014 (Worldwide Semiconductor Equipment Market Statistics) – Product only; augmented to include service; VLSI Research Inc. 2014E figure stems from internal and multiple third party forecasts augmented internally for service where applicable



MEMORY TEST 3 MONTH MOVING AVERAGE BOOK/BILL



	2007	2008	2009	2010	2011	2012	2013	2014E
Memory Test Market Size	\$1.8B	\$0.7B	\$0.2B	\$0.7B	\$0.6B	\$0.5B	\$0.4B	\$0.5B
Memory Test Buy Rate	3.1%	1.6%	0.4%	1.1%	1.0%	0.8%	0.7%	0.6%

Source: WWSEMS, November 2014 (Worldwide Semiconductor Equipment Market Statistics) – Product only; augmented to include service; VLSI Research Inc. 2014E range stems from internal and multiple third party forecasts augmented internally for service where applicable



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)

	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		Quarter Ended				December 31, 2013	
	\$	% of Net Revenues	September 28, 2014	% of Net Revenues	Basic	Diluted	\$	% of Net Revenues
Net (loss) income - GAAP	\$ (103.8)	-32.1%	\$ 82.9	17.3%	\$ 0.40	\$ 0.38	\$ 22.3	7.8%
Acquired intangible asset amortization	16.0	5.0%	18.3	3.8%	0.09	0.08	18.3	6.4%
Goodwill impairment (2)	98.9	30.6%	-	-	-	-	-	-
Restructuring and other (3)	1.2	0.4%	(0.4)	-0.1%	(0.00)	(0.00)	0.6	0.2%
Pension mark-to-market adjustments (1)	46.6	14.4%	-	-	-	-	(9.0)	-3.2%
Exclude discrete tax adjustments (4)	1.5	0.5%	(1.6)	-0.3%	(0.01)	(0.01)	-	-
Tax effect of non-GAAP adjustments	(29.3)	-9.1%	(3.4)	-0.7%	(0.02)	(0.02)	-	-
Income tax adjustment (5)	-	-	-	-	-	-	11.1	3.9%
Interest and other (6)	-	-	-	-	-	-	(30.0)	-10.5%
Convertible share adjustment	-	-	-	-	-	-	-	-
Net income - non-GAAP	\$ 31.1	9.6%	\$ 95.8	20.0%	\$ 0.46	\$ 0.44	\$ 13.3	4.7%

	December 31, 2014		Quarter Ended				December 31, 2013	
	\$	% of Net Revenues	September 28, 2014	% of Net Revenues	Basic	Diluted	\$	% of Net Revenues
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

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

(2) Goodwill impairment related to the Company's Wireless business segment.

(3) Restructuring and other consists of:

	December 31, 2014	Quarter Ended September 28, 2014	December 31, 2013
Employee severance	\$ 0.8	\$ 0.2	\$ 0.6
Acquisition costs	0.4	-	-
Contingent consideration fair value adjustment	-	(0.6)	-
	<u>\$ 1.2</u>	<u>\$ (0.4)</u>	<u>\$ 0.6</u>

(4) For the quarters ended December 31, 2014 and September 28, 2014, adjustment to exclude discrete income tax items.

(5) For the quarter ended December 31, 2013, adjustment to record income taxes on a cash basis. Cash taxes reflect the usage of prior year favorable tax attributes (e.g. NOLs and credits) against current year tax liability

(6) For the quarter ended December 31, 2013, Interest and other included non-cash convertible debt interest expense and a gain from the sale of an equity investment.

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 ⁽⁸⁾	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

	Q4'13		Q3'14		Q4'14		Q1'15 Low Guidance		Q1'15 High Guidance	
	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales	\$'s	% of sales
GAAP Operating Expenses	\$153	54%	\$163	34%	\$286	89%	\$153	48%	\$154	45%
Intangible Asset Amortization	-\$18	-6%	-\$18	-4%	-\$16	-5%	-\$14	-4%	-\$14	-4%
Restructuring and Other	-\$1	0%	\$0	0%	-\$1	0%				
Pension MTM	\$6	2%			-\$34	-10%				
Goodwill Impairment					-\$99	-31%				
Non GAAP Operating Expenses	\$140	49%	\$145	30%	\$136	42%	\$139	43%	\$141	41%

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	<u>Q4'13</u>		<u>Q3'14</u>		<u>Q4'14</u>	
	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>	<u>\$'s</u>	<u>%</u>
GAAP Income Tax	\$13	37%	\$18	18%	-\$21	17%
Exclude discrete tax adjustments			\$2	2%	-\$2	1%
Tax effect of non-GAAP adjustments			\$3	3%	\$29	-23%
Income tax adjustment	-\$11	-31%				
Effect of Higher Non-GAAP PBT		7%		-3%		23%
Non GAAP Income Tax	<u>\$2</u>	<u>13%</u>	<u>\$23</u>	<u>19%</u>	<u>\$7</u>	<u>18%</u>

	<u>2013</u>
GAAP Income Tax	18%
Income Tax adjustment to record taxes on a cash basis	<u>-5%</u>
Non-GAAP Income Tax	<u>13%</u>

	<u>2014</u>
GAAP Income Tax	15%
Exclude discrete items	<u>3%</u>
Non-GAAP Income Tax	<u>18%</u>

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

GAAP to Non-GAAP Earnings Reconciliation

(In millions, except per share amounts)

	Year Ended	
	December 31, 2010	% of Net Revenues
Net Revenues	\$ 1,566.2	
Income from Operations - GAAP	\$ 414.9	26.5%
Acquired intangible asset amortization	29.3	1.9%
Pension mark-to-market adjustments ⁽¹⁾	(1.3)	-0.1%
Restructuring and other, net ⁽²⁾	(3.8)	-0.2%
Income from Operations - non-GAAP	<u>\$ 439.1</u>	<u>28.0%</u>

	Income per Common Share from Continuing Operations	
	Diluted	
Income from Continuing Operations - GAAP	\$ 1.73	
Acquired intangible asset amortization	0.15	
Interest and other ⁽³⁾	0.05	
Restructuring and other, net ⁽¹⁾	(0.02)	
Pension mark-to-market adjustments ⁽¹⁾	(0.01)	
Convertible share adjustment ⁽⁴⁾	0.27	
Income from Continuing Operations - non-GAAP	<u>\$ 2.17</u>	
GAAP and Non-GAAP Weighted Average Common Shares -	179.9	
GAAP Weighted Average Common Shares - Diluted	226.8	
Exclude dilutive shares from convertible note	(30.8)	
Non-GAAP Weighted Average Common Shares - Diluted ⁽⁴⁾	<u>196.0</u>	

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

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	December 31, 2011	% of Net Revenues	Income per Common Share from Continuing Operations			
			December 31, 2011	% of Net Revenues	Basic	Diluted
Net Revenues	\$ 1,429.1					
Gross profit - GAAP	\$ 711.9	49.8%				
Inventory step-up	12.2	0.9%				
Pension mark-to-market adjustments ⁽¹⁾	4.0	0.3%				
Gross profit - non-GAAP	\$ 728.1	50.9%				
Income from operations - GAAP	\$ 229.8	16.1%				
Acquired intangible asset amortization	40.5	2.8%				
Inventory step-up	12.2	0.9%				
Pension mark-to-market adjustments ⁽¹⁾	13.7	1.0%				
Restructuring and other, net ⁽²⁾	8.5	0.6%				
Income from operations - non-GAAP	\$ 304.7	21.3%				
Income from continuing operations - GAAP	\$ 342.0	23.9%	\$ 1.85	\$ 1.51		
Acquired intangible asset amortization	40.5	2.8%	0.22	0.20		
Income tax adjustment ⁽³⁾	-	-	-	-		
Interest and other ⁽⁴⁾	12.0	0.8%	0.06	0.06		
Inventory step-up	12.2	0.9%	0.07	0.06		
Pension mark-to-market adjustments ⁽¹⁾	13.7	1.0%	0.07	0.07		
Restructuring and other, net ⁽²⁾	8.5	0.6%	0.05	0.04		
Deferred tax valuation allowance	(144.3)	-10.1%	(0.78)	(0.70)		
Convertible share adjustment ⁽⁵⁾	-	-	-	0.19		
Income from continuing operations - non-GAAP	\$ 284.6	19.9%	\$ 1.54	\$ 1.43		
GAAP and non-GAAP weighted average common shares - basic	184.7					
GAAP weighted average common shares - diluted	226.8					
Exclude dilutive shares from convertible note	(21.5)					
Non-GAAP weighted average common shares - diluted ⁽⁵⁾	205.3					

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

⁽²⁾ Restructuring and other, net consists of:

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Year Ended	
	December 31, 2012	% of Net Revenues
Net Revenues	\$ 1,656.8	
Gross profit - GAAP	\$ 886.0	53.5%
Pension mark-to-market adjustments ⁽¹⁾	9.0	0.5%
Inventory step-up	6.1	0.4%
Gross profit - non-GAAP	\$ 901.1	54.4%
Income from operations - GAAP	\$ 287.4	17.3%
Acquired intangible asset amortization	73.5	4.4%
Restructuring and other ⁽²⁾	(7.7)	-0.5%
Pension mark-to-market adjustments ⁽¹⁾	23.3	1.4%
Inventory step-up	6.1	0.4%
Income from operations - non-GAAP	\$ 382.6	23.1%

	December 31, 2012	% of Net Revenues	Net Income per Common Share	
			Basic	Diluted
Net income - GAAP	\$ 217.0	13.1%	\$ 1.16	\$ 0.94
Acquired intangible asset amortization	73.5	4.4%	0.39	0.35
Income tax adjustment ⁽³⁾	11.5	0.7%	0.06	0.06
Interest and other ⁽⁴⁾	13.8	0.8%	0.07	0.07
Restructuring and other ⁽²⁾	(7.7)	-0.5%	(0.04)	(0.04)
Pension mark-to-market adjustments ⁽¹⁾	23.3	1.4%	0.12	0.11
Inventory step-up	6.1	0.4%	0.03	0.03
Convertible share adjustment ⁽⁵⁾	-	-	-	0.15
Net income - non-GAAP	\$ 337.5	20.4%	\$ 1.81	\$ 1.67
GAAP and non-GAAP weighted average	186.9			
GAAP weighted average common shares -	230.2			
Exclude dilutive shares from convertible note	(22.4)			
Non-GAAP weighted average common shares - diluted ⁽⁵⁾	207.8			

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

	Years Ended			
	December 31, 2014		December 31, 2013	
	\$	% of Net Revenues	\$	% of Net Revenues
Net Revenues	\$ 1,647.8		\$ 1,427.9	
Gross profit - GAAP	\$ 878.8	53.3%	\$ 808.8	56.6%
Pension mark-to-market adjustments (1)	12.7	0.8%	(3.1)	-0.2%
Gross profit - non-GAAP	\$ 891.5	54.1%	\$ 805.7	56.4%
Income from operations - GAAP	\$ 96.4	5.9%	\$ 190.7	13.4%
Acquired intangible asset amortization	70.8	4.3%	72.4	5.1%
Goodwill impairment (2)	98.9	6.0%	-	-
Equity modification charge (3)	6.6	0.4%	-	-
Restructuring and other (4)	1.4	0.1%	2.1	0.1%
Pension mark-to-market adjustments (1)	46.6	2.8%	(10.3)	-0.7%
Income from operations - non-GAAP	\$ 320.7	19.5%	\$ 254.9	17.9%

	December 31, 2014		Net Income per Common Share		December 31, 2013		Net Income per Common Share	
	\$	% of Net Revenues	Basic	Diluted	\$	% of Net Revenues	Basic	Diluted
Net income - GAAP	\$ 81.3	4.9%	\$ 0.40	\$ 0.37	\$ 164.9	11.5%	\$ 0.86	\$ 0.70
Acquired intangible asset amortization	70.8	4.3%	0.35	0.32	72.4	5.1%	0.38	0.31
Goodwill impairment (2)	98.9	6.0%	0.49	0.44	-	-	-	-
Pension mark-to-market adjustments (1)	46.6	2.8%	0.23	0.21	(10.3)	-0.7%	(0.05)	(0.04)
Equity modification charge (3)	6.6	0.4%	0.03	0.03	-	-	-	-
Restructuring and other (4)	1.4	0.1%	0.01	0.01	2.1	0.1%	0.01	0.01
Interest and other (5)	4.3	0.3%	0.02	0.02	(18.4)	-1.3%	(0.10)	(0.08)
Exclude discrete tax adjustments (6)	(3.0)	-0.2%	(0.01)	(0.01)	-	-	-	-
Tax effect of non-GAAP adjustments	(41.3)	-2.5%	(0.20)	(0.19)	-	-	-	-
Income tax adjustment (7)	-	-	-	-	4.8	0.3%	0.03	0.02
Convertible share adjustment (8)	-	-	-	0.02	-	-	-	0.14
Net income - non-GAAP	\$ 265.6	16.1%	\$ 1.31	\$ 1.23	\$ 215.5	15.1%	\$ 1.13	\$ 1.06
GAAP and non-GAAP weighted average common shares - basic	202.9				190.8			
GAAP weighted average common shares - diluted	222.6				235.6			
Exclude dilutive shares from convertible note	(5.0)				(23.3)			
Non-GAAP weighted average common shares - diluted (8)	217.6				212.3			

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

- Q4 2013 and Q4 2014 R&D and SG&A expense as a % of sales differ by the following:

	Q4'13		Q4'14	
	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>
GAAP SG&A Expense	\$70	24%	\$91	28%
Pension MTM	\$3	1%	-\$22	-7%
Non GAAP SG&A Expense	<u>\$72</u>	<u>25%</u>	<u>\$70</u>	<u>22%</u>

	Q4'13		Q4'14	
	<u>\$'s</u>	<u>% of sales</u>	<u>\$'s</u>	<u>% of sales</u>
GAAP R&D Expense	\$65	23%	\$79	24%
Pension MTM	\$4	1%	-\$12	-4%
Non GAAP R&D Expense	<u>\$68</u>	<u>24%</u>	<u>\$67</u>	<u>21%</u>

- Q3 2014 and Q1 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 First Quarter 2015 guidance:

GAAP and non-GAAP first quarter revenue guidance:	\$320 million	to	\$345 million
GAAP net income per diluted share	\$ 0.07		\$ 0.11
Exclude acquired intangible asset amortization	0.06		0.06
Exclude gain from the sale of an equity investment	(0.02)		(0.02)
Tax effect of non-GAAP adjustments	(0.01)		(0.01)
Non-GAAP net income per diluted share	\$ 0.09		\$ 0.14

First Quarter Guidance:	<u>Low End</u>	<u>High End</u>
GAAP Operating Profit as % of Sales	<u>4%</u>	<u>8%</u>
Acquired intangible asset amortization	<u>4%</u>	<u>4%</u>
Non-GAAP Operating Profit as % of Sales	9%	12%

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>Q4'13</u>	<u>Q3'14</u>	<u>Q4'14</u>	<u>Q1'15E</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
GAAP Cash Flow From Operations, Excl Disc Ops	\$40	\$133	\$179	-\$19	\$561	\$279	\$405	\$264	\$493
Include Property, Plant and Equipment Additions	-\$23	-\$55	-\$24	-\$25	-\$76	-\$86	-\$119	-\$107	-\$170
Non-GAAP Operating Cash Flow ("Free Cash Flow")	\$17	\$78	\$155	-\$44	\$485	\$192	\$285	\$157	\$323

APPENDIX | GAAP TO NON-GAAP RECONCILIATION

- Teradyne's non-GAAP model revenue is \$375 million quarterly. 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 an industry 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. This model revenue number is provided only on a non-GAAP basis because of the inherent difficulty in forecasting and quantifying the amount of 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.