
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 1, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-06462

TERADYNE, INC.

(Exact name of registrant as specified in its charter)

Massachusetts
(State or Other Jurisdiction of
Incorporation or Organization)

04-2272148
(I.R.S. Employer
Identification No.)

600 Riverpark Drive, North Reading,
Massachusetts
(Address of Principal Executive Offices)

01864
(Zip Code)

978-370-2700
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's only class of Common Stock as of May 7, 2018 was 191,316,067 shares.

TERADYNE, INC.

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PART I

Item 1: Financial Statements

TERADYNE, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	April 1, 2018	December 31, 2017
	(in thousands, except per share amount)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 637,873	\$ 429,843
Marketable securities	860,526	1,347,979
Accounts receivable, less allowance for doubtful accounts of \$2,206 and \$2,219 at April 1, 2018 and December 31, 2017, respectively	413,978	272,783
Inventories, net	131,857	107,525
Prepayments and other current assets	112,191	112,151
Total current assets	2,156,425	2,270,281
Property, plant and equipment, net	281,284	268,447
Marketable securities	89,259	125,926
Deferred tax assets	77,705	84,026
Retirement plans assets	17,928	17,491
Other assets	12,479	12,275
Acquired intangible assets, net	84,413	79,088
Goodwill	275,700	252,011
Total assets	<u>\$2,995,193</u>	<u>\$ 3,109,545</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 103,950	\$ 86,393
Accrued employees' compensation and withholdings	86,292	141,694
Deferred revenue and customer advances	85,892	83,614
Other accrued liabilities	64,782	59,083
Contingent consideration	15,581	24,497
Income taxes payable	34,828	59,055
Total current liabilities	391,325	454,336
Retirement plans liabilities	124,689	119,776
Long-term deferred revenue and customer advances	21,726	30,127
Deferred tax liabilities	6,185	6,720
Long-term other accrued liabilities	16,683	10,273
Long-term contingent consideration	—	20,605
Long-term income taxes payable	160,181	148,075
Long-term debt	369,421	365,987
Total liabilities	<u>1,090,210</u>	<u>1,155,899</u>
Commitments and contingencies (See Note Q)		
SHAREHOLDERS' EQUITY		
Common stock, \$0.125 par value, 1,000,000 shares authorized; 193,808 and 195,548 shares issued and outstanding at April 1, 2018 and December 31, 2017, respectively	24,226	24,444
Additional paid-in capital	1,638,756	1,638,413
Accumulated other comprehensive income	25,881	18,776
Retained earnings	216,120	272,013
Total shareholders' equity	<u>1,904,983</u>	<u>1,953,646</u>
Total liabilities and shareholders' equity	<u>\$2,995,193</u>	<u>\$ 3,109,545</u>

The accompanying notes, together with the Notes to Consolidated Financial Statements included in Teradyne's Annual Report on Form 10-K for the year ended December 31, 2017, are an integral part of the condensed consolidated financial statements.

TERADYNE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands, except per share amount)	
Revenues:		
Products	\$403,925	\$373,204
Services	83,542	83,709
Total revenues	487,467	456,913
Cost of revenues:		
Cost of products	180,958	154,883
Cost of services	36,677	37,014
Total cost of revenues (exclusive of acquired intangible assets amortization shown separately below)	217,635	191,897
Gross profit	269,832	265,016
Operating expenses:		
Selling and administrative	90,505	84,792
Engineering and development	74,408	75,978
Acquired intangible assets amortization	7,698	7,952
Restructuring and other	(313)	2,511
Total operating expenses	172,298	171,233
Income from operations	97,534	93,783
Non-operating (income) expense:		
Interest income	(5,981)	(3,520)
Interest expense	6,890	5,402
Other (income) expense, net	805	(115)
Income before income taxes	95,820	92,016
Income tax provision	8,846	6,795
Net income	\$ 86,974	\$ 85,221
Net income per common share:		
Basic	\$ 0.45	\$ 0.43
Diluted	\$ 0.43	\$ 0.42
Weighted average common shares—basic	195,255	200,005
Weighted average common shares—diluted	203,484	201,936
Cash dividend declared per common share	\$ 0.09	\$ 0.07

The accompanying notes, together with the Notes to Consolidated Financial Statements included in Teradyne's Annual Report on Form 10-K for the year ended December 31, 2017, are an integral part of the condensed consolidated financial statements.

TERADYNE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Net income	\$ 86,974	\$ 85,221
Other comprehensive income, net of tax:		
Foreign currency translation adjustment, net of tax of \$0, \$0, respectively	10,541	8,963
Available-for-sale marketable securities:		
Unrealized (losses) gains on marketable securities arising during period, net of tax of \$(718), \$420, respectively	(2,687)	513
Less: Reclassification adjustment for losses (gains) included in net income, net of tax of \$78, \$(64), respectively	1,668	(95)
	(1,019)	418
Defined benefit pension and post-retirement plans:		
Amortization of prior service (credit) cost included in net periodic pension and post-retirement expense/income, net of tax of \$(18), \$(38), respectively	(61)	(68)
Other comprehensive income	9,461	9,313
Comprehensive income	<u>\$ 96,435</u>	<u>\$ 94,534</u>

The accompanying notes, together with the Notes to Consolidated Financial Statements included in Teradyne's Annual Report on Form 10-K for the year ended December 31, 2017, are an integral part of the condensed consolidated financial statements.

TERADYNE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 86,974	\$ 85,221
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation	16,336	16,143
Amortization	9,204	11,070
Stock-based compensation	9,544	8,945
Provision for excess and obsolete inventory	3,522	2,726
Deferred taxes	8,696	(3,477)
Contingent consideration adjustment	(4,968)	634
Other	1,393	2
Changes in operating assets and liabilities, net of business acquired:		
Accounts receivable	(140,747)	(123,792)
Inventories	(21,017)	(62,152)
Prepayments and other assets	(679)	1,104
Accounts payable and other accrued expenses	(46,706)	(7,553)
Deferred revenue and customer advances	9,644	(3,333)
Retirement plans contributions	(1,020)	(947)
Income taxes	(12,106)	14,288
Net cash used for operating activities	(81,930)	(61,121)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(34,797)	(22,066)
Purchases of marketable securities	(490,324)	(153,317)
Proceeds from sales of marketable securities	800,671	213,593
Proceeds from maturities of marketable securities	212,698	88,184
Acquisition of business, net of cash acquired	(25,356)	—
Net cash provided by investing activities	462,892	126,394
Cash flows from financing activities:		
Issuance of common stock under stock purchase and stock option plans	10,654	15,084
Repurchase of common stock	(134,276)	(37,730)
Payments related to net settlement of employee stock compensation awards	(19,629)	(12,289)
Dividend payments	(17,588)	(14,021)
Payments of contingent consideration	(13,571)	(1,050)
Net cash used for financing activities	(174,410)	(50,006)
Effects of exchange rate changes on cash and cash equivalents	1,478	1,595
Increase in cash and cash equivalents	208,030	16,862
Cash and cash equivalents at beginning of period	429,843	307,884
Cash and cash equivalents at end of period	\$ 637,873	\$ 324,746

The accompanying notes, together with the Notes to Consolidated Financial Statements included in Teradyne's Annual Report on Form 10-K for the year ended December 31, 2017, are an integral part of the condensed consolidated financial statements.

TERADYNE, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

A. THE COMPANY

Teradyne, Inc. (“Teradyne”) is a leading global supplier of automation equipment for test and industrial applications. Teradyne designs, develops, manufactures and sells automatic test systems used to test semiconductors, wireless products, data storage and complex electronics systems in the consumer electronics, wireless, automotive, industrial, computing, communications, and aerospace and defense industries. Teradyne’s industrial automation products include collaborative robotic arms, and advanced robotic control software used by global manufacturing and light industrial customers to improve quality, increase manufacturing and material handling efficiency and decrease manufacturing costs. Teradyne’s automatic test equipment and industrial automation products and services include:

- semiconductor test (“Semiconductor Test”) systems;
- defense/aerospace (“Defense/Aerospace”) test instrumentation and systems, storage test (“Storage Test”) systems, and circuit-board test and inspection (“Production Board Test”) systems (collectively these products represent “System Test”);
- industrial automation (“Industrial Automation”) products; and
- wireless test (“Wireless Test”) systems.

B. ACCOUNTING POLICIES

Basis of Presentation

The consolidated interim financial statements include the accounts of Teradyne and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. These interim financial statements are unaudited and reflect all normal recurring adjustments that are, in the opinion of management, necessary for the fair statement of such interim financial statements. Certain prior year amounts were reclassified to conform to the current year presentation. The December 31, 2017 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The accompanying financial information should be read in conjunction with the consolidated financial statements and notes thereto contained in Teradyne’s Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission (“SEC”) on March 1, 2018, for the year ended December 31, 2017.

Preparation of Financial Statements and Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the amounts reported in the financial statements. Actual results may differ significantly from these estimates.

Revenue from Contracts with Customers

Teradyne adopted Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers” (“ASC 606”) on January 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption. The reported results for 2018 reflect the application of ASC 606 while the reported results for 2017 were prepared under the guidance of ASC 605, “Revenue Recognition” (“ASC 605”), which is also referred to herein as “Legacy GAAP” or the “previous guidance.” Teradyne recorded a net increase

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to retained earnings of \$12.7 million as of January 1, 2018 due to the cumulative impact of adopting ASC 606. Refer to Note B: “Accounting Policies” in Teradyne’s 2017 Annual Report on Form 10-K for the policies in effect for revenue prior to January 1, 2018. The adoption of ASC 606 represents a change in accounting principle that will more closely align revenue recognition with the delivery of Teradyne’s hardware and services and will provide financial statement readers with enhanced disclosures. In accordance with ASC 606, revenue is recognized when or as a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which Teradyne expects to be entitled to receive in exchange for fulfillment of the performance obligation. Teradyne’s primary source of revenue will continue to be from the sale of systems, instruments, robots, and the delivery of services.

In accordance with ASC 606, Teradyne recognizes revenues, when or as control is transferred to a customer. Teradyne’s determination of revenue is dependent upon a five step process outlined below.

Step 1: Identify the contract with the customer

Teradyne accounts for a contract with a customer when there is written approval, the contract is committed, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of collection.

Step 2: Identify the performance obligations in the contract

Teradyne periodically enters into contracts with its customers in which a customer may purchase a combination of goods and or services, such as products with extended warranty obligations. Teradyne determines performance obligations by assessing whether the products or services are distinct from the other elements of the contract. In order to be distinct the product or service must perform either on its own or with readily available resources and must be separate within the context of the contract.

Step 3: Determine the transaction price

Teradyne considers the amount stated on the face of the purchase order to be the transaction price. Teradyne does not have material variable consideration which could impact the stated purchase price agreed to by Teradyne and the customer.

Step 4: Allocate the transaction price to the performance obligations in the contract

Transaction price is allocated to each individual performance obligation based on the standalone selling price of that performance obligation. Teradyne uses standalone transactions when available to value each performance obligation. If standalone transactions are not available, Teradyne will estimate the standalone selling price through market assessments or cost plus a reasonable margin analysis. Any discounts from standalone selling price are spread proportionally to each performance obligation.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

In order to determine the appropriate timing for revenue recognition, Teradyne first determines if the transaction meets any of three criteria for over time recognition. If the transaction meets the criteria for over time recognition, Teradyne recognizes revenue as the good or service is delivered. Teradyne uses input variables such as hours or months utilized or costs incurred to determine the amount of revenue to recognize in a given period. Input variables are used as they best align consumption with benefit to the customer. For transactions which do not meet the criteria for over time recognition, Teradyne will recognize revenue at a point in time based on an assessment of the five criteria for transfer of control. Teradyne has concluded that revenue should be recognized when shipped or delivered based on contractual terms. Typically acceptance of Teradyne’s products and services is a formality as Teradyne delivers similar systems, instruments and robots to standard specifications. In cases where acceptance is not deemed a formality, Teradyne will defer revenue recognition until customer acceptance.

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Revenue recognized in accordance with ASC 606 was \$483.2 million for the period ended April 1, 2018. Teradyne also recognized \$4.3 million in revenue on leases of Teradyne systems which are accounted for outside of ASC 606.

Disaggregation of Revenue

The following table provides information about disaggregated revenue by primary geographical market, major product line and timing of revenue recognition.

	Semiconductor Test		System Test			Industrial Automation	Wireless Test	Corporate and Other	Consolidated
	SOC(1)	Memory	Defense/Aerospace	Storage Test	Production Board Test				
(in thousands)									
Three Months Ended April 1, 2018									
Americas									
Point in Time	\$ 9,600	\$ 2,862	\$ 11,597	\$ 279	\$ 1,760	\$ 14,373	\$ 4,979	\$ (221)	\$ 45,229
Over Time	8,791	696	6,188	—	757	89	112	—	16,633
Europe, Middle East and Africa									
Point in Time	12,125	139	1,497	—	4,037	22,573	1,041	—	41,412
Over Time	5,214	269	551	—	1,559	143	227	—	7,963
Asia Pacific									
Point in Time	224,851	66,273	101	10,122	1,861	11,583	13,664	—	328,455
Over Time	36,338	2,323	208	1,533	735	73	2,296	—	43,506
Lease Revenue	3,847	—	—	—	234	—	188	—	4,269
Total	\$300,766	\$72,562	\$ 20,142	\$11,934	\$ 10,943	\$ 48,834	\$22,507	\$ (221)	\$ 487,467

(1) System on a chip (“SOC”)

Performance Obligations

Hardware

Teradyne hardware consists primarily of semiconductor test systems and instruments, defense/aerospace test instrumentation and systems, storage test systems and instruments, circuit-board test and inspection systems and instruments, collaborative robots, and wireless test systems. The hardware includes a standard 12 month warranty. This warranty is not considered a distinct performance obligation because it does not obligate Teradyne to provide a separate service to the customer and it cannot be purchased separately. Teradyne’s hardware is recognized at a point in time upon transfer of control to the customer.

Extended Warranty

Customers have the option to purchase an extended warranty, which extends the warranty period for systems and robots beyond the one year standard warranty. The extended warranty is purchased in the same transaction as the system or robot purchase and is classified as a separate performance obligation which meets the criteria for over time recognition. The relative standalone selling price of the extended warranty is recognized ratably over the course of the extended warranty based on months completed.

Training and Applications Support

Teradyne sells training and applications support to customers either in standalone transactions or included with system purchases. The training and support allow the customer to use Teradyne’s systems efficiently and

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effectively. Training and applications support included in system orders are valued based on their standalone selling price and all training and applications support is recognized over time as the customer receives and consumes the benefit associated with each. Both are recognized using an input method of hours consumed as this best depicts the transfer of services to the customer.

Service Agreements

Service agreements are recognized ratably over the period of agreement based on months completed.

Post-Contract Customer Support ("PCS")

Teradyne provides support services for certain systems and robots outside of warranty. These services include telephone support, bug fixes, and when-and-if available upgrades. Standalone selling price for PCS is not directly observable as Teradyne does not sell these services separately. Teradyne has estimated the standalone selling price for these services based on adjusted market assessments. Revenue for PCS is recognized ratably over the performance period.

Teradyne does not allow customer returns or provide refunds to customers for any products or services.

Contract Balances

The following table provides information about contract liabilities. Teradyne does not have material contract assets on the balance sheet.

	<u>April 1, 2018</u>	<u>January 1, 2018</u> <u>(as adjusted)</u>	<u>Increase</u>
		<u>(in thousands)</u>	
Deferred revenue and customer advances	\$ 85,892	\$ 76,638	\$ 9,254
Long-term deferred revenue and customer advances	21,726	20,848	878

The amount of revenue recognized during the quarter ended April 1, 2018 that was included within the deferred revenue and customer advances balance at January 1, 2018 was \$21.8 million and primarily relates to extended warranties, training, application support, and PCS. Each of these represents a distinct performance obligation. Customers typically pay for these services net 30 to 60 days from the date that transfer of control of the associated system or product occurs.

Remaining Performance Obligations

Teradyne does not have material remaining performance obligations from contracts with an original expected duration of greater than one year.

Significant Judgments

Teradyne makes no significant judgements in determining the amount or timing of revenue recognition.

Practical Expedients

Teradyne has adopted the practical expedients available within ASC 340 "Other Assets and Deferred Costs" for contract assets, specifically in relation to incremental costs of obtaining a contract. Teradyne generally expenses sales commissions when incurred because the amortization period would be less than one year. Teradyne records these costs within selling and administrative expenses.

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Teradyne has adopted the practical expedient which states an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to the customer and when the customer pays for that good or service will be one year or less. Teradyne does not have material payments associated with performance obligations outside this one year time frame.

Impacts

The following tables summarize the impact of ASC 606 to Teradyne's consolidated financial statements. Differences are the result of timing differences between the recognition of revenue under ASC 606 and ASC 605 primarily with respect to software transactions deferred due to lack of vendor specific objective evidence of price under ASC 605 and Teradyne's assessment of acceptance under ASC 606. Under Legacy GAAP Teradyne did not recognize revenue prior to acceptance if payment, title, or risk of loss was tied to acceptance. Under ASC 606, Teradyne recognizes revenue prior to receipt of acceptance if acceptance is deemed a formality.

Condensed Consolidated Balance Sheet:

	April 1, 2018		
	As reported	Adjustments to Recognize under Legacy GAAP	Legacy GAAP
	(in thousands)		
ASSETS			
Accounts receivable, less allowance for doubtful accounts	\$413,978	\$ (67,728)	\$346,250
Inventories, net	131,857	27,749	159,606
Deferred tax assets	77,705	2,923	80,628
LIABILITIES			
Deferred revenue and customer advances	\$ 85,892	\$ 4,990	\$ 90,882
Income taxes payable	34,828	(5,167)	29,661
Long-term deferred revenue and customer advances	21,726	9,178	30,904
SHAREHOLDERS' EQUITY			
Retained earnings	\$216,120	\$ (46,057)	\$170,063

Condensed Consolidated Statement of Operation:

	Three months ended April 1, 2018		
	As Reported	Adjustments to Recognize under Legacy GAAP	Legacy GAAP
	(in thousands except per share amounts)		
Total revenues	\$487,467	\$ (65,642)	\$421,825
Total cost of revenues	217,635	(27,749)	189,886
Income tax provision	8,846	(4,515)	4,331
Net income	86,974	(33,378)	53,596
Net income per common share:			
Basic	<u>\$ 0.45</u>	<u>\$ (0.17)</u>	<u>\$ 0.27</u>
Diluted	<u>\$ 0.43</u>	<u>\$ (0.16)</u>	<u>\$ 0.26</u>

Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit

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Cost. Teradyne retrospectively adopted the new accounting guidance on presentation of net periodic pension costs and net periodic postretirement benefit costs in the first quarter of 2018. This guidance requires the service cost component of net benefit costs to be reported in the same line item in the consolidated statement of operations as other employee compensation costs. The non-service components of net benefit costs such as interest cost, expected return on assets, amortization of prior service cost, and actuarial gains or losses, are required to be reported separately outside of income or loss from operations. Following the adoption of this guidance, Teradyne continues to record the service cost component in the same line item as other employee compensation costs and the non-service components of net benefit costs such as interest cost, expected return on assets, amortization of prior service cost, and actuarial gains or losses are reported within other (income) expense, net. The retrospective adoption of this standard increased the first quarter of 2017 income from operations by \$0.4 million due to the removal of the non-service component of pension expense and decreased other income (expense), net by the same amount with no impact to net income.

Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU 2016-01, *“Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.”* Teradyne adopted the new accounting guidance in the first quarter of 2018 using the modified retrospective approach. This guidance requires that changes in fair value of equity securities be accounted for directly in earnings. Previously, the changes in fair value were recorded in accumulated other comprehensive income on the balance sheet. Teradyne continues to record realized gains in interest income and realized losses in interest expense. The adoption of this new accounting guidance increased the January 1, 2018 retained earnings balance by \$3.1 million and decreased the accumulated other comprehensive income balance by the same amount.

Contingencies and Litigation

Teradyne may be subject to certain legal proceedings, lawsuits and other claims as discussed in Note Q: “Commitments and Contingencies.” Teradyne accrues for a loss contingency, including legal proceedings, lawsuits, pending claims and other legal matters, when the likelihood of a loss is probable and the amount of the loss can be reasonably estimated. When the reasonable estimate of the loss is within a range of amounts, and no amount in the range constitutes a better estimate than any other amount, Teradyne accrues the amount at the low end of the range. Teradyne adjusts the accruals from time to time as additional information is received, but the loss incurred may be significantly greater than or less than the amount accrued. Loss contingencies are disclosed when they are material and there is at least a reasonable possibility that a loss has been incurred. Attorney fees related to legal matters are expensed as incurred.

C. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

On January 26, 2017, the FASB issued ASU 2017-04, *“Intangibles – Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment.”* The new guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. The revised guidance will be applied prospectively, and is effective in 2020. Early adoption is permitted for any impairment tests performed after January 1, 2017. Teradyne is currently evaluating the impact of this ASU on its financial position, results of operations and statements of cash flows.

In February 2016, the FASB issued ASU 2016-02, *“Leases (Topic 842).”* The guidance in this ASU supersedes the lease recognition requirements in Accounting Standards Codification (“ASC”) Topic 840,

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“Leases.” The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of operations. The new standard is effective for annual periods beginning after December 15, 2018 with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Teradyne is currently evaluating the impact of this ASU on its financial position and results of operations.

D. ACQUISITIONS

Energid Technologies Corporation

On February 26, 2018, Teradyne acquired all the issued and outstanding shares of Energid Technologies Corporation (“Energid”) for a total preliminary purchase price of approximately \$27.6 million. Energid’s technology enables and simplifies the programming of complex robotic motions used in a wide variety of end markets, ranging from heavy industry to healthcare; utilizing both traditional robots and collaborative robots. The Energid acquisition was accounted for as a business combination and, accordingly, Energid’s results have been included in Teradyne’s Industrial Automation segment from the date of acquisition. As of the acquisition date, Teradyne’s preliminary purchase price allocation was goodwill of \$15.7 million, acquired intangible assets of \$10.9 million with an average estimated useful life of 6.1 years, and \$1.0 million of net tangible assets. The acquisition was not material to our condensed consolidated financial statements.

E. INVENTORIES

Inventories, net consisted of the following at April 1, 2018 and December 31, 2017:

	April 1, 2018	December 31, 2017
	(in thousands)	
Raw material	\$ 74,762	\$ 62,668
Work-in-process	21,256	19,464
Finished Goods	35,839	25,393
	<u>\$131,857</u>	<u>\$ 107,525</u>

Inventory reserves for the periods ending April 1, 2018 and December 31, 2017 were \$103.4 million and \$102.9 million, respectively.

F. FINANCIAL INSTRUMENTS

Cash Equivalents

Teradyne considers all highly liquid investments with maturities of three months or less at the date of acquisition to be cash equivalents.

Marketable Securities

Effective January 1, 2018, Teradyne adopted ASU 2016-01, “*Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*” using the modified retrospective approach. This guidance requires that changes in fair value of equity securities be accounted for directly in earnings. Prior to 2018, the changes in fair value of equity securities were recorded in accumulated other comprehensive income on the balance sheet.

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On a quarterly basis, Teradyne reviews its investments to identify and evaluate those that have an indication of a potential other-than-temporary impairment. Factors considered in determining whether a loss is other-than-temporary include:

- The length of time and the extent to which the market value has been less than cost;
- The financial condition and near-term prospects of the issuer; and
- The intent and ability to retain the investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

Teradyne uses the market and income approach techniques to value its financial instruments and there were no changes in valuation techniques during the three months ended April 1, 2018 and April 2, 2017. As defined in ASC 820-10, "*Fair Value Measurements and Disclosures*," fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820-10 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted prices in active markets for identical assets as of the reporting date;

Level 2: Inputs other than Level 1, that are observable either directly or indirectly as of the reporting date. For example, a common approach for valuing fixed income securities is the use of matrix pricing. Matrix pricing is a mathematical technique used to value securities by relying on the securities' relationship to other benchmark quoted prices, and is considered a Level 2 input; or

Level 3: Unobservable inputs that are not supported by market data. Unobservable inputs are developed based on the best information available, which might include Teradyne's own data.

Teradyne's available-for-sale debt securities are classified as Level 2, and equity securities are classified as Level 1. Acquisition-related contingent consideration is classified as Level 3. Teradyne determines the fair value of acquisition-related contingent consideration using a Monte Carlo simulation model. Assumptions utilized in the model include forecasted revenues, revenue volatility and discount rate. The vast majority of Level 2 securities are fixed income securities priced by third party pricing vendors. These pricing vendors utilize the most recent observable market information in pricing these securities or, if specific prices are not available, use other observable inputs like market transactions involving identical or comparable securities.

Realized gains recorded in the three months ended April 1, 2018 and April 2, 2017 were \$0.3 million and \$0.3 million, respectively. Realized losses recorded in the three months ended April 1, 2018 and April 2, 2017 were \$1.5 million and \$0.2 million, respectively. Realized gains are included in interest income and realized losses are included in interest expense.

Unrealized gains and losses on available-for-sale debt securities are included in accumulated other comprehensive income (loss). Changes in fair value of equity securities are included in other (income) expense, net. The cost of securities sold is based on the specific identification method.

During the three months ended April 1, 2018 and April 2, 2017, there were no transfers in or out of Level 1, Level 2 or Level 3 financial instruments.

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The following table sets forth by fair value hierarchy Teradyne's financial assets and liabilities that were measured at fair value on a recurring basis as of April 1, 2018 and December 31, 2017.

	April 1, 2018			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in thousands)			
Assets				
Cash	\$ 155,543	\$ —	\$ —	\$ 155,543
Cash equivalents	306,710	175,620	—	482,330
Available-for-sale debt securities:				
U.S. Treasury securities	—	611,946	—	611,946
Commercial paper	—	252,158	—	252,158
Corporate debt securities	—	44,218	—	44,218
U.S. government agency securities	—	10,726	—	10,726
Certificates of deposit and time deposits	—	4,824	—	4,824
Debt mutual funds	2,741	—	—	2,741
Non-U.S. government securities	—	559	—	559
Equity securities:				
Mutual funds	22,613	—	—	22,613
	<u>\$ 487,607</u>	<u>\$1,100,051</u>	<u>\$ —</u>	<u>\$1,587,658</u>
Derivative assets	—	12	—	12
Total	<u>\$ 487,607</u>	<u>\$1,100,063</u>	<u>\$ —</u>	<u>\$1,587,670</u>
Liabilities				
Contingent consideration	\$ —	\$ —	\$ 15,581	\$ 15,581
Derivative liabilities	—	224	—	224
Total	<u>\$ —</u>	<u>\$ 224</u>	<u>\$ 15,581</u>	<u>\$ 15,805</u>

Reported as follows:

	(Level 1)	(Level 2)	(Level 3)	Total
	(in thousands)			
Assets				
Cash and cash equivalents	\$462,253	\$ 175,620	\$ —	\$ 637,873
Marketable securities	—	860,526	—	860,526
Long-term marketable securities	25,354	63,905	—	89,259
Prepayments	—	12	—	12
Total	<u>\$487,607</u>	<u>\$1,100,063</u>	<u>\$ —</u>	<u>\$1,587,670</u>
Liabilities				
Other current liabilities	\$ —	\$ 224	\$ —	\$ 224
Contingent consideration	—	—	15,581	15,581
Total	<u>\$ —</u>	<u>\$ 224</u>	<u>\$15,581</u>	<u>\$ 15,805</u>

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December 31, 2017

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(in thousands)				
Assets				
Cash	\$ 197,955	\$ —	\$ —	\$ 197,955
Cash equivalents	206,335	25,553	—	231,888
Available-for-sale securities:				
U.S. Treasury securities	—	855,795	—	855,795
Commercial paper	—	282,840	—	282,840
Certificates of deposit and time deposits	—	167,342	—	167,342
Corporate debt securities	—	133,186	—	133,186
Equity and debt mutual funds	23,430	—	—	23,430
U.S. government agency securities	—	10,726	—	10,726
Non-U.S. government securities	—	586	—	586
	<u>\$ 427,720</u>	<u>\$1,476,028</u>	<u>\$ —</u>	<u>\$1,903,748</u>
Derivative assets	—	389	—	389
Total	<u>\$ 427,720</u>	<u>\$1,476,417</u>	<u>\$ —</u>	<u>\$1,904,137</u>
Liabilities				
Contingent consideration	\$ —	\$ —	\$ 45,102	\$ 45,102
Derivative liabilities	—	446	—	446
Total	<u>\$ —</u>	<u>\$ 446</u>	<u>\$ 45,102</u>	<u>\$ 45,548</u>

Reported as follows:

	(Level 1)	(Level 2)	(Level 3)	Total
(in thousands)				
Assets				
Cash and cash equivalents	\$404,290	\$ 25,553	\$ —	\$ 429,843
Marketable securities	—	1,347,979	—	1,347,979
Long-term marketable securities	23,430	102,496	—	125,926
Prepayments	—	389	—	389
Total	<u>\$427,720</u>	<u>\$1,476,417</u>	<u>\$ —</u>	<u>\$1,904,137</u>
Liabilities				
Other accrued liabilities	\$ —	\$ 446	\$ —	\$ 446
Contingent consideration	—	—	24,497	24,497
Long-term contingent consideration	—	—	20,605	20,605
Total	<u>\$ —</u>	<u>\$ 446</u>	<u>\$45,102</u>	<u>\$ 45,548</u>

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Changes in the fair value of Level 3 contingent consideration for the three months ended April 1, 2018 and April 2, 2017 were as follows:

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Balance at beginning of period	\$ 45,102	\$38,332
Payments (a)	(24,553)	(1,050)
Fair value adjustment (b)	(4,968)	634
Balance at end of period	<u>\$ 15,581</u>	<u>\$37,916</u>

- (a) In the three months ended April 1, 2018, Teradyne paid \$24.6 million of contingent consideration for the earn-out in connection with the acquisition of Universal Robots A/S (“Universal Robots”). In the three months ended April 2, 2017, Teradyne paid \$1.1 million of contingent consideration for the earn-out in connection with the acquisition of Avionics Interface Technology, LLC (“AIT”).
- (b) In the three months ended April 1, 2018, the fair value of contingent consideration for the earn-out in connection with the acquisition of Universal Robots was decreased by \$5.0 million, primarily due to a decrease in forecasted revenue. In the three months ended April 2, 2017, the fair value of contingent consideration for the earn-out in connection with the acquisition of Universal Robots was increased by \$0.6 million primarily due to an increase in forecasted revenue and a decrease in the discount rate.

The following table provides quantitative information associated with the fair value measurement of Teradyne’s Level 3 financial instruments:

Liability	April 1, 2018 Fair Value (in thousands)	Valuation Technique	Unobservable Inputs	Weighted Average
Contingent consideration (Universal Robots)	\$ 15,581	Monte Carlo Simulation	Revenue for the period July 1, 2015—December 31, 2018 volatility Discount Rate	13.0% 3.8%

As of April 1, 2018, the significant unobservable inputs used in the Monte Carlo simulation to fair value the Universal Robots contingent consideration include forecasted revenue, revenue volatility and discount rate. Increases or decreases in the inputs would result in a higher or lower fair value measurement. The maximum payment for the remaining Universal Robots revenue earn-out is \$25.0 million.

The carrying amounts and fair values of Teradyne’s financial instruments at April 1, 2018 and December 31, 2017 were as follows:

	April 1, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands)			
Assets				
Cash and cash equivalents	\$ 637,873	\$637,873	\$ 429,843	\$ 429,843
Marketable securities	949,785	949,785	1,473,905	1,473,905
Derivative assets	12	12	389	389
Liabilities				
Contingent consideration	15,581	15,581	45,102	45,102
Derivative liabilities	224	224	446	446
Convertible debt (1)	369,421	700,626	365,987	659,525

- (1) The carrying value represents the bifurcated debt component only, while the fair value is based on quoted market prices for the convertible note which includes the equity conversion features.

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The fair values of accounts receivable, net and accounts payable approximate the carrying value due to the short-term nature of these instruments.

The following table summarize the composition of available-for-sale marketable securities at April 1, 2018:

	April 1, 2018				Fair Market Value of Investments with Unrealized Losses
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Market Value	
	(in thousands)				
U.S. Treasury securities	\$614,365	\$ 19	\$ (2,438)	\$611,946	\$ 610,938
Commercial paper	252,579	17	(438)	252,158	249,871
Corporate debt securities	43,472	1,200	(454)	44,218	17,742
U.S. government agency securities	10,791	—	(65)	10,726	10,726
Certificates of deposit and time deposits	4,820	4	—	4,824	—
Debt mutual funds	2,799	—	(58)	2,741	1,679
Non-U.S. government securities	559	—	—	559	—
	<u>\$929,385</u>	<u>\$ 1,240</u>	<u>\$ (3,453)</u>	<u>\$927,172</u>	<u>\$ 890,956</u>

Reported as follows:

	Cost	Unrealized Gain	Unrealized (Loss)	Fair Market Value	Fair Market Value of Investments with Unrealized Losses
	(in thousands)				
Marketable securities	\$861,794	\$ 54	\$ (1,322)	\$860,526	\$ 847,446
Long-term marketable securities	67,591	1,186	(2,131)	66,646	43,510
	<u>\$929,385</u>	<u>\$ 1,240</u>	<u>\$ (3,453)</u>	<u>\$927,172</u>	<u>\$ 890,956</u>

The following table summarize the composition of available-for-sale marketable securities at December 31, 2017:

	December 31, 2017				Fair Market Value of Investments with Unrealized Losses
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Market Value	
	(in thousands)				
U.S. Treasury securities	\$ 858,258	\$ 72	\$ (2,535)	\$ 855,795	\$ 850,163
Commercial paper	283,009	18	(187)	282,840	258,933
Certificates of deposit and time deposits	167,523	6	(187)	167,342	138,340
Corporate debt securities	131,179	2,380	(373)	133,186	91,010
Equity and debt mutual funds	19,403	4,102	(75)	23,430	1,723
U.S. government agency securities	10,775	—	(49)	10,726	10,726
Non-U.S. government securities	582	4	—	586	—
	<u>\$1,470,729</u>	<u>\$ 6,582</u>	<u>\$ (3,406)</u>	<u>\$1,473,905</u>	<u>\$ 1,350,896</u>

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Reported as follows:

	Cost	Unrealized Gain	Unrealized (Loss)	Fair Market Value	Fair Market Value of Investments with Unrealized Losses
			(in thousands)		
Marketable securities	\$1,349,970	\$ 38	\$ (2,029)	\$1,347,979	\$ 1,288,844
Long-term marketable securities	120,759	6,544	(1,377)	125,926	62,052
	<u>\$1,470,729</u>	<u>\$ 6,582</u>	<u>\$ (3,406)</u>	<u>\$1,473,905</u>	<u>\$ 1,350,896</u>

As of April 1, 2018, the fair market value of investments in debt securities with unrealized losses totaled \$891.0 million. Of this value, \$62.1 million had unrealized losses of \$1.6 million for greater than one year and \$828.9 million had unrealized losses of \$1.9 million for less than one year.

As of December 31, 2017, the fair market value of investments with unrealized losses totaled \$1,350.9 million. Of this value, \$141.0 million had unrealized losses of \$1.2 million for greater than one year and \$1,209.9 million had unrealized losses of \$2.2 million for less than one year.

Teradyne reviews its investments to identify and evaluate investments that have an indication of possible impairment. Based on this review, Teradyne determined that the unrealized losses related to these investments at April 1, 2018 and December 31, 2017 were temporary.

The contractual maturities of investments in debt securities held at April 1, 2018 were as follows:

	April 1, 2018	
	Cost	Fair Market Value
	(in thousands)	
Due within one year	\$861,794	\$ 860,526
Due after 1 year through 5 years	10,173	10,058
Due after 5 years through 10 years	14,583	13,823
Due after 10 years	40,036	40,024
Total	<u>\$926,586</u>	<u>\$ 924,431</u>

Contractual maturities of investments in debt securities held at April 1, 2018 exclude \$2.7 million of debt mutual funds as they do not have a contractual maturity date.

Derivatives

Teradyne conducts business in a number of foreign countries, with certain transactions denominated in local currencies. The purpose of Teradyne's foreign currency management is to minimize the effect of exchange rate fluctuations on certain foreign currency denominated monetary assets and liabilities. Teradyne does not use derivative financial instruments for trading or speculative purposes.

To minimize the effect of exchange rate fluctuations associated with the remeasurement of monetary assets and liabilities denominated in foreign currencies, Teradyne enters into foreign currency forward contracts. The change in fair value of these derivatives is recorded directly in earnings, and is used to offset the change in value of monetary assets and liabilities denominated in foreign currencies.

The notional amount of foreign currency forward contracts at April 1, 2018 and December 31, 2017 was \$108.8 million and \$116.8 million, respectively.

Gains and losses on foreign currency forward contracts and foreign currency remeasurement gains and losses on monetary assets and liabilities are included in other (income) expense, net.

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The following table summarizes the fair value of derivative instruments as of April 1, 2018 and December 31, 2017:

	<u>Balance Sheet Location</u>	<u>April 1, 2018</u>	<u>December 31, 2017</u>
(in thousands)			
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts assets	Prepayments	\$ 12	\$ 389
Foreign currency forward contracts liabilities	Other current liabilities	(224)	(446)
Total derivatives		<u>\$ (212)</u>	<u>\$ (57)</u>

The following table summarizes the effect of derivative instruments recognized in the statement of operations for the three months ended April 1, 2018 and April 2, 2017.

	<u>Location of Losses Recognized in Statement of Operations</u>	<u>For the Three Months Ended</u>	
		<u>April 1, 2018</u>	<u>April 2, 2017</u>
(in thousands)			
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts	Other (income) expense, net	\$ 1,575	\$ 1,011

- (1) The table does not reflect the corresponding gains and losses from the remeasurement of monetary assets and liabilities denominated in foreign currencies.
- (2) For the three months ended April 1, 2018 and April 2, 2017, net gains from the remeasurement of monetary assets and liabilities denominated in foreign currencies were \$0.6 million and \$1.5 million, respectively.

See Note G: "Debt" regarding derivatives related to the convertible senior notes.

G. DEBT

Convertible Senior Notes

On December 12, 2016, Teradyne completed a private offering of \$460.0 million convertible senior unsecured notes (the "Notes"). The Notes will mature on December 15, 2023, unless earlier repurchased or converted. The Notes bear interest from December 12, 2016 at a rate of 1.25% per year payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 15, 2017.

The Notes will be convertible at the option of the noteholders at any time prior to the close of business on the business day immediately preceding September 15, 2023, under the following circumstances: (1) during any calendar quarter beginning after March 31, 2017 (and only during such calendar quarter), if the closing sale price of Teradyne's common stock, for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the Indenture) per \$1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the closing sale price of the Teradyne's common stock and the conversion rate on each such trading day; and (3) upon the occurrence of specified corporate events. On or after September 15, 2023 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their Notes at any time, regardless of the foregoing circumstances. Teradyne may satisfy its conversion obligation by paying or delivering cash, shares of its common stock or a combination of cash and shares of its common stock, at Teradyne's election. As of December 31, 2017 the conversion price was approximately \$31.80 per share of Teradyne's common stock. The conversion rate is subject to adjustment under certain circumstances.

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Concurrent with the offering of the Notes, Teradyne entered into convertible note hedge transactions (the “Note Hedge Transactions”) with the initial purchasers or their affiliates (the “Option Counterparties”). The Note Hedge Transactions cover, subject to customary anti-dilution adjustments, the number of shares of the common stock that underlie the Notes, with a strike price equal to the conversion price of the Notes of \$31.80. The Note Hedge Transactions cover, subject to customary anti-dilution adjustments, approximately 14.5 million shares of Teradyne’s common stock.

The convertible note hedge is considered indexed to Teradyne’s stock as the terms of the Note Hedge Transactions do not contain an exercise contingency and the settlement amount equals the difference between the fair value of a fixed number of Teradyne’s shares and a fixed strike price. Because the only variable that can affect the settlement amount is Teradyne’s stock price, which is an input to the fair value of a fixed-for-fixed option contract, the convertible note hedge is considered indexed to Teradyne’s stock.

Separately and concurrent with the pricing of the Notes, Teradyne entered into warrant transactions with the Option Counterparties (the “Warrant Transactions”) in which it sold net-share-settled (or, at its election subject to certain conditions, cash-settled) warrants to the Option Counterparties. The Warrant Transactions cover, subject to customary anti-dilution adjustments, approximately 14.5 million shares of common stock. As of December 31, 2017, the strike price of the warrants was approximately \$39.91 per share. The strike price is subject to adjustments under certain circumstances. The Warrant Transactions could have a dilutive effect to Teradyne’s common stock to the extent that the market price per share of Teradyne’s common stock, as measured under the terms of the Warrant Transactions, exceeds the applicable strike price of the warrants.

The Note Hedge Transactions are expected to reduce the potential dilution to Teradyne’s common stock upon any conversion of the Notes. However, the Warrant Transactions could separately have a dilutive effect to the extent that the market value per share of Teradyne’s common stock exceeds the applicable strike price of the warrant. The net cost of the Notes Hedge Transactions, after being partially offset by the proceeds from the sale of the warrants, was approximately \$33 million.

In connection with establishing their initial hedge of these convertible note hedge and warrant transactions, the Option Counterparties have entered into various derivative transactions with respect to Teradyne’s common stock and/or purchased shares of Teradyne’s common stock or other securities, including the Notes, concurrent with, or shortly after, the pricing of the Notes. In addition, the Option Counterparties may modify their hedge positions by entering into or unwinding various derivative transactions with respect to Teradyne’s common stock or by selling Teradyne’s common stock or other securities, including the Notes, in secondary market transactions (and may do so during any observation period related to the conversion of the Notes). These activities could adversely affect the value of Teradyne’s common stock and the Notes.

Teradyne’s effective annual interest rate on the Notes will be approximately 5.0%. The Notes are classified as long-term debt in the balance sheet based on their December 15, 2023 maturity date. Debt issuance costs of approximately \$7.2 million are being amortized to interest expense using the effective interest method over the seven year term of the Notes. As of April 1, 2018, unamortized debt issuance costs were approximately \$6.0 million.

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The below tables represent the key components of Teradyne's convertible senior notes:

	April 1, 2018	December 31, 2017
	(in thousands)	
Debt Principal	\$ 460,000	\$ 460,000
Unamortized discount	90,579	94,013
Net Carrying amount of convertible debt	<u>\$ 369,421</u>	<u>\$ 365,987</u>

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Contractual interest expense on the coupon	\$ 1,438	\$ 1,438
Amortization of the discount component and debt issue fees recognized as interest expense	3,434	3,268
Total interest expense on the convertible debt	<u>\$ 4,872</u>	<u>\$ 4,706</u>

As of April 1, 2018, the remaining unamortized discount was \$90.6 million, which will be amortized over 5.8 years using the effective interest rate method. The carrying amount of the equity component was \$100.8 million. As of April 1, 2018, the conversion rate was equal to the initial conversion price of approximately \$31.80 per share and the if-converted value of the Notes was \$661.2 million.

Revolving Credit Facility

On April 27, 2015, Teradyne entered into a Credit Agreement (the "Credit Agreement") with Barclays Bank PLC, as administrative agent and collateral agent, and the lenders party thereto. The Credit Agreement provides for a five-year, senior secured revolving credit facility of up to \$350 million (the "Credit Facility"). The Credit Agreement further provides that, subject to customary conditions, Teradyne may seek to obtain from existing or new lenders incremental commitments under the Credit Facility in an aggregate principal amount not to exceed \$150 million.

Proceeds from the Credit Facility may be used for general corporate purposes and working capital. Teradyne incurred \$2.3 million in costs related to the revolving credit facility. These costs are being amortized over the five-year term of the revolving credit facility and are included in interest expense in the statements of operations. As of May 11, 2018, Teradyne has not borrowed any funds under the Credit Facility.

The interest rates applicable to loans under the Credit Facility are, at Teradyne's option, equal to either a base rate plus a margin ranging from 0.00% to 1.00% per annum or LIBOR plus a margin ranging from 1.00% to 2.00% per annum, based on the Consolidated Leverage Ratio of Teradyne and its Restricted Subsidiaries. In addition, Teradyne will pay a commitment fee on the unused portion of the commitments under the Credit Facility ranging from 0.125% to 0.350% per annum, based on the then applicable Consolidated Leverage Ratio.

Teradyne is not required to repay any loans under the Credit Facility prior to maturity, subject to certain customary exceptions. Teradyne is permitted to prepay all or any portion of the loans under the Credit Facility prior to maturity without premium or penalty, other than customary LIBOR breakage costs.

The Credit Agreement contains customary events of default, representations, warranties and affirmative and negative covenants that, among other things, limit Teradyne's and its Restricted Subsidiaries' ability to sell assets, grant liens on assets, incur other secured indebtedness and make certain investments and restricted payments, all subject to exceptions set forth in the Credit Agreement. The Credit Agreement also requires Teradyne to satisfy two financial ratios measured as of the end of each fiscal quarter: a consolidated leverage ratio and an interest coverage ratio. As of May 11, 2018, Teradyne was in compliance with all covenants.

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The Credit Facility is guaranteed by certain of Teradyne's domestic subsidiaries and collateralized by assets of Teradyne and such subsidiaries, including a pledge of 65% of the capital stock of certain foreign subsidiaries.

H. PREPAYMENTS

Prepayments consist of the following and are included in prepayments on the balance sheet:

	April 1, 2018	December 31, 2017
	(in thousands)	
Contract manufacturer and supplier prepayments	\$ 76,204	\$ 82,503
Prepaid maintenance and other services	8,449	8,189
Prepaid taxes	9,938	5,039
Other prepayments	11,964	12,386
Total prepayments	<u>\$106,555</u>	<u>\$ 108,117</u>

I. DEFERRED REVENUE AND CUSTOMER ADVANCES

Deferred revenue and customer advances consist of the following and are included in short and long-term deferred revenue and customer advances on the balance sheet:

	April 1, 2018	December 31, 2017
	(in thousands)	
Maintenance and training	\$ 59,365	\$ 57,256
Extended warranty	24,590	24,438
Customer advances, undelivered elements and other	23,663	32,047
Total deferred revenue and customer advances	<u>\$107,618</u>	<u>\$ 113,741</u>

J. PRODUCT WARRANTY

Teradyne generally provides a one-year warranty on its products, commencing upon installation, acceptance, delivery or shipment. A provision is recorded upon revenue recognition to cost of revenues for estimated warranty expense based on historical experience. Related costs are charged to the warranty accrual as incurred. The warranty balance below is included in other accrued liabilities on the balance sheet.

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Balance at beginning of period	\$ 8,200	\$ 7,203
Accruals for warranties issued during the period	3,063	3,021
Adjustments related to pre-existing warranties	(139)	(471)
Settlements made during the period	(3,576)	(2,699)
Balance at end of period	<u>\$ 7,548</u>	<u>\$ 7,054</u>

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When Teradyne receives revenue for extended warranties, beyond one year, it is deferred and recognized on a straight-line basis over the contract period. Related costs are expensed as incurred. The balance below is included in short and long-term deferred revenue and customer advances on the balance sheet.

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Balance at beginning of period	\$24,438	\$28,200
Deferral of new extended warranty revenue	5,139	4,048
Recognition of extended warranty deferred revenue	(4,987)	(7,279)
Balance at end of period	<u>\$24,590</u>	<u>\$24,969</u>

K. STOCK-BASED COMPENSATION

Under Teradyne's stock compensation plans, Teradyne grants stock options, restricted stock units and performance-based restricted stock units, and employees are eligible to purchase Teradyne's common stock through its Employee Stock Purchase Plan ("ESPP").

Stock options to purchase Teradyne's common stock at 100% of the fair market value on the grant date vest in equal annual installments over four years from the grant date and have a maximum term of seven years.

Time-based restricted stock unit awards granted to employees vest in equal annual installments over four years. Restricted stock unit awards granted to non-employee directors vest after a one year period, with 100% of the award vesting on the earlier of (a) the first anniversary of the grant date or the (b) the date of the following year's Annual Meeting of Shareholders. Teradyne expenses the cost of the restricted stock unit awards subject to time-based vesting, which is determined to be the fair market value of the shares at the date of grant, ratably over the period during which the restrictions lapse.

Commencing in January 2014, Teradyne granted performance-based restricted stock units ("PRsUs") to its executive officers with a performance metric based on relative total shareholder return ("TSR"). For TSR grants issued in 2018 and 2017, Teradyne's three-year TSR performance is measured against the New York Stock Exchange ("NYSE") Composite Index. The final number of TSR PRsUs that vest will vary based upon the level of performance achieved from 200% to 0% of the target shares capped at four times the grant date value. The TSR PRsUs will vest upon the three-year anniversary of the grant date. The TSR PRsUs are valued using a Monte Carlo simulation model. The number of units expected to be earned, based upon the achievement of the TSR market condition, is factored into the grant date Monte Carlo valuation. Compensation expense is recognized on a straight-line basis over the shorter of the three-year service period or the period from the grant date to the date described in the retirement provisions below. Compensation expense for employees meeting the retirement provisions prior to the grant date will be recognized in full on the date of the grant. Compensation expense is recognized regardless of the eventual number of units that are earned based upon the market condition, provided the executive officer remains an employee at the end of the three-year period. Compensation expense is reversed if at any time during the three-year service period the executive officer is no longer an employee, subject to the retirement and termination eligibility provisions noted below.

In January 2018 and 2017, Teradyne granted PRsUs to its executive officers with a performance metric based on three-year cumulative non-GAAP profit before interest and tax ("PBIT") as a percent of Teradyne's revenue. Non-GAAP PBIT is a financial measure equal to GAAP income from operations less restructuring and other, net; amortization of acquired intangible assets; acquisition and divestiture related charges or credits; pension actuarial gains and losses; non-cash convertible debt interest expense; and other non-recurring gains and charges. The final number of PBIT PRsUs that vest will vary based upon the level of performance achieved from

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200% to 0% of the target shares. The PBIT PRSUs will vest upon the three-year anniversary of the grant date. Compensation expense is recognized on a straight-line basis over the shorter of the three year service period or the period from the grant date to the date described in the retirement provisions below. Compensation expense for employees meeting the retirement provisions prior to the grant date will be recognized in full on the date of grant. Compensation expense is recognized based on the number of units that are earned based upon the three-year Teradyne PBIT as a percent of Teradyne's revenue, provided the executive officer remains an employee at the end of the three-year period subject to the retirement and termination eligibility provisions noted below.

Beginning with PRSUs granted in January 2014, if the recipient's employment ends prior to the determination of the performance percentage due to (1) permanent disability or death or (2) retirement or termination other than for cause, after attaining both at least age sixty and at least ten years of service, then all or a portion of the recipient's PRSUs (based on the actual performance percentage achieved on the determination date) will vest on the date the performance percentage is determined. Except as set forth in the preceding sentence, no PRSUs will vest if the executive officer is no longer an employee at the end of the three-year period.

During the three months ended April 1, 2018 and April 2, 2017, Teradyne granted 0.1 million and 0.1 million TSR PRSUs, respectively, with a grant date fair value of \$54.85 and \$35.66, respectively. The fair value was estimated using the Monte Carlo simulation model with the following assumptions:

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
Risk-free interest rate	2.2%	1.5%
Teradyne volatility-historical	26.8%	26.6%
NYSE Composite Index volatility-historical	12.4%	13.4%
Dividend yield	0.8%	1.0%

Expected volatility was based on the historical volatility of Teradyne's stock and the NYSE Composite Index for the 2018 and 2017 grant over the most recent three year period. The risk-free interest rate was determined using the U.S. Treasury yield curve in effect at the time of grant. Dividend yield was based upon an estimated annual dividend amount of \$0.36 per share for 2018 grants and \$0.28 per share for 2017 grants, divided by Teradyne's stock price on the grant date of \$47.70 for the 2018 grant and \$28.56 for the 2017 grant.

During the three months ended April 1, 2018 and April 2, 2017, Teradyne granted 0.1 million and 0.1 million, respectively, of PBIT PRSUs with a grant date fair value of \$46.62 and \$27.72, respectively.

During the three months ended April 1, 2018, Teradyne granted 0.5 million of service-based restricted stock unit awards to employees at a weighted average grant date fair value of \$46.58 and 0.1 million of service-based stock options to executive officers at a weighted average grant date fair value of \$12.17.

During the three months ended April 2, 2017, Teradyne granted 0.8 million of service-based restricted stock unit awards to employees at a weighted average grant date fair value of \$27.86 and 0.1 million of service-based stock options to executive officers at a weighted average grant date fair value of \$7.13.

Restricted stock unit awards granted to employees vest in equal annual installments over four years. Stock options vest in equal annual installments over four years and have a term of seven years from the date of grant.

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The fair value of stock options was estimated using the Black-Scholes option-pricing model with the following assumptions:

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
Expected life (years)	5.0	5.0
Risk-free interest rate	2.4%	2.0%
Volatility-historical	26.4%	27.8%
Dividend yield	0.8%	1.0%

Teradyne determined the stock options' expected life based upon historical exercise data for executive officers, the age of the executive officers and the terms of the stock option grant. Volatility was determined using historical volatility for a period equal to the expected life. The risk-free interest rate was determined using the U.S. Treasury yield curve in effect at the time of grant. Dividend yield was based upon an estimated annual dividend amount of \$0.36 per share for 2018 grants and \$0.28 per share for 2017 grants divided by Teradyne's stock price on the grant date of \$47.70 for the 2018 grant and \$28.56 for the 2017 grant.

L. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income, which are presented net of tax, consist of the following:

	For the Three Months Ended April 1, 2018			
	Foreign Currency Translation Adjustment	Unrealized Gains (Losses) on Marketable Securities	Retirement Plans Prior Service Credit	Total
(in thousands)				
Three Months Ended April 1, 2018				
Balance at December 31, 2017, net of tax of \$0, \$1,815, \$(932), respectively	\$ 15,919	\$ 1,362	\$ 1,495	\$18,776
Other comprehensive income (loss) before reclassifications, net of tax of \$0, \$(718), \$0, respectively	10,541	(2,687)	—	7,854
Amounts reclassified from accumulated other comprehensive income, net of tax of \$0, \$78, \$(18), respectively	—	1,668	(61)	1,607
Net current period other comprehensive income (loss), net of tax of \$0, \$(640), \$(18), respectively	10,541	(1,019)	(61)	9,461
Reclassification of income tax effects from the Tax Reform Act, net of tax of \$0, \$(691), \$(78), respectively (a)	—	691	78	769
Reclassification of unrealized gains on equity securities, net of tax of \$0, \$(902), \$0, respectively (b)	—	(3,125)	—	(3,125)
Balance at April 1, 2018, net of tax of \$0, \$(418), \$(1,028), respectively	<u>\$ 26,460</u>	<u>\$ (2,091)</u>	<u>\$ 1,512</u>	<u>\$25,881</u>

- (a) In the three months ended April 1, 2018, Teradyne early adopted the ASU 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." As a result, the stranded tax effects resulting from the Tax Reform Act enacted in December 2017 was reclassified from accumulated other comprehensive income to retained earnings.
- (b) In the three months ended April 1, 2018, Teradyne adopted the ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." See Note B: "Accounting Policies."

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	For the Three Months ended April 2, 2017			
	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Marketable Securities	Retirement Plans Prior Service Credit	Total
(in thousands)				
Three Months Ended April 2, 2017				
Balance at December 31, 2016, net of tax of \$0, \$209, \$(778), respectively	\$ (21,921)	\$ (60)	\$ 1,767	\$(20,214)
Other comprehensive income before reclassifications, net of tax of \$0, \$420, \$0, respectively	8,963	513	—	9,476
Amounts reclassified from accumulated other comprehensive income, net of tax of \$0, \$(64), \$(38), respectively	—	(95)	(68)	(163)
Net current period other comprehensive income (loss), net of tax of \$0, \$356, \$(38), respectively	8,963	418	(68)	9,313
Balance as April 2, 2017, net of tax of \$0, \$565, \$(816), respectively	<u>\$ (12,958)</u>	<u>\$ 358</u>	<u>\$ 1,699</u>	<u>\$(10,901)</u>

Reclassifications out of accumulated other comprehensive income (loss) to the statement of operations for the three months ended April 1, 2018 and April 2, 2017 were as follows:

Details about Accumulated Other Comprehensive (Loss) Income Components	For the Three Months Ended		Affected Line Item in the Statements of Operations
	April 1, 2018	April 2, 2017	
(in thousands)			
Available-for-sale marketable securities:			
Unrealized (losses) gains, net of tax of \$(78), \$64, respectively	\$ (1,668)	\$ 95	Interest (expense) income
Defined benefit pension and postretirement plans:			
Amortization of prior service credit, net of tax of \$18, \$38, respectively	61	68	(a)
Total reclassifications, net of tax of \$(60), \$102, respectively	<u>\$ (1,607)</u>	<u>\$ 163</u>	Net income

(a) The amortization of prior service credit is included in the computation of net periodic pension cost and postretirement benefit; see Note P: "Retirement Plans."

M. GOODWILL AND ACQUIRED INTANGIBLE ASSETS

Goodwill

Teradyne performs its annual goodwill impairment test as required under the provisions of ASC 350-10, "Intangibles—Goodwill and Other" on December 31 of each fiscal year unless interim indicators of impairment exist. Goodwill is considered impaired when the net book value of a reporting unit exceeds its estimated fair value.

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The changes in the carrying amount of goodwill by reportable segments for the three months ended April 1, 2018, were as follows:

	Wireless Test	Industrial Automation	System Test	Semiconductor Test	Total
	(in thousands)				
Balance at December 31, 2017					
Goodwill	\$ 361,819	\$ 233,519	\$ 158,699	\$ 260,540	\$1,014,577
Accumulated impairment losses	(353,843)	—	(148,183)	(260,540)	(762,566)
	7,976	233,519	10,516	—	252,011
Energid acquisition	—	15,654	—	—	15,654
Foreign currency translation adjustment	—	8,035	—	—	8,035
Balance at April 1, 2018					
Goodwill	361,819	257,208	158,699	260,540	1,038,266
Accumulated impairment losses	(353,843)	—	(148,183)	(260,540)	(762,566)
	<u>\$ 7,976</u>	<u>\$ 257,208</u>	<u>\$ 10,516</u>	<u>\$ —</u>	<u>\$ 275,700</u>

Intangible Assets

Teradyne reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate.

Amortizable intangible assets consist of the following and are included in intangible assets, net on the balance sheet:

	April 1, 2018			
	Gross Carrying Amount (1)	Accumulated Amortization	Foreign Currency Translation Adjustment	Net Carrying Amount
	(in thousands)			
Developed technology	\$ 276,417	\$ (231,266)	\$ 3,214	\$48,365
Customer relationships	96,771	(84,940)	340	12,171
Tradenames and trademarks	51,120	(28,108)	825	23,837
Non-compete agreement	320	(280)	—	40
Total intangible assets	<u>\$ 424,628</u>	<u>\$ (344,594)</u>	<u>\$ 4,379</u>	<u>\$84,413</u>
	December 31, 2017			
	Gross Carrying Amount	Accumulated Amortization	Foreign Currency Translation Adjustment	Net Carrying Amount
	(in thousands)			
Developed technology	\$ 270,877	\$ (226,190)	\$ 1,618	\$46,305
Customer relationships	92,741	(83,585)	171	9,327
Tradenames and trademarks	50,100	(27,120)	416	23,396
Non-compete agreement	320	(260)	—	60
Total intangible assets	<u>\$ 414,038</u>	<u>\$ (337,155)</u>	<u>\$ 2,205</u>	<u>\$79,088</u>

(1) Gross carrying amount includes \$10.9 million of Energid acquired intangible assets.

Aggregate intangible asset amortization expense was \$7.7 million and \$8.0 million, respectively, for the three months ended April 1, 2018 and April 2, 2017.

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Estimated intangible asset amortization expense for each of the five succeeding fiscal years is as follows:

<u>Year</u>	<u>Amortization Expense</u> <u>(in thousands)</u>
2018 (remainder)	24,236
2019	28,316
2020	13,171
2021	5,298
2022	4,493
Thereafter	8,899

N. NET INCOME PER COMMON SHARE

The following table sets forth the computation of basic and diluted net income per common share:

	For the Three Months	
	Ended	
	April 1, 2018	April 2, 2017
	(in thousands, except per share amounts)	
Net income for basic and diluted net income per share	<u>\$ 86,974</u>	<u>\$ 85,221</u>
Weighted average common shares-basic	195,255	200,005
Effect of dilutive potential common shares:		
Incremental shares from assumed conversion of		
convertible notes (1)	4,398	—
Convertible note hedge warrant shares (2)	1,830	—
Restricted stock units	1,666	1,533
Stock options	321	390
Employee stock purchase plan	14	8
Dilutive potential common shares	<u>8,229</u>	<u>1,931</u>
Weighted average common shares-diluted	<u>203,484</u>	<u>201,936</u>
Net income per common share-basic	<u>\$ 0.45</u>	<u>\$ 0.43</u>
Net income per common share-diluted	<u>\$ 0.43</u>	<u>\$ 0.42</u>

- (1) Incremental shares from assumed conversion of the convertible notes was calculated using the difference between the average Teradyne stock price for the period and the conversion price of \$31.80, multiplied by 14.5 million shares. The result of this calculation, representing the total intrinsic value of the convertible debt, was divided by the average Teradyne stock price for the period.
- (2) Convertible notes hedge warrant shares were calculated using the difference between the average Teradyne stock price for the period and the warrant price of \$39.91, multiplied by 14.5 million shares. The result of this calculation, representing the total intrinsic value of the warrant, was divided by the average Teradyne stock price for the period.

The computation of diluted net income per common share for the three months ended April 1, 2018 excludes the effect of the potential vesting of 0.4 million shares of restricted stock units because the effect would have been anti-dilutive.

The computation of diluted net income per common share for the three months ended April 2, 2017 excludes the effect of the potential exercise of stock options to purchase approximately 0.1 million shares because the effect would have been anti-dilutive.

O. RESTRUCTURING AND OTHER

During the three months ended April 1, 2018, Teradyne recorded a \$5.0 million credit for the decrease in the fair value of the Universal Robots contingent consideration liability, partially offset by \$3.9 million recorded for employee severance charges, primarily in Semiconductor Test, and \$0.8 million of acquisition related expenses.

During the three months ended April 2, 2017, Teradyne recorded \$2.5 million of restructuring and other charges of which \$1.3 million was for a lease impairment of a Wireless Test facility in Sunnyvale, CA which was terminated in September 2017, \$0.6 million was for employee severance charges, and \$0.6 million for the increase in the fair value of the Universal Robots contingent consideration liability.

P. RETIREMENT PLANS

ASC 715, “*Compensation—Retirement Benefits*” requires an employer with defined benefit plan or other postretirement benefit plan to recognize an asset or a liability on its balance sheet for the overfunded or underfunded status of the plan. The pension asset or liability represents a difference between the fair value of the pension plan’s assets and the projected benefit obligation.

Defined Benefit Pension Plans

Teradyne has defined benefit pension plans covering a portion of domestic employees and employees of certain non-U.S. subsidiaries. Benefits under these plans are based on employees’ years of service and compensation. Teradyne’s funding policy is to make contributions to these plans in accordance with local laws and to the extent that such contributions are tax deductible. The assets of the U.S. qualified pension plan consist primarily of fixed income and equity securities. In addition, Teradyne has unfunded qualified foreign plans as well as an unfunded supplemental executive defined benefit plan in the United States to provide retirement benefits in excess of levels allowed by the Employment Retirement Income Security Act (“ERISA”) and the Internal Revenue Code (“IRC”).

In the three months ended April 1, 2018, Teradyne contributed \$0.6 million to the U.S. supplemental executive defined benefit pension plan and \$0.2 million to certain qualified pension plans for non-U.S. subsidiaries.

For the three months ended April 1, 2018 and April 2, 2017, Teradyne’s net periodic pension cost was comprised of the following:

	For the Three Months Ended			
	April 1, 2018		April 2, 2017	
	United States	Foreign	United States	Foreign
	(in thousands)			
Service cost	\$ 571	\$ 213	\$ 560	\$ 185
Interest cost	2,997	186	3,312	163
Expected return on plan assets	(3,369)	(5)	(3,000)	(6)
Amortization of prior service cost	14	—	18	—
Total net periodic pension cost	\$ 213	\$ 394	\$ 890	\$ 342

Postretirement Benefit Plan

In addition to receiving pension benefits, Teradyne employees in the United States who meet early retirement eligibility requirements as of their termination dates may participate in Teradyne’s Welfare Plan, which includes medical and dental benefits up to age 65. Death benefits provide a fixed sum to retirees’ survivors and are available to all retirees. Substantially all of Teradyne’s current U.S. employees could become eligible for these benefits, and the existing benefit obligation relates primarily to those employees.

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For the three months ended April 1, 2018 and April 2, 2017, Teradyne's net periodic postretirement benefit cost (income) was comprised of the following:

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Service cost	\$ 9	\$ 10
Interest cost	50	50
Amortization of prior service credit	(93)	(124)
Special termination benefits	1,626	—
Total net periodic postretirement benefit cost (income)	<u>\$1,592</u>	<u>\$ (64)</u>

Q. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

As of April 1, 2018, Teradyne had entered into purchase commitments for certain components and materials. The purchase commitments covered by the agreements aggregate to approximately \$285.8 million, of which \$275.7 million is for less than one year.

Legal Claims

Teradyne is subject to various legal proceedings and claims which have arisen in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on Teradyne's results of operations, financial condition or cash flows.

R. INCOME TAXES

The effective tax rate for the three months ended April 1, 2018 and April 2, 2017 was 9.2% and 7.4%, respectively.

The increase in the effective tax rate from the three months ended April 2, 2017 to the three months ended April 1, 2018 primarily resulted from a projected shift in the geographic distribution of income which increased income subject to taxation in the U.S. relative to lower tax rate jurisdictions and a reduction in discrete tax benefits recognized. These increases were partially offset by the benefit of the reduction in the U.S. corporate tax rate from 35% to 21% and the U.S. foreign derived intangible income deduction.

The effective tax rates for the three months ended April 1, 2018 and April 2, 2017 differed from the expected federal statutory rate primarily because of the favorable effect of statutory rates applicable to income earned outside the United States.

The tax rate for the three months ended April 1, 2018 and April 2, 2017 was also reduced by the benefit from U.S. research and development tax credits, partially offset by additions to the uncertain tax positions for transfer pricing, both of which are included in the projected annual effective tax rate.

Discrete tax benefits recorded in the three months ended April 1, 2018 amounted to \$8.3 million composed of \$7.6 million from stock based compensation and \$0.7 million of other discrete tax benefits. Discrete tax expense amounted to \$2.3 million composed of \$1.7 million from the remeasurement of deferred tax assets as a result of reductions in tax rates and \$0.6 million of other discrete tax expenses. The \$7.6 million of discrete benefit from stock based compensation included \$7.4 million of excess tax benefits recognized pursuant to ASU No. 2016-09 "Improvements to Employee Share-Based Payment Accounting."

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Discrete tax benefits recorded in the three months ended April 2, 2017 amounted to \$7.0 million of which \$5.5 million resulted from stock based compensation, \$0.7 million related to U.S. research and development tax credits and \$0.8 million from other discrete tax benefits. The \$5.5 million of discrete benefit from stock based compensation included \$5.2 million of excess tax benefits recognized pursuant to ASU No. 2016-09 “Improvements to Employee Share-Based Payment Accounting.”

On a quarterly basis, Teradyne evaluates the realizability of the deferred tax assets by jurisdiction and assesses the need for a valuation allowance. As of April 1, 2018, Teradyne believes that it will ultimately realize the deferred tax assets recorded on the condensed consolidated balance sheet. However, should Teradyne believe that it is more-likely-than-not that the deferred tax assets would not be realized, the tax provision would increase in the period in which Teradyne determined that the realizability was not likely. Teradyne considers the probability of future taxable income and historical profitability, among other factors, in assessing the realizability of the deferred tax assets.

As of April 1, 2018 and December 31, 2017, Teradyne had \$37.3 million and \$36.3 million, respectively, of reserves for uncertain tax positions. The \$1.0 million net increase in reserves for uncertain tax positions is primarily composed of additions related to transfer pricing exposures and U.S. research and development tax credits.

Teradyne is currently under examination by the Internal Revenue Service. The timing of resolution and closure of the tax audit is highly unpredictable. Given the uncertainty, it is reasonably possible that the balance of unrecognized tax benefits could significantly change within the next twelve months. However, an estimate of the range of reasonably possible adjustments cannot presently be made.

Teradyne recognizes interest and penalties related to income tax matters in income tax expense. As of April 1, 2018 and December 31, 2017, \$0.3 million and \$0.3 million, respectively, of interest and penalties were accrued for uncertain tax positions. For the three months ended April 1, 2018, an expense of \$0.03 million was recorded for interest and penalties related to income tax items. For the three months ended April 2, 2017, a benefit of \$0.1 million was recorded for interest and penalties related to income tax items.

Teradyne qualifies for a tax holiday in Singapore by fulfilling the requirements of an agreement with the Singapore Economic Development Board under which certain headcount and spending requirements must be met. The tax savings due to the tax holiday for the three months ended April 1, 2018 was \$3.0 million, or \$0.01 per diluted share. The tax savings due to the tax holiday for the three months ended April 2, 2017 was \$4.7 million, or \$0.02 per diluted share. The tax holiday is scheduled to expire on December 31, 2020.

In the fourth quarter of 2017, Teradyne recorded a provisional amount of \$186.0 million of additional income tax expense which represents Teradyne’s best estimate of the impact of the Tax Cuts and Jobs Act of 2017 (the “Tax Reform Act”) in accordance with Teradyne’s understanding of the Tax Reform Act and guidance available at that time. The \$186.0 million is composed of expense of \$161.0 million related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings, \$33.6 million of expense related to the remeasurement of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, a benefit of \$10.3 million associated with the impact of correlative adjustments on uncertain tax positions, and \$1.7 million of expense related to the remeasurement of certain uncertain tax positions resulting from the reduction in the federal tax rate. Although the provisional estimates are based on the best available interpretations of the Tax Reform Act, the final impacts may differ from the estimates due to, among other things, the issuance of additional regulatory and legislative guidance related to the Tax Reform Act. As of April 1, 2018, there has been no material change to the provisional amount recorded. Any adjustment to the provisional amounts will be recorded in 2018 when the analysis is complete.

S. SEGMENT INFORMATION

Teradyne has four operating segments (Semiconductor Test, System Test, Industrial Automation and Wireless Test), which are its reportable segments. The Semiconductor Test segment includes operations related

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to the design, manufacturing and marketing of semiconductor test products and services. The System Test segment includes operations related to the design, manufacturing and marketing of products and services for defense/aerospace instrumentation test, storage test and circuit-board test. The Industrial Automation segment includes operations related to the design, manufacturing and marketing of collaborative robotic arms and advanced robotic control software. The Wireless Test segment includes operations related to the design, manufacturing and marketing of wireless test products and services. Each operating segment has a segment manager who is directly accountable to and maintains regular contact with Teradyne's chief operating decision maker (Teradyne's chief executive officer) to discuss operating activities, financial results, forecasts, and plans for the segment.

Teradyne evaluates performance based on several factors, of which the primary financial measure is business segment income (loss) before income taxes. The accounting policies of the business segments in effect are described in Note B: "Accounting Policies" in Teradyne's Annual Report on Form 10-K for the year ended December 31, 2017, and Note B: "Accounting Policies" in this filing for any changes in the three months ended April 1, 2018.

Segment information for the three months ended April 1, 2018 and April 2, 2017 is as follows:

	Semiconductor Test	System Test	Industrial Automation	Wireless Test	Corporate and Other	Consolidated
	(in thousands)					
Three Months Ended April 1, 2018						
Revenues	\$ 373,328	\$ 43,019	\$ 48,834	\$ 22,507	\$ (221)	\$ 487,467
Income before income taxes (1)(2)	88,079	5,888	784	464	605	95,820
Total assets (3)	758,737	90,785	406,557	59,739	1,679,375	2,995,193
Three Months Ended April 2, 2017						
Revenues	\$ 355,528	\$ 39,845	\$ 36,272	\$ 25,268	\$ —	\$ 456,913
Income (loss) before income taxes (1)(2)	97,966	(2,759)	(2,571)	1,532	(2,152)	92,016
Total assets (3)	740,334	106,754	331,016	61,356	1,602,820	2,842,280

- (1) Included in Corporate and Other are: contingent consideration adjustments, severance charges, interest income, interest expense, net foreign exchange gains (losses), and acquisitions related charges.
- (2) Included in the income (loss) before income taxes for each of the segments are charges and credits related to restructuring and other and inventory charges.
- (3) Total business assets are directly attributable to each business. Corporate assets consist of cash and cash equivalents, marketable securities and certain other assets.

Included in the Semiconductor Test segment are charges and credits in the following line items in the statements of operations:

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Restructuring and other—employee severance	\$ 3,761	\$ (265)
Cost of revenues—inventory charge	2,166	1,319

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Included in the System Test segment are charges in the following line item in the statements of operations:

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Cost of revenues—inventory charge	\$ 320	\$ 885

Included in the Industrial Automation segment are charges in the following line item in the statements of operations:

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Cost of revenues—inventory charge	\$ 200	\$ —
Restructuring and other—employee severance	120	624

Included in the Wireless Test segment are charges in the following line items in the statements of operations:

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Cost of revenues—inventory charge	\$ 836	\$ 522
Restructuring and other—employee severance	—	1,313

Included in Corporate and Other are charges and credits in the following line items in the statements of operations:

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
	(in thousands)	
Restructuring and other—Universal Robots contingent consideration adjustment	\$ (4,968)	\$ 634
Restructuring and other—acquisition related expense	774	—
Restructuring and other—employee severance	—	205

T. SHAREHOLDERS' EQUITY

Stock Repurchase Program

In January 2018, Teradyne's Board of Directors cancelled the December 2016 stock repurchase program and authorized a new stock repurchase program for up to \$1.5 billion of common stock. Teradyne intends to repurchase \$750 million in 2018. During the three months ended April 1, 2018, Teradyne repurchased 2.9 million shares of common stock for \$134.3 million at an average price of \$45.69 per share.

In December 2016, the Board of Directors approved a \$500 million share repurchase authorization which commenced on January 1, 2017. During the three months ended April 2, 2017, Teradyne repurchased 1.3 million shares of common stock for \$37.7 million at an average price of \$29.38 per share.

The total price includes commissions and is recorded as a reduction to retained earnings.

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Dividend

Holders of Teradyne's common stock are entitled to receive dividends when they are declared by Teradyne's Board of Directors.

In January 2018, Teradyne's Board of Directors declared a quarterly cash dividend of \$0.09 per share. Dividend payments for the three months ended April 1, 2018 were \$17.6 million.

In January 2017, Teradyne's Board of Directors declared a quarterly cash dividend of \$0.07 per share. Dividend payments for the three months ended April 2, 2017 were \$14.0 million.

While Teradyne declared a quarterly cash dividend and authorized a share repurchase program, it may reduce or eliminate the cash dividend or share repurchase program in the future. Future cash dividends and stock repurchases are subject to the discretion of Teradyne's Board of Directors which will consider, among other things, Teradyne's earnings, capital requirements and financial condition.

U. SUBSEQUENT EVENTS

On April 25, 2018, Teradyne acquired all the issued and outstanding shares of Mobile Industrial Robots ApS ("MiR"), a Danish limited liability company located in Odense, Denmark, for an aggregate purchase price of approximately \$148 million net of cash acquired, and up to an additional approximately \$124 million payable upon the achievement of certain revenue and profit performance targets through 2020. The fair value of assets and liabilities acquired has not been disclosed because Teradyne has not completed the valuation. MiR is the leading maker of collaborative autonomous mobile robots for industrial applications. MiR will be part of Teradyne's Industrial Automation segment.

Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations

Statements in this Quarterly Report on Form 10-Q which are not historical facts, so called “forward-looking statements,” are made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended. Investors are cautioned that all forward-looking statements involve risks and uncertainties, including those detailed in our filings with the Securities and Exchange Commission. See also Part II, Item 1A of this Quarterly Report on Form 10-Q and Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017. Readers are cautioned not to place undue reliance on these forward-looking statements which reflect management’s analysis only as of the date hereof. We assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting forward-looking statements, except as may be required by law.

Overview

We are a leading global supplier of automation equipment for test and industrial applications. We design, develop, manufacture and sell automatic test systems used to test semiconductors, wireless products, data storage and complex electronics systems in the consumer electronics, wireless, automotive, industrial, computing, communications, and aerospace and defense industries. Our industrial automation products include collaborative robotic arms, and advanced robotic control software used by global manufacturing and light industrial customers to improve quality, increase manufacturing and material handling efficiency and decrease manufacturing costs. Our automatic test equipment and industrial automation products and services include:

- semiconductor test (“Semiconductor Test”) systems;
- defense/aerospace (“Defense/Aerospace”) test instrumentation and systems, storage test (“Storage Test”) systems, and circuit-board test and inspection (“Production Board Test”) systems (collectively these products represent “System Test”);
- industrial automation (“Industrial Automation”) products; and
- wireless test (“Wireless Test”) systems.

We have a customer base which includes integrated device manufacturers (“IDMs”), outsourced semiconductor assembly and test providers (“OSATs”), original equipment manufacturers (“OEMs”), wafer foundries, fabless companies that design, but contract with others for the manufacture of integrated circuits (“ICs”), developers of wireless devices and consumer electronics, manufacturers of circuit boards, automotive suppliers, wireless product manufacturers, storage device manufacturers, aerospace and military contractors, and distributors that sell collaborative robots.

The market for our test products is concentrated with a limited number of significant customers accounting for a substantial portion of the purchases of test equipment. One customer drives significant demand for our products both through direct sales and sales to the customer’s supply partners. We expect that sales of our test products will continue to be concentrated with a limited number of significant customers for the foreseeable future.

The sales of our products and services are dependent, to a large degree, on customers who are subject to cyclical trends in the demand for their products. These cyclical periods have had, and will continue to have, a significant effect on our business because our customers often delay or accelerate purchases in reaction to changes in their businesses and to demand fluctuations in the semiconductor and electronics industries. Historically, these demand fluctuations have resulted in significant variations in our results of operations. During the first quarter of 2018, demand outlook for mobile device test capacity in 2018 declined sharply for our Semiconductor Test business. As a result, we reduced our revenue outlook for 2018 to reflect the demand decline.

In 2015, we acquired Universal Robots A/S (“Universal Robots”), the leading supplier of collaborative robots which are low-cost, easy-to-deploy and simple-to-program robots that work side by side with production

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workers to improve quality, increase manufacturing efficiency and decrease manufacturing costs. The acquisition of Universal Robots provides a growth engine to our business and complements our existing System Test and Wireless Test segments. The total purchase price for Universal Robots was approximately \$315 million, which included cash paid of approximately \$284 million and \$32 million in fair value of contingent consideration payable upon achievement of revenue and earnings targets through 2018. The contingent consideration related to revenue for the period from July 1, 2015 to December 31, 2017 in the amount of \$24.6 million was paid in March 2018. The remaining maximum contingent consideration that could be paid in 2019 is \$25 million.

On February 26, 2018, we acquired Energid Technologies Corporation (“Energid”) for a total preliminary purchase price of approximately \$27.6 million. Energid’s technology enables and simplifies the programming of complex robotic motions used in a wide variety of end markets, ranging from heavy industry to healthcare; utilizing both traditional robots and collaborative robots.

On April 25, 2018, we acquired Mobile Industrial Robots ApS (“MiR”), a Danish limited liability company, for an aggregate purchase price of approximately \$148 million net of cash acquired, and up to an additional approximately \$124 million payable upon the achievement of certain revenue and profit performance targets through 2020. MiR is the leading maker of collaborative autonomous mobile robots for industrial applications. MiR and Energid will be included in our Industrial Automation segment.

We believe our recent acquisitions have enhanced our opportunities for growth. We intend to continue to invest in our business, grow market share in our markets and expand further our addressable markets while tightly managing our costs.

Critical Accounting Policies and Estimates

We have identified the policies which are critical to understanding our business and our results of operations. There have been no significant changes during the three months ended April 1, 2018 to the items disclosed as our critical accounting policies and estimates in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, except as noted below.

Preparation of Financial Statements and Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the amounts reported in the financial statements. Actual results may differ significantly from these estimates.

Revenue from Contracts with Customers

We adopted Accounting Standards Update (ASU) 2014-09, “*Revenue from Contracts with Customers*” (“ASC 606”) on January 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption. The reported results for 2018 reflect the application of ASC 606 while the reported results for 2017 were prepared under the guidance of ASC 605, “*Revenue Recognition*” (“ASC 605”), which is also referred to herein as “Legacy GAAP” or the “previous guidance.” We recorded a net increase to retained earnings of \$12.7 million as of January 1, 2018 due to the cumulative impact of adopting ASC 606. Refer to Note B: “Accounting Policies” in our 2017 annual report on Form 10-K for the policies in effect for revenue prior to January 1, 2018. The adoption of ASC 606 represents a change in accounting principle that will more closely align revenue recognition with the delivery of our hardware and services and will provide financial statement readers with enhanced disclosures. In accordance with ASC 606, revenue is recognized when or as a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which we expect to be entitled to receive in exchange for fulfillment of the performance obligation. Our primary source of revenue will continue to be from the sale of systems, instruments, robots, and the delivery of services.

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In accordance with ASC 606, we recognize revenues, when or as control is transferred to a customer. Our determination of revenue is dependent upon a five step process outlined below.

Step 1: Identify the contract with the customer

We account for a contract with a customer when there is written approval, the contract is committed, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of collection.

Step 2: Identify the performance obligations in the contract

We periodically enter into contracts with its customers in which a customer may purchase a combination of goods and or services, such as products with extended warranty obligations. We determine performance obligations by assessing whether the products or services are distinct from the other elements of the contract. In order to be distinct the product or service must perform either on its own or with readily available resources and must be separate within the context of the contract.

Step 3: Determine the transaction price

We considers the amount stated on the face of the purchase order to be the transaction price. We do not have variable consideration which could impact the stated purchase price agreed to by us and the customer.

Step 4: Allocate the transaction price to the performance obligations in the contract

Transaction price is allocated to each individual performance obligation based on the standalone selling price of that performance obligation. We use standalone transactions when available to value each performance obligation. If standalone transactions are not available, we will estimate the standalone selling price through market assessments or cost plus a reasonable margin analysis. Any discounts from standalone selling price are spread over each performance obligation.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

In order to determine the appropriate timing for revenue recognition, we first determine if the transaction meets any of three criteria for over time recognition. If the transaction meets the criteria for over time recognition, we recognize revenue as the good or service is delivered. We use input variables such as hours or months utilized or costs incurred to determine the amount of revenue to recognize in a given period. Input variables are used as they best align consumption with benefit to the customer. For transactions which do not meet the criteria for over time recognition, we will recognize revenue at a point in time based on an assessment of the five criteria for transfer of control. We have concluded that revenue should be recognized when shipped or delivered based on contractual terms. Typically acceptance of our products and services is a formality as we deliver similar systems, instruments and robots to standard specifications. In cases where acceptance is not deemed a formality, we will wait for customer acceptance before recognizing revenue.

Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, “*Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.*” We retrospectively adopted the new accounting guidance on presentation of net periodic pension costs and net periodic postretirement benefit costs in the first quarter of 2018. This guidance requires the service cost component of net benefit costs to be reported in the same line item in the consolidated statement of operations as other employee compensation costs. The non-service components of net benefit costs such as interest cost,

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expected return on assets, amortization of prior service cost, and actuarial gains or losses, are required to be reported separately outside of income or loss from operations. Following the adoption of this guidance, we continue to record the service cost component in the same line item as other employee compensation costs and the non-service components of net benefit costs such as interest cost, expected return on assets, amortization of prior service cost, and actuarial gains or losses are reported within other (income) expense, net. The retrospective adoption of this standard increased the first quarter of 2017 income from operations by \$0.4 million due to the removal of the non-service component of pension expense and decreased other (income) expense, net by the same amount with zero impact to net income.

Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU 2016-01, “*Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.” We adopted the new accounting guidance in the first quarter of 2018 using the modified retrospective approach. This guidance requires that changes in fair value of equity securities be accounted for directly in earnings. Previously, the changes in fair value were recorded in accumulated other comprehensive income on the balance sheet. We continue to record realized gains in interest income and realized losses in interest expense. The adoption of this new accounting guidance increased the January 1, 2018 retained earnings balance by \$3.1 million and decreased the accumulated other comprehensive income balance by the same amount.

**SELECTED RELATIONSHIPS WITHIN THE CONDENSED CONSOLIDATED
STATEMENTS OF OPERATIONS**

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
Percentage of revenues:		
Revenues:		
Products	83%	82%
Services	17	18
Total revenues	100	100
Cost of revenues:		
Cost of products	37	34
Cost of services	8	8
Total cost of revenues (exclusive of acquired intangible assets amortization shown separately below)	45	42
Gross profit	55	58
Operating expenses:		
Selling and administrative	19	19
Engineering and development	15	17
Acquired intangible assets amortization	2	2
Restructuring and other	—	1
Total operating expenses	35	37
Income from operations	20	21
Non-operating (income) expense:		
Interest income	(1)	(1)
Interest expense	1	1
Other (income) expense, net	—	—
Income before income taxes	20	20
Income tax provision	2	1
Net income	18%	19%

Results of Operations

First Quarter 2018 Compared to First Quarter 2017

Revenues

Revenues by our four reportable segments were as follows:

	For the Three Months Ended		Dollar Change
	April 1, 2018	April 2, 2017	
	(in millions)		
Semiconductor Test	\$ 373.3	\$ 355.5	\$ 17.8
Industrial Automation	48.8	36.3	12.5
System Test	43.0	39.8	3.2
Wireless Test	22.5	25.3	(2.8)
	<u>\$ 487.5</u>	<u>\$ 456.9</u>	<u>\$ 30.6</u>

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The increase in Semiconductor Test revenues of \$17.8 million, or 5.0%, was driven primarily by increased sales in the flash memory test segment, partially offset by a decrease in image sensor and microcontroller sales. The increase in Industrial Automation revenues of \$12.5 million, or 34.4%, was due to higher demand for collaborative robotic arms. The increase in System Test revenues of \$3.2 million, or 8.0%, was primarily due to higher sales in Storage Test of system level testers. The decrease in Wireless Test revenues of \$2.8 million, or 11.1%, was primarily due to lower demand for connectivity and cellular test systems.

Revenues by country as a percentage of total revenues were as follows (1):

	For the Three Months Ended	
	April 1, 2018	April 2, 2017
Taiwan	28%	25%
China	17	12
United States	13	12
Korea	11	7
Europe	10	8
Philippines	6	6
Japan	5	12
Malaysia	4	9
Singapore	3	5
Thailand	2	2
Rest of World	1	2
	<u>100%</u>	<u>100%</u>

(1) Revenues attributable to a country are based on location of customer site.

Gross Profit

Our gross profit was as follows:

	For the Three Months Ended		Dollar/Point Change
	April 1, 2018	April 2, 2017	
Gross profit	\$269.8	\$265.0	\$ 4.8
Percent of Total Revenues	55.4%	58.0%	(2.6)

Gross profit as a percent of revenue decreased by 2.6 points, as a result of a decrease related to product mix primarily in Semiconductor Test, partially offset by an increase due to higher sales primarily in Semiconductor Test and Industrial Automation.

We assess the carrying value of our inventory on a quarterly basis by estimating future demand and comparing that demand against on-hand and on-order inventory positions. Forecasted revenue information is obtained from sales and marketing groups and incorporates factors such as backlog and future revenue demand. This quarterly process identifies obsolete and excess inventory. Obsolete inventory, which represents items for which there is no demand, is fully reserved. Excess inventory, which represents inventory items that are not expected to be consumed during the next twelve quarters for our Semiconductor Test, System Test and Industrial Automation segments and the next four quarters for our Wireless Test segment, is written-down to estimated net realizable value.

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During the three months ended April 1, 2018, we recorded an inventory provision of \$3.5 million included in cost of revenues primarily due to downward revisions to previously forecasted demand levels. Of the \$3.5 million of total excess and obsolete provisions, \$2.2 million was related to Semiconductor Test, \$0.8 million was related to Wireless Test, \$0.3 million was related to System Test, and \$0.2 million was related to Industrial Automation.

During the three months ended April 2, 2017, we recorded an inventory provision of \$2.7 million included in cost of revenues primarily due to downward revisions to previously forecasted demand levels. Of the \$2.7 million of total excess and obsolete provisions, \$1.3 million was related to Semiconductor Test, \$0.9 million was related to System Test, and \$0.5 million was related to Wireless Test.

During the three months ended April 1, 2018 and April 2, 2017, we scrapped \$0.3 million and \$1.8 million of inventory, respectively. During the three months ended April 1, 2018 and April 2, 2017, we sold \$2.2 million and \$1.1 million of previously written-down or written-off inventory, respectively. As of April 1, 2018, we had inventory related reserves for inventory which had been written-down or written-off totaling \$103.4 million. We have no pre-determined timeline to scrap the remaining inventory.

Selling and Administrative

Selling and administrative expenses were as follows:

	For the Three Months Ended		Dollar Change
	April 1, 2018	April 2, 2017	
	(in millions)		
Selling and administrative	\$ 90.5	\$ 84.8	\$ 5.7
Percent of Total Revenues	18.6%	18.6%	

The increase of \$5.7 million in selling and administrative expenses was due primarily to higher spending in Industrial Automation.

Engineering and Development

Engineering and development expenses were as follows:

	For the Three Months Ended		Dollar Change
	April 1, 2018	April 2, 2017	
	(in millions)		
Engineering and development	\$ 74.4	\$ 76.0	\$ (1.6)
Percent of Total Revenues	15.3%	16.6%	

The decrease of \$1.6 million in engineering and development expenses was primarily due to lower spending in Storage Test and Semiconductor Test, partially offset by higher spending in Industrial Automation.

Acquired Intangible Assets Amortization

Acquired intangible assets amortization expense was as follows:

	For the Three Months Ended		Dollar Change
	April 1, 2018	April 2, 2017	
	(in millions)		
Acquired intangible assets amortization	\$ 7.7	\$ 8.0	\$ (0.3)
Percent of Total Revenues	1.6%	1.7%	

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Acquired intangible assets amortization expense decreased primarily in the Industrial Automation segment due to intangible assets that became fully amortized in June 2017, partially offset by increased amortization expense due to the Energid acquisition.

Restructuring and Other

During the three months ended April 1, 2018, we recorded a \$5.0 million credit for the decrease in the fair value of the Universal Robots contingent consideration liability, partially offset by \$3.9 million recorded for employee severance charges, primarily in Semiconductor Test, and \$0.8 million of acquisition related expenses.

During the three months ended April 2, 2017, we recorded \$2.5 million of restructuring and other charges of which \$1.3 million was for a lease impairment of a Wireless Test facility in Sunnyvale, CA, which was terminated in September 2017, \$0.6 million was for employee severance charges and \$0.6 million for the increase in the fair value of the Universal Robots contingent consideration liability.

Interest and Other

	For the Three Months Ended		Dollar Change
	April 1, 2018	April 2, 2017	
	(in millions)		
Interest income	\$ (6.0)	\$ (3.5)	\$ (2.5)
Interest expense	6.9	5.4	1.5
Other (income) expense, net	0.8	(0.1)	0.9

Interest income increased by \$2.5 million due primarily to higher cash and marketable securities balances during the quarter and higher interest rates in 2018. Interest expense increased by \$1.5 million due primarily to realized losses on sales of marketable securities. Other (income) expense, net included net foreign exchange losses and non-service components of net periodic pension costs and net periodic postretirement benefit costs.

Income Before Income Taxes

	For the Three Months Ended		Dollar Change
	April 1, 2018	April 2, 2017	
	(in millions)		
Semiconductor Test	\$ 88.1	\$ 98.0	\$ (9.9)
System Test	5.9	(2.8)	8.7
Industrial Automation	0.8	(2.6)	3.4
Wireless Test	0.5	1.5	(1.0)
Corporate and Other (1)	0.6	(2.2)	2.8
	<u>\$ 95.8</u>	<u>\$ 92.0</u>	<u>\$ 3.8</u>

(1) Included in Corporate and Other are: contingent consideration adjustments, employee severance, interest income, interest expense, net foreign exchange gains and losses and acquisition related expenses.

The decrease in income before income taxes in Semiconductor Test was driven primarily by lower gross margin due to product mix. The increase in income before income taxes in System Test was primarily due to higher sales in Storage Test of system level testers. The increase in income before income taxes in Industrial Automation was due to higher demand for collaborative robotic arms. The decrease in income before income taxes in Wireless Test was primarily due to lower demand for connectivity and cellular test systems.

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Investing activities during the three months ended April 1, 2018 provided cash of \$462.9 million, due to \$800.7 million and \$212.7 million in proceeds from sales and maturities of marketable securities, respectively, partially offset by \$490.3 million used for purchases of marketable securities, \$34.8 million used for purchases of property, plant and equipment and \$25.4 million used for the acquisition of Energid.

Financing activities during the three months ended April 1, 2018 used cash of \$174.4 million, due to \$134.3 million used for the repurchase of 2.9 million shares of common stock at an average price of \$45.69 per share, \$19.6 million used for payment related to net settlement of employee stock compensation awards, \$17.6 million used for dividend payments, and \$13.6 million used for a payment related to Universal Robots acquisition contingent consideration, partially offset by \$10.7 million from the issuance of common stock under employee stock purchase and stock option plans.

Operating activities during the three months ended April 2, 2017 used cash of \$61.1 million. Changes in operating assets and liabilities used cash of \$182.4 million. This was due to a \$184.9 million increase in operating assets and a \$2.5 million increase in operating liabilities.

The increase in operating assets was primarily due to a \$123.8 million increase in accounts receivable due to the delivery profile of first quarter shipments and a \$62.2 million increase in inventories to support increased shipments in the second quarter.

The decrease in operating liabilities was due to a \$31.0 million decrease in accrued employee compensation due primarily to first quarter payments related to variable compensation, a \$3.3 million decrease in deferred revenue and customer advance payments, a \$0.9 million decrease in other accrued liabilities and \$0.9 million of retirement plan contributions, partially offset by a \$24.3 million increase in accounts payable and a \$14.3 million increase in income taxes.

Investing activities during the three months ended April 2, 2017 provided cash of \$126.4 million, due to \$213.6 million and \$88.2 million in proceeds from sales and maturities of marketable securities, respectively, partially offset by \$153.3 used for purchases of marketable securities and \$22.1 million used for purchases of property, plant and equipment.

Financing activities during the three months ended April 2, 2017 used cash of \$50.0 million, due to \$37.7 million used for the repurchase of 1.3 million shares of common stock at an average price of \$29.38 per share, \$14.0 million used for dividend payments, \$12.3 million used for payment related to net settlement of employee stock compensation awards and \$1.1 million used for a payment related to AIT contingent consideration, partially offset by \$15.1 million from the issuance of common stock under employee stock purchase and stock option plans.

In January 2018, our Board of Directors declared a quarterly cash dividend of \$0.09 per share that was paid on March 23, 2018 to shareholders of record as of February 23, 2018. Dividend payments for the three months ended April 1, 2018 were \$17.6 million.

In January 2017, our Board of Directors declared a quarterly cash dividend of \$0.07 per share that was paid on March 20, 2017 to shareholders of record as of February 24, 2017. Dividend payments for the three months ended April 2, 2017 were \$14.0 million.

In January 2018, our Board of Directors cancelled the December 2016 stock repurchase program and authorized a new stock repurchase program for up to \$1.5 billion of common stock. We intend to repurchase \$750 million in 2018. During the three months ended April 1, 2018, we repurchased 2.9 million shares of common stock for \$134.3 million at an average price of \$45.69 per share.

In December 2016, our Board of Directors approved a \$500 million share repurchase authorization which commenced on January 1, 2017. During the three months ended April 2, 2017, we repurchased 1.3 million shares of common stock for \$37.7 million at an average price of \$29.38 per share.

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While we declared a quarterly cash dividend and authorized a share repurchase program, we may reduce or eliminate the cash dividend or share repurchase program in the future. Future cash dividends and stock repurchases are subject to the discretion of our Board of Directors which will consider, among other things, our earnings, capital requirements and financial condition.

We believe our cash, cash equivalents and marketable securities balance will be sufficient to pay our quarterly dividend, execute our authorized share repurchase program and meet our working capital and expenditure needs for at least the next twelve months. Inflation has not had a significant long-term impact on earnings.

Equity Compensation Plans

As discussed in Note O: “Stock Based Compensation” in our 2017 Annual Report on Form 10-K, we have a 1996 Employee Stock Purchase Plan and a 2006 Equity and Cash Compensation Incentive Plan (the “2006 Equity Plan”).

The purpose of the 1996 Employee Stock Purchase Plan is to encourage stock ownership by all eligible employees of Teradyne. The purpose of the 2006 Equity Plan is to provide equity ownership and compensation opportunities in Teradyne to our employees, officers, directors, consultants and/or advisors. Both plans were approved by our shareholders.

Recently Issued Accounting Pronouncements

On January 26, 2017, the FASB issued ASU 2017-04, “*Intangibles – Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment.*” The new guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. The revised guidance will be applied prospectively, and is effective in 2020. Early adoption is permitted for any impairment tests performed after January 1, 2017. We are currently evaluating the impact of this ASU on our financial position, results of operations and statements of cash flows.

In February 2016, the FASB issued ASU 2016-02, “*Leases (Topic 842).*” The guidance in this ASU supersedes the lease recognition requirements in Accounting Standards Codification (“ASC”) Topic 840, “*Leases.*” The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of operations. The new standard is effective for annual periods beginning after December 15, 2018 with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We are currently evaluating the impact of this ASU on our financial position and results of operations.

Item 3: Quantitative and Qualitative Disclosures about Market Risks

For “Quantitative and Qualitative Disclosures about Market Risk” affecting Teradyne, see Part 2 Item 7a, “Quantitative and Qualitative Disclosures about Market Risks,” in our Annual Report on Form 10-K filed with the SEC on March 1, 2018. There were no material changes in our exposure to market risk from those set forth in our Annual Report for the fiscal year ended December 31, 2017.

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In addition to market risks described in our Annual Report on Form 10-K, we have an equity price risk related to the fair value of our convertible senior unsecured notes issued in December 2016. In December 2016, Teradyne issued \$460 million aggregate principal amount of 1.25% convertible senior unsecured notes (the “Notes”) due December 15, 2023. As of April 1, 2018, the Notes had a fair value of \$700.6 million. The table below provides a sensitivity analysis of hypothetical 10% changes of Teradyne’s stock price as of the end of the first quarter of 2018 and the estimated impact on the fair value of the Notes. The selected scenarios are not predictions of future events, but rather are intended to illustrate the effect such event may have on the fair value of the Notes. The fair value of the Notes is subject to equity price risk due to the convertible feature. The fair value of the Notes will generally increase as Teradyne’s common stock price increases and will generally decrease as the common stock price declines in value. The change in stock price affects the fair value of the convertible senior notes, but does not impact Teradyne’s financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Additionally, we carry the Notes at face value less unamortized discount on our balance sheet, and we present the fair value for required disclosure purposes only. In connection with the offering of the Notes we also sold warrants to the option counterparties. These transactions have been accounted for as an adjustment to our shareholders’ equity. The convertible note hedge transactions are expected to reduce the potential equity dilution upon conversion of the Notes. The warrants along with any shares issuable upon conversion of the Notes will have a dilutive effect on our earnings per share to the extent that the average market price of our common stock for a given reporting period exceeds the applicable strike price or conversion price of the warrants or Notes, respectively.

<u>Hypothetical Change in Teradyne Stock Price</u>	<u>Fair Value</u>	<u>Estimated change in fair value</u>	<u>Hypothetical percentage increase (decrease) in fair value</u>
10% Increase	\$758,281	\$ 57,655	8.2%
No Change	700,626	—	—
10% Decrease	644,904	(55,722)	(8.0)

See Note G: “Debt” for further information.

Item 4: Controls and Procedures

As of the end of the period covered by this report, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) or Rule 15d-15(f) promulgated under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in ensuring that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

PART II. OTHER INFORMATION

Item 1: Legal Proceedings

We are subject to various legal proceedings and claims, which have arisen, in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our results of operations, financial condition or cash flows.

Item 1A: Risk Factors

In addition to other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Part I, “Item 1A: Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017, which could materially affect our business, financial condition or future results. The risk factors described in our Annual Report on Form 10-K remain applicable to our business.

The risks described in our Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Our business may suffer if we are impacted by the implementation of tariffs on our products.

Our business operations are international and may be disrupted by the implementation of tariffs on our products. In March 2018, the United States Trade Representative announced proposed tariffs on a list of products manufactured in China. While there is uncertainty as to whether the proposed tariffs will be implemented and, if they are implemented, as to the products that will be covered by the tariffs, the tariffs if implemented could have a material adverse effect on our business, financial condition or results of operations. In addition, tariffs implemented by China could disrupt our business operations or impact the sale of our products and, therefore, have a material adverse effect on our business, financial condition or results or operations.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

In January 2018, our Board of Directors cancelled the December 2016 stock repurchase program and authorized a new stock repurchase program for up to \$1.5 billion of common stock. We intend to repurchase \$750 million in 2018. During the three months ended April 1, 2018, we repurchased 2.9 million shares of common stock for \$134.3 million at an average price of \$45.69 per share.

In December 2016, our Board of Directors approved a \$500 million share repurchase authorization which commenced on January 1, 2017. During the three months ended April 2, 2017, we repurchased 1.3 million shares of common stock for \$37.7 million at an average price of \$29.38 per share.

The following table includes information with respect to repurchases we made of our common stock during the three months ended April 1, 2018 (in thousands except per share price):

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may Yet Be Purchased Under the Plans or Programs
January 1, 2018 – January 28, 2018	83	\$ 46.77	—	\$ 1,500,000
January 29, 2018 – February 25, 2018	1,654	\$ 44.28	1,317	\$ 1,442,449
February 26, 2018 – April 1, 2018	1,622	\$ 47.31	1,622	\$ 1,365,724
	<u>3,359</u> (1)	<u>\$ 45.80</u> (1)	<u>2,939</u>	

(1) Includes 0.4 million shares at an average price of \$46.59 withheld from employees for the payment of taxes.

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We satisfy U.S. federal and state minimum withholding tax obligations due upon the vesting and the conversion of restricted stock units into shares of our common stock, by automatically withholding from the shares being issued, a number of shares with an aggregate fair market value on the date of such vesting and conversion that would satisfy the minimum withholding amount due.

Item 4: Mine Safety Disclosures

Not Applicable

Item 6: Exhibits

<u>Exhibit Number</u>	<u>Description</u>
2.1	<u>Share Sale and Purchase Agreement by and among Teradyne Robotics Holdings Denmark ApS, Teradyne, Inc., and the shareholders of Mobile Industrial Robots ApS, dated April 25, 2018 (filed herewith)</u>
10.1	<u>Amendment No.2 to Credit Agreement, dated as of March 21, 2018, among Teradyne, Inc., Barclays Bank PLC, as the administrative agent and collateral agent, and the lenders party thereto (filed herewith)</u>
31.1	<u>Certification of Principal Executive Officer, pursuant to Rule 13a-14(a) of Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)</u>
31.2	<u>Certification of Principal Financial Officer, pursuant to Rule 13a-14(a) of Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)</u>
32.1	<u>Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)</u>
32.2	<u>Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TERADYNE, INC.
Registrant

/S/ GREGORY R. BEECHER

Gregory R. Beecher
Vice President,
Chief Financial Officer and Treasurer
(Duly Authorized Officer
and Principal Financial Officer)

May 11, 2018

BECH-BRUUN

Copenhagen · April 2018

File no. 061194-0005

Doc.no. 18558174.1

Execution versionShare Sale and Purchase Agreement

concerning Mobile Industrial Robots ApS
CVR no. 35 25 12 35**København**Langelinie Allé 35
2100 København Ø
Danmark**Aarhus**Værkmestergade 2
8000 Aarhus C
Danmark**Shanghai**Suite 2H08
No.1440 Yan'an Middle Road
Jing'an District, 200040
T +45 72 27 00 00
F +45 72 27 00 27
E info@bechbruun.comAdvokatpartnerselskab
CVR-nr. 38538071
www.bechbruun.com

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Schedule 8.3(e):	Employment Bonus Scheme
Schedule 11.1:	Sellers' Warranties
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This

SHARE SALE AND PURCHASE AGREEMENT

was concluded on 25 April 2018 between on the one side

Jacon 2 ApS
CVR no. 37 36 49 24
Ulriksholmvej 27
5230 Odense M
Denmark
("JACCON")

Esben ApS
CVR no. 37 22 08 17
Hunderupvej 63
5000 Odense C
Denmark
("ESBEN")

Visti Jensen Holding ApS
CVR no. 36 43 08 77
Bülowsvej 13
5230 Odense M
Denmark
("VJH")

Juul Holding ApS
CVR no. 20 94 37 42
Syvhøjevej 28
Højby
5260 Odense S
Denmark
("JH")

TPC Management ApS
CVR no. 25 24 43 62
Fredens Allé 10
Dalum
5250 Odense SV
Denmark
("TPC")

(each of JACCON, ESBEN, VJH, JH, and TPC referred to as a "Seller" and collectively the "Sellers")

and on the other side

Teradyne Robotics Holdings Denmark ApS
CVR no. 39484838
c/o Bech-Bruun Law firm
Langelinie Allé 35
2100 Copenhagen
Denmark
(the "Buyer")

and

Teradyne, Inc.
600 Riverpark Drive
North Reading, MA 01864
USA
(the "Guarantor")

concerning 100% of the issued and outstanding shares in Mobile Industrial Robots ApS (the "Company").

WHEREAS, on the date hereof the Sellers have the power to cause and direct the transfer of the Shares (as defined) and desire to sell the Shares to Buyer, and Buyer desires to purchase the Shares from Sellers, upon the terms and subject to the conditions hereinafter set forth:

1. DEFINITIONS, INTERPRETATION AND ENTIRE AGREEMENT

1.3 In the Agreement, the following words and expressions have the meanings stated below, unless the context requires otherwise.

Accelerated Earn-Out Payments	as stated in clause 6.9.7.
Accounting Policies	the Company's accounting principles, policies, practices and procedures together with the estimates and assessments all as applied up until and including the Closing Date by the Group and as described in <u>Schedule 1(a)</u> , to the extent in accordance with Danish GAAP.
Accounts Date	31 December 2017.
Adjustment Amount	the difference, if any, between the Preliminary Closing Purchase Price and the Closing Purchase Price; see clause 5.5.

Affiliate	with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person. For the purposes of this definition “control” when used in respect of any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have correlative meanings.
Agreement	this agreement, including all Schedules and Exhibits hereto which are hereby incorporated by reference herein.
Annual Reports	the Company’s consolidated and audited annual reports for the financial years 1 January 2016 until 31 December 2016 and 1 January 2017 until the Accounts Date respectively, see <u>Schedule 1(b)</u> .
Basket	as stated in clause 12.4.1(b).
Breach	any misrepresentation, incorrectness and/or other breach of any of the Sellers’ Warranties.
Business Day	any day other than a Saturday or Sunday on which banks are generally open for business and not required or authorized by Law to be closed in Denmark and Massachusetts, United States of America (disregarding banking business being conducted exclusively through the Internet).
Buyer’s Knowledge	the actual knowledge that either of Amy McAndrews, Mark Jagiela, Gregory Beecher, Charles Gray, Michael Callahan or Walter Vahey had on the Signing Date.
Cap	as stated in clause 12.4.2.
Closing	the Parties’ fulfilment of the obligations described in clause 8.

Closing Date	the date on which Closing takes place; see clause 8.1.
Closing Memorandum	minutes of the meeting at which Closing takes place.
Closing Purchase Price	as stated in clause 5.2.
Closing Purchase Price Calculation	as stated in clause 5.4.
Company	Mobile Industrial Robots ApS, CVR no. 35 25 12 35, a limited liability company incorporated and registered in accordance with Danish legislation.
Confidential Information	as stated in clause 15.2.
Corporate Documents	the charter and other documents by which any Person (other than an individual) establishes its legal existence or which govern its internal affairs, including its articles of incorporation or association and/or its by-laws.
De Minimis Threshold	as stated in clause 12.4.1(a).
Default Interest	an annual interest equal to the Interest plus five percentage points.
Disputed Matters	the items on which the Parties are unable to agree following an Objection with respect to (i) the draft Closing Purchase Price Calculation as described in clause 5.4.4, (ii) a draft calculation of an EBIT Margin as described in clause 6.7, or (iii) a Quarterly Product Revenue Statement as described in clause 6.6.
Disclosed	any written information fairly disclosed by the Sellers or on behalf of the Sellers in the Due Diligence Information or in this Agreement (the "Disclosed Information") in a way that would allow a reasonably diligent person skilled in the field to which the information relates (e.g. business administration, accounting, regulatory, legal, etc.), given the nature and context of the disclosure, to

reasonably discern the relevance of such matter, including the substance of any potential claim, loss, liability or disadvantage based on reading and analysing the said information, provided that (i) if the relevant information (or relevant elements of a subject matter) has been disclosed in the Due Diligence Information, it has been disclosed in a document or several documents contained in one or more data room folders where, based on the location of such folder or folders, as the case may be, in the data room and its labelling, such facts or circumstances could have been reasonably expected to be disclosed and (ii), if there is inconsistent information within the Disclosed Information, only the more recent facts and circumstances shall be deemed disclosed, unless it would be a reasonable assumption, in the given context of such inconsistencies, that the former facts and circumstances were still relevant.

Disclosed Information	as stated in the definition of “Disclosed”.
DKK	Danish Kroner, the valid currency of Denmark.
Due Diligence Information	the written information provided to the Buyer in the virtual data room established in connection with the transactions contemplated by this Agreement, included in <u>Schedule 1(c)</u> .
Earn-Out Payments	as stated in clause 6.1.
Earn-Out Payments Cap Amount	an aggregate amount for the total Earn-Out Payments of EUR 101,300,000.
Earn-Outs	the 2018 Revenue Earn-Out, the Phase-1 Revenue Earn-Out and the Phase-2 Revenue Earn-Out.
EBIT Margin	as set forth in <u>Schedule 1(d)</u> and as determined in accordance with the Accounting Policies, but in any case excluding (a) charges or costs of any nature related to the acquisition of the Group by the Buyer, (b) gains or losses from the sale of long-lived assets or extraordinary items not being in the

	ordinary course of business, (c) financial income, (d) financial expenses, (e) purchase price intangible asset amortization related to the acquisition of the Group by the Buyer, and including (f) direct and incremental out-of-pocket costs for third party services (other than Teradyne group internal group services) requested by the Group.
EBIT Margin Condition	the required minimum EBIT margin described in respect of the 2018 Revenue Earn-Out, the Phase-1 Revenue Earn-Out and Phase-2 Revenue Earn-Out respectively, cf. clauses 6.2.1, 6.3.1 and 6.4.1, however, such margin condition modified by the calculation examples set forth in Schedule 1(d).
EBIT Margin Calculation	as stated in clause 6.7.1.
Effective Date	24:00 h on the Closing Date.
Employment Addenda	the employment addenda between the Company and Jeppe Pedersen, Birthe Koldby Veje, Henrik Vesterlund Sørensen, Flemming Thinggard and Kent Hansen, respectively, attached in agreed form as <u>Schedule 1(e)</u>
Employment Agreement	the employment agreement between the Company and Niels Jul Jacobsen, attached in agreed form as <u>Schedule 1(f)</u> .
Encumbrances	as defined in <u>Schedule 11.1.</u>
Enterprise Value	EUR 122,000,000.
Escrow Account	the account with the Escrow Agent in the joint names of the Sellers' Representative and the Buyer.
Escrow Agent	Sydbank A/S.
Escrow Agreement	the agreement between the Sellers' Representative, the Buyer and the Escrow Agent relating to the operation of the Escrow Account on the agreed terms set out in <u>Schedule 1(g)</u> .

Escrow Amount	an aggregate amount of EUR 24,400,000.
EUR	Euro, being the valid currency of Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.
Expert	a state authorized public accountant appointed by Grant Thornton, Statsautoriseret Revisionspartnerselskab among its Danish partners. If Grant Thornton, Statsautoriseret Revisionspartnerselskab is unwilling to appoint the Expert among its partners, the Expert will be a state authorized public accountant otherwise agreed by Sellers' Representative and Buyer, or, failing such agreement within 10 Business Days after Grant Thornton, Statsautoriseret Revisionspartnerselskab refused to appoint the Expert, upon request of either Sellers' Representative or Buyer appointed by "FSR-Danish Auditors" from an internationally recognised auditing firm not having provided substantial services (substantial services for the purposes of this Agreement being understood as services involving fees of an amount equivalent to more than DKK 500,000 annually) to any of the Parties or the Group for the past 3 years, but none of Deloitte, PWC, KPMG or EY.
Final Net Debt	the Group's Net Debt as per the Effective Date determined in accordance with clause 5.4.
Final Working Capital	the Group's Working Capital as per the Effective Date determined in accordance with clause 5.4.
Governmental Authority	any national, supranational, foreign, provincial, state, municipal or local government, governmental, regulatory or administrative authority, agency, body, branch or bureau, instrumentality or commission or any court, tribunal, or judicial or arbitral body.
Group	the Company and the Subsidiaries.

Group Company	a company in the Group.
Group Companies	several or all of the companies in the Group.
Interest	an annual interest rate of 2% p.a. with the calculation of interest being made on the basis of days actually elapsed and 365 days per year.
Law	any national, supranational, state, provincial, municipal or local statute, law, constitution, ordinance, code, regulation, directive, rule, order, requirement or rule of law (including common law) or code issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Authority or parliament.
Loss	any damage, direct loss and expense (including reasonable attorneys' fees and other expenses in connection with any claim) suffered by the Buyer or any of its Affiliates (including the Group) in respect of a Breach, but always excluding any indirect or consequential losses including loss of profit, as further qualified in clause 12.2.1.
Net Debt	the Group's net debt calculated in accordance with Schedule 5.3(a) and the Accounting Principles, provided that in case of any discrepancy between the Accounting Principles and Schedule 5.3(a), Schedule 5.3(a) shall prevail.
Notice	as stated in clause 17.2.
Objection	any objection of the Sellers' Representative to the Buyer's draft (i) Closing Purchase Price Calculation, (ii) an EBIT Margin Calculation, or (iii) a Quarterly Product Revenue Statement.
Option Cancellation Agreement	the agreement between the Company and Ed Mullen attached as Schedule 8.2(k).
Parties	the Sellers and the Buyer.
Party	a Seller or the Buyer.

Pay-Off Amounts	such amounts in such currencies as notified under clause 3.1(d) as being the amount required, if any: (i) to discharge the indebtedness (whether or not due and payable) owed under or in connection with the Secured Debt at the Closing Date (for the avoidance of doubt, including the outstanding principal amount of any drawing and any accrued but unpaid interest thereon at the Closing Date); (ii) to release all guarantees and security in relation to the Secured Debt at the Closing Date; and (iii) to terminate the Secured Debt at the Closing Date (such amount being inclusive of any applicable break costs, prepayment or early termination fees and other related fees or fees of a similar nature), assuming such discharge, release and termination takes effect from the Closing Date.
Person	any individual, corporation, partnership, firm, joint venture, association, joint stock company, trust, incorporated or non-incorporated organisation, country, state, city, municipality, government, political subdivision, agency, authority, or instrumentality of a government or other entity.
Phase-1 Revenue Earn-Out	as set out in clause 6.3.
Phase-1 Revenue Hurdle	DKK 420,000,000.
Phase-1 Revenue Period	the period running from 1 January 2018 – 31 December 2019.
Phase-1 Revenue Target	DKK 600,000,000.
Phase-2 Revenue Earn-Out	as set out in clause 6.4.
Phase-2 Revenue Hurdle	DKK 840,000,000.
Phase-2 Revenue Period	the period running from 1 January 2018 – 31 December 2020.
Phase-2 Revenue Target	DKK 1,200,000,000.

Preliminary Closing Purchase Price	EUR 118,409,863, calculated in accordance with <u>Schedule 1(h)</u> and on the basis of the Sellers' Representative good faith estimate of the Net Debt and the Working Capital of the Group as of the Effective Date determined in accordance with the principles set forth in clause 5.2.
Principal Sellers	each of Niels Jul Jacobsen, Thomas Visti Jensen, Esben Hallundbæk Østergaard, Torben Frigaard Rasmussen and Søren Michael Juul Jørgensen,
Products	the Group's current and future products.
Purchase Price	as stated in clause 5.1.
Quarterly Product Revenue Statement	as stated in clause 6.5.2.
Reference Working Capital	the reference Working Capital of the Group in the amount of DKK 10,094,000.
Revenues	any and all revenues generated by the Group; such Revenues for purpose of calculating the Earn-Out Payments to be adjusted and determined in accordance with the principles set out in clause 6.9.
Schedule	a schedule to the Agreement.
Secured Debt	the Company's outstanding commitments as of the Closing Date under credit facility agreement with Nordea and the loan agreement with Vækstfonden.
Sellers' Bank Account	a EUR client account of DLA Piper Denmark Law Firm P/S with Nordea Danmark, filial af Nordea Bank AB (publ), Sverige, reg. no. 2191, account no. 5036 375 525, IBAN: DK3720005036375525 and SWIFT/BIC: NDEADKKK.
Sellers' Knowledge	the actual knowledge that either of Niels Jul Jacobsen, Thomas Visti Jensen, Claus Larsen, Torben Frigaard Rasmussen and Søren Michael Juul Jørgensen had on the Signing Date.
Sellers' Representative	as stated in clause 17.1.

Sellers' Warranties	as described in <u>Schedule 11.1</u> .
Service Agreement	the Service Agreement between the Company and Thomas Visti Jensen attached in agreed form as Schedule 1(i).
Shares	all shares issued by the Company currently consisting of DKK 1,420,200 shares of DKK 1 each, equal to 100% of the Company's total issued nominal share capital.
Signing Date	the date on which the Sellers the Buyer and the Guarantor have signed the Agreement.
SKAT	as stated in clause 9.2.2.
Subsidiaries	the companies set out in <u>Schedule 1(j)</u> and any further subsidiaries and any other affiliated companies owned by the Company or a Subsidiary from time to time.
Taxes	any and all taxes and tax liabilities, whether actual or deferred or contingent and whether or not provided for in the Annual Reports, the Management Accounts (as defined in Schedule 14.1) or the Closing Purchase Price Calculation, payable to or imposed by a Governmental Authority in respect of income taxes, sales and use taxes, transfer taxes, franchise taxes, value-added taxes, withholding taxes, stamp duties, customs duties, payroll taxes, social security taxes and charges, environmental taxes and property taxes and all other taxes and public duties of any kind and any fees, penalties and interest amounts relating thereto.
Title Warranties	the Warranties in clauses 3.1, 3.2, 3.3, 3.4, 3.5 and 3.6 of <u>Schedule 11.1</u> .
Third Party Claim	as stated in clause 12.6.1.
Third Party Rights	any type of legal charge, lien, right of first refusal, purchase option, retention of title, option or title, in each case in favour of a third Person.

USD	United States Dollar, being the valid currency of the United States of America.
Warranties	the warranties given by the Sellers or the Buyer in accordance with clause 11 and <u>Schedule 11.1</u> as the case may be.
Warrants	all warrants or other kind of equity based options in any Group Company issued and to be issued by a Group Company, whether vested or unvested, including such warrants set out in the table attached as <u>Schedule 1(k)</u> .
2018 Revenue Earn-Out	as set out in clause 6.2.
2018 Revenue Hurdle	DKK 160,000,000.
2018 Revenue Period	the period running from 1 January 2018 – 31 December 2018.
2018 Revenue Target	DKK 200,000,000.
1.1	The Agreement is the result of the Parties' negotiations, and it cannot be interpreted against a Party as a consequence of such Party having drafted one or more of the provisions of the Agreement.
1.4	The words "include", "includes" or "including" and similar expressions mean for the purpose of this Agreement "including, but not limited to".
1.5	Defined terms in the singular include the plural and vice versa, unless the context requires otherwise.
1.6	The table of contents and the headings of the Agreement are for guidance only and have no legal effect on the understanding or interpretation of the provisions of the Agreement.
1.7	The terms defined in this Agreement have the defined meanings when used in any Schedule, appendix, certificate or other document delivered or made available pursuant thereto.
1.8	References to a Person are also to its successors and permitted assigns.

- 1.9 Unless the context otherwise requires, references to any agreement shall mean such agreement as amended or modified from time to time.
- 1.10 References to any Law shall be as amended from time to time and shall include all rules and regulations promulgated thereunder.
- 1.11 Unless the context otherwise requires, references to any time shall refer to time in Denmark.
- 1.12 The Agreement contains the entire agreement between the Parties concerning the Buyer's acquisition of the Shares and supersedes all previous agreements between the Parties and the Guarantor on the subject matter.
- 1.13 With respect to the conversion of currencies, the following shall apply:
- (a) The conversion of foreign currencies into DKK in connection with the Closing Purchase Price Calculation and the Quarterly Product Revenue Statements shall be made pursuant to the currency exchange and conversion provisions contained in the Accounting Policies.
 - (b) The conversion of DKK amounts stated in the Closing Purchase Price Calculation into EUR for purposes of payment of the Adjustment Amount, if any, shall be calculated by applying the exchange rate as published by the Danish Central Bank (*Nationalbanken*) for a transaction between the two currencies in question quoted as at the close of business (in Copenhagen) on the Closing Date with respect to the Adjustment Amount.
 - (c) With respect to any Loss or other claim under any of the Sellers' Warranties as well as any other claims pursuant to this Agreement other than claims comprised in paragraph (b) above incurred in a currency not being EUR, such amount shall be raised and settled in the relevant currency of the underlying Loss.

2. PURPOSE AND BACKGROUND

At Closing the Sellers will own the Shares and wish to sell them to the Buyer, and the Buyer wishes to acquire the Shares on the terms and conditions set out in the Agreement.

3. CONCLUSION OF AGREEMENT

3.1 The Sellers have prior to the Signing Date provided the Buyer with:

- (a) documentation evidencing that the Agreement has been duly executed and delivered by duly authorized Persons who may represent the relevant Sellers that are limited liability companies; see Schedule 3.1(a);
- (b) documentation evidencing that the Sellers have obtained all requisite corporate approvals for the execution and delivery of this Agreement by Sellers including approval of the contemplated share sale from the Company's board of directors pursuant to the Company's articles of association and statements from each of the Sellers irrevocably waiving any pre-emption rights to the Shares, see Schedule 3.1(b);
- (c) a draft Closing Memorandum;
- (d) a certificate from each of Nordea Danmark, filial af Nordea Bank AB (publ), Sverige, and Vækstfonden stating (i) the amounts and currency required to effect full prepayment of the Pay-Off Amounts, and (ii) all payee account details as will be required by the Buyer to effect payment of the Pay-Off Amounts in accordance with clause 8.3(b) and, in a form acceptable to the Buyer acting reasonably, confirming finally and irrevocably and with binding effect for Nordea Danmark, filial af Nordea Bank AB (publ), Sverige, and Vækstfonden, that (iii) subject to performance of the payment instructions as set out in the certificate all Third Party Rights in respect of the Secured Debt shall be deemed to be fully and finally discharged and released, cf. Schedule 3.1(d); and
- (e) documentation evidencing that HD Ejendomme A/S has waived any right to amend or terminate its lease agreement with the Company regarding the premises at Emil Neckelmanns Vej 15E, 5220 Odense SØ as a consequence of the transactions contemplated by this Agreement, cf. Schedule 3.1(e).

3.2 The Buyer and the Guarantor have prior to the Signing Date provided the Sellers with documentation evidencing:

- (a) that the Agreement has been duly executed and delivered by Persons authorized to represent the Buyer and the Guarantor; see Schedule 3.2(a); and
- (b) that the Buyer and the Guarantor have obtained all requisite corporate approvals, including approval of their board of directors, for the execution and delivery of this Agreement by the Buyer and the Guarantor; see Schedule 3.2(b).

4. SALE AND PURCHASE OF SHARES

- 4.1 The Sellers agree to sell the Shares to the Buyer, free and clear of any Encumbrances and including all rights to undistributed dividends, and the Buyer agrees to acquire the Shares free and clear of any Encumbrances and including all rights to undistributed dividends from the Sellers, subject to the terms set out in the Agreement.
- 4.2 With effect from and after the Closing Date, the Buyer shall own all rights attaching to the Shares, including title, voting rights and the right to receive dividends.

5. PURCHASE PRICE

- 5.1 The purchase price for the Shares, including each element thereof, shall be calculated and paid in EUR and shall be equal to the Closing Purchase Price plus the Earn-Out Payments, if any (the "Purchase Price").
- 5.2 The "Closing Purchase Price" shall be equal to:
- 5.2.1 the Enterprise Value,
- 5.2.2 *less* an amount corresponding to the Final Net Debt (it being understood that if the aggregate of all liabilities comprised by the Final Net Debt is less than the aggregate of all assets comprised by the Final Net Debt so that the amount of the Final Net Debt is negative, such nominal amount shall be added to the Enterprise Value, thereby increasing the final amount of the Closing Purchase Price),
- 5.2.3 *plus* an amount equal to the amount by which the Final Working Capital exceeds the Reference Working Capital (it being understood that if the Reference Working Capital exceeds the Final Working Capital, so that the amount to be calculated under this clause 5.2.3 is negative, such nominal amount shall be deducted from the Enterprise Value, thereby reducing the final amount of the Closing Purchase Price).
- 5.3 The Net Debt shall be calculated in accordance with Schedule 5.3(a). The Working Capital shall be calculated in accordance with Schedule 5.3(b). These Schedules contain examples of the calculation of the Net Debt and the Working Capital, respectively, including specific line items to be comprised by the Working Capital and the Net Debt.

- 5.4 Closing Purchase Price Calculation procedure
- 5.4.1 No later than 40 Business Days following the Closing Date, the Buyer shall deliver to the Sellers' Representative a draft calculation of (i) the Final Net Debt, (ii) the Final Working Capital and (iii) the Closing Purchase Price, cf. clause 5.2 (collectively the "Closing Purchase Price Calculation").
- 5.4.2 The Buyer shall procure that the Sellers' Representative and the Sellers' advisors are given access to all of the Group's information and documentation relevant for the Purchase Price Calculation as well as to the Company's management and accounting staff.
- 5.4.3 If the Sellers' Representative agrees with the draft Closing Purchase Price Calculation, the Closing Purchase Price Calculation is final and binding on the Parties and constitutes the Final Net Debt, the Final Working Capital and the Closing Purchase Price, respectively.
- 5.4.4 If the Sellers' Representative disagrees with any part of the Closing Purchase Price Calculation, the Sellers' Representative shall deliver a written notice (the "Notice of Objection") to the Buyer. The Notice of Objection must specify in detail the nature and amount (estimated if necessary) of the Sellers' disagreement(s). The Notice of Objection must be delivered to the Buyer no later than 20 Business Days after the Sellers' Representative's receipt of the Closing Purchase Price Calculation, failing which the Closing Purchase Price Calculation becomes final and binding on the Parties and constitutes the Final Net Debt, the Final Working Capital and the Purchase Price, respectively.
- 5.4.5 In the event that the Sellers' Representative has timely submitted a Notice of Objection to the Buyer, the Parties shall endeavour to resolve their differences within 20 Business Days after the Buyer's receipt of the Notice of Objection, failing which all items stated in the Notice of Objection on which the Parties have not reached written agreement (the "Disputed Items") shall be submitted to the Expert.
- 5.4.6 Each Party shall give (and the Buyer shall procure that the Company shall give) the Expert such access to all information and documentation as well as to the Company's management and accounting staff which in the opinion of the Expert is relevant for the assessment and resolution of the Disputed Items.
- 5.4.7 The Expert shall assess and resolve the Disputed Items in accordance with the Agreement and the Accounting Principles as soon as possible (the Expert shall only assess and resolve the Disputed Items and no other items in the Closing Purchase Price Calculation) and shall, based on such assessment and resolution, determine the Final Net Debt, the Final Working Capital and the Purchase Price, respectively. If the determination of the Disputed Items depends on an accounting estimate, the Expert must make an independent estimate on the basis of what he or she considers to be fair and reasonable under the Agreement and consistent with the Accounting Principles. The Expert shall act as expert only and is not competent to make decisions concerning the legal interpretation of the Agreement.

- 5.4.8 The Closing Purchase Price Calculation, as determined by the Expert, is final and binding on the Parties and is not subject to review or amendment by arbitration, subject only to fraud or manifest error.
- 5.4.9 The Expert shall decide on the allocation of the Expert's costs and expenses between the Parties. The Expert shall take into consideration the degree to which the Expert's resolution on the Disputed Items is in favour of the Parties' respective positions.
- 5.4.10 If the Buyer notifies the Sellers' Representative of a Claim in respect of a Breach of the Sellers' Warranties prior to such time when the Closing Purchase Price Calculation has been agreed or determined in accordance with this clause 5.4, the matter(s) giving rise to such Claim shall be disregarded and excluded from the calculation of the Net Debt, the Working Capital and the Purchase Price, as any such Claim and matter(s) shall exclusively be subject to the specific remedies set forth in clause 12.
- 5.5 Adjustment Amount
No later than 10 Business Days after the Closing Purchase Price Calculation has become final and binding on the Parties, cf. clause 5.4, the owing Party shall pay to the other Party the Adjustment Amount plus Interest from the Closing Date. Default Interest shall be payable from the expiry of the 10 Business Day period.
- 6. EARN-OUTS**
- 6.1 The Sellers shall be entitled to receive additional consideration with respect to the (i) 2018 Revenue Earn-Out, (ii) Phase-1 Revenue Earn-Out and (iii) Phase-2 Revenue Earn-Out (collectively referred to as the "Earn-Out Payments") payable by the Buyer, subject to certain financial performance conditions being satisfied as specified in clauses 6.2 through 6.4.
- 6.2 2018 Revenue Earn-Out
- 6.2.1 The Sellers shall be eligible for an additional Earn-Out Payment with respect to the 2018 Revenue Earn-Out of up to EUR 27,300,000 depending on the consolidated Revenues of the Group during the 2018 Revenue Period as illustrated in Schedule 6.2.1. Accordingly, the Sellers shall be entitled to an additional linear Earn-Out Payment of EUR 0.6825 for every DKK 1 of consolidated Revenues of the Group during the 2018 Revenue Period that exceeds the 2018 Revenue Hurdle up to a

maximum Earn-Out Payment with respect to the forecast Earn-Out of EUR 27,300,000 if the 2018 Revenue Target is met or exceeded. Notwithstanding the preceding sentences of this clause 6.2.1 and any other provisions of this Agreement, no Earn-Out Payment with respect to the 2018 Revenue Earn-Out shall be paid if the Group does not achieve a minimum EBIT Margin of 8% during the 2018 Revenue Period, however, calculated in accordance with the calculation examples set forth in Schedule 6.2.1.

6.3 Phase-1 Revenue Earn-Out

6.3.1 The Sellers shall be eligible for an additional Earn-Out Payment with respect to the Phase-1 Revenue Earn-Out of up to EUR 35,200,000 depending on the consolidated Revenues of the Group during the Phase-1 Revenue Period as illustrated in Schedule 6.2.1. Accordingly, the Sellers shall be entitled to an additional linear Earn-Out Payment of EUR 0.1956 for every DKK 1 of consolidated Revenues of the Group during the Phase-1 Revenue Period that exceeds the Phase-1 Revenue Hurdle up to a maximum Earn-Out Payment with respect to the forecast Earn-Out of EUR 35,200,000 if the Phase-1 Revenue Target is met or exceeded. Notwithstanding the preceding sentences of this clause 6.3.1 and any other provisions of this Agreement, no Earn-Out Payment with respect to the Phase-1 Revenue Earn-Out shall be paid if the Group does not achieve a minimum EBIT Margin of 16% during the Phase-1 Revenue Period, however, calculated in accordance with the calculation examples set forth in Schedule 6.2.1.

6.4 Phase-2 Revenue Earn-Out

6.4.1 The Sellers shall be eligible for an additional Earn-Out Payment with respect to the Phase-2 Revenue Earn-Out of up to EUR 38,800,000 depending on the consolidated Revenues of the Group during the Phase-2 Revenue Period as illustrated in Schedule 6.2.1. Accordingly, the Sellers shall be entitled to an additional linear Earn-Out Payment of EUR 0.1078 for every DKK 1 of consolidated Revenues of the Group during the Phase-2 Revenue Period that exceeds the Phase-2 Revenue Hurdle up to a maximum Earn-Out Payment with respect to the forecast Earn-Out of EUR 38,800,000 if the Phase-2 Revenue Target is met or exceeded. Notwithstanding the preceding sentences of this clause 6.4.1 and any other provisions of this Agreement, no Earn-Out Payment with respect to the Phase-2 Revenue Earn-Out shall be paid if the Group does not achieve a minimum EBIT Margin of 17% during the Phase-2 Revenue Period, however, calculated in accordance with the calculation examples set forth in Schedule 6.2.1.

6.5 Determination of Revenues: Quarterly Product Revenue Statements

6.5.1 The Revenues shall be determined in accordance with the principles set forth in clause 6.9.

- 6.5.2 Following the Closing Date, no later than 40 calendar days following the end of its fiscal quarter and 90 calendar days following the end of its fiscal year, the Buyer shall by Notice to the Sellers' Representative provide a statement setting forth the consolidated Revenues of the Group during the previous fiscal quarter of the Buyer (the "Quarterly Product Revenue Statement") and the associated EBIT Margin. Further, a Quarterly Product Revenue Statement relating to a fourth quarter shall always be accompanied by the Group's consolidated audited annual report for the relevant fiscal year. Such obligation to prepare Quarterly Product Revenue Statements shall expire once the Quarterly Product Revenue Statement has been prepared that follows the end of the Phase-2 Revenue Period.
- 6.5.3 The Sellers' Representative shall be entitled to request access to and the Buyer shall be obligated to provide the Sellers' Representative with any underlying information and documentation reasonably required by the Sellers' Representative in order to review the Quarterly Product Revenue Statements, including the relevant parts of the Buyer's and the Group's accounts, reasonable access to relevant personnel and, if existing, auditor's long form audit reports.
- 6.5.4 Without prejudice for any subsequent Objections made by the Sellers' Representative, the Sellers' Representative and a representative of the Buyer shall meet by conference call each quarter to discuss the Quarterly Product Revenue Statement and to give the Sellers' Representative the opportunity to discuss any items concerning the conduct of the Buyer or the Group until the lapse of the Phase-2 Revenue Period. The Sellers' Representative shall participate in the meeting and shall in good faith report on any issues concerning the conduct of the Buyer or the Group until lapse of the Phase-2 Revenue Period that has or could reasonably be expected to have an impact on the Group's ability to achieve the Revenues or associated EBIT Margins required to achieve one or more of the Earn-Outs. The Sellers' Representative may not, neither in these nor any other discussions, whether relating to the Earn-Outs or any other issues, disclose to the Sellers any confidential information relating to the Group, the Buyer or any of its Affiliates, except for facts and circumstances that already have been disclosed by or on behalf of the Buyer to the Sellers, noting, that the Sellers' Representative is entitled to share and discuss confidential information comprised by this clause 6.5.4 with his advisors under professional duty of confidentiality.
- 6.6 Objection to the Quarterly Product Revenue Statement
- 6.6.1 If the Sellers' Representative disagrees with any element of any Quarterly Product Revenue Statement, the Sellers' Representative must give Notice of an Objection to the Buyer no later than 25 Business Days after the Sellers' Representative's receipt of a Quarterly Product Revenue Statement covering the fourth quarter in a given calendar year (accompanied by the Group's consolidated audited annual

report for the relevant fiscal year), if relevant, such notice period will not commence before 10 Business Days after the delivery by the Buyer of such reasonable additional relevant information that the Sellers' Representative have requested in writing before the expiry of the afore-mentioned 25 Business Days' time limit in order for the Sellers' Representative to access in detail the basis for the Quarterly Product Revenue Statement in question. The Sellers' Representative must describe in reasonable detail each Objection including, if applicable, the Sellers' Representative's calculation of the relevant Earn-Out Payment and refer to the provisions of the Agreement that the Sellers invoke in support of their position. Unless (i) any Objection has been served on the Buyer within the time frame stipulated above and (ii) the Objection contains all such information as specified in the immediate preceding sentence, the respective Quarterly Product Revenue Statements will be final and binding on the Parties.

- 6.6.2 If the Sellers give Notice of an Objection in accordance with clause 6.6.1, the procedures and time frames stipulated in clause 5.4 shall apply mutatis mutandis with regard to determining the Revenues and Earn-Out Payment relating to the 2018 Revenue Earn-Out, the Phase-1 Revenue Earn-Out or the Phase-2 Revenue Earn-Out as the case may be.
- 6.7 Determination of EBIT Margin; EBIT Margin Calculations
- 6.7.1 No later than 90 calendar days following the end of the last quarter of the 2018 Revenue Period, the Phase-1 Revenue Period and the Phase-2 Revenue Period respectively, the Buyer shall by Notice to the Sellers' Representative provide a calculation of the EBIT Margin for the 2018 Revenue period, the Phase-1 Revenue Period and the Phase-2 Revenue Period respectively (the "EBIT Margin Calculation").
- 6.7.2 If the Sellers' Representative disagrees with any element of an EBIT Margin Calculation, the Sellers' Representative must give Notice of an Objection to the Buyer no later than 25 Business Days after the Sellers' Representative's receipt of the relevant EBIT Margin Calculation, if relevant, such notice period will not commence before 10 Business Days after the delivery by the Buyer of such reasonable additional relevant information that the Sellers' Representative have requested in writing before the expiry of the afore-mentioned 25 Business Days' time limit in order for the Sellers' Representative to access in detail the basis for the EBIT Margin Calculation in question. The Sellers' Representative must describe in reasonable detail each Objection including, if applicable, the Sellers' Representative's calculation of the EBIT Margin and refer to the provisions of the Agreement that the Sellers invoke in support of their position. Unless (i) any Objection has been served on the Buyer within the time frame stipulated above and (ii) the Objection contains all such information as specified in the immediate preceding sentence, the respective EBIT Margin Calculation will be final and binding on the Parties.

- 6.7.3 If the Sellers give Notice of an Objection in accordance with clause 6.7.2, the procedures and time frames stipulated in clause 5.4 shall apply mutatis mutandis with regard to determining the EBIT Margin relating to the 2018 Revenue Earn-Out, the Phase-1 Revenue Earn-Out or the Phase-2 Revenue Earn-Out as the case may be.
- 6.8 Due date of Earn-Out Payments relating to 2018 Revenue Earn-Out, the Phase-1 Revenue Earn-Out or the Phase-2 Revenue Earn-Out
- 6.8.1 The Earn-Out Payment provided for in clause 6.2 (2018 Revenue Earn-Out) shall become due and payable in cash in EUR to the Sellers' Bank Account 10 Business Days after completion of the audit of the consolidated annual accounts of the Group for 2018 complying with applicable statutory filing obligations according to Danish Law, it being understood that, if the Sellers' Representative gives Notice of an Objection in accordance with clause 6.6.1, the Buyer shall initially only be obliged to pay the undisputed amount, if any, to the Sellers and then subsequently, when the Revenues and/or the EBIT Margin (as the case may be) and the relevant Earn-Out Payment have been finally determined in accordance with clause 6.6.2, the Buyer shall pay the additional Earn-Out Payment including Interest, if any, to the Sellers' Bank Account. From the relevant due date (as described above) with respect to the 2018 Revenue Earn-Out Interest shall accrue until payment has been made in full.
- 6.8.2 The Earn-Out Payment provided for in clause 6.3 (Phase-1 Revenue Earn-Out) shall become due and payable in cash in EUR to the Sellers' Bank Account 10 Business Days after completion of the audit of the consolidated annual accounts of the Group for 2019 complying with applicable statutory filing obligations according to Danish Law, it being understood that, if the Sellers' Representative gives Notice of an Objection in accordance with clause 6.6.1, the Buyer shall initially only be obliged to pay the undisputed amount, if any, to the Sellers and then subsequently, when the Revenues and/or the EBIT Margin (as the case may be) and the relevant Earn-Out Payment have been finally determined in accordance with clause 6.6.2, the Buyer shall pay the additional Earn-Out Payment including Interest, if any, to the Sellers' Bank Account. From the relevant due date (as described above) with respect to the Phase-1 Revenue Earn-Out Interest shall accrue until payment has been made in full.
- 6.8.3 The Earn-Out Payment provided for in clause 6.4 (Phase-2 Revenue Earn-Out) shall become due and payable in cash in EUR to the Sellers' Bank Account 10 Business Days after completion of the audit of the consolidated annual accounts of the Group for 2020 complying with applicable statutory filing obligations according to Danish Law, it being understood that, if the Sellers' Representative gives Notice of an Objection in accordance with clause 6.6.1, the Buyer shall initially only be obliged to pay the undisputed amount, if any, to the Sellers and then

subsequently, when the Revenues and/or the EBIT Margin (as the case may be) and the relevant Earn-Out Payment have been finally determined in accordance with clause 6.6.2, the Buyer shall pay the additional Earn-Out Payment including Interest, if any, to the Sellers' Bank Account. From the relevant due date (as described above) with respect to the Phase-2 Revenue Earn-Out Interest shall accrue until payment has been made in full.

6.9 Accounting Policies. Conduct of business during the Earn-Out period

- 6.9.1 For purpose of determining the 2018 Revenue Earn-Out, the Phase-1 Revenue Earn-Out and the Phase-2 Revenue Earn-Out, respectively, the relevant Revenues and EBIT Margins shall be determined by applying the Accounting Policies, except that when calculating the Revenues and EBIT Margins for purposes of determining the 2018 Revenue Earn-Out, the Phase-1 Revenue Earn-Out and the Phase-2 Revenue Earn-Out,
- a) if Products are sold from a Group Company to the Buyer or an Affiliate of the Buyer that is not a Group Company (including if such sales are made to sell the Products on to third Persons), such sales to the Buyer or its Affiliates shall be deemed to have been made at the Group's distributor list prices applicable at the time of the sale net of any standard distributor discounts and rebates (e.g. bonus),
 - b) Revenues are calculated net of all types of discounts / rebates,
 - c) any amounts that do not become collectible (whether due to credit memo or bad debt) will not count as Revenues and will be reduced from the Revenues calculation during the period in which such amounts become uncollectible (e.g. written-off); if such amounts turn out to be uncollectible after a Quarterly Product Revenue Statement has been delivered, including the final Quarterly Product Revenue Statement relating to the 2018 Revenue Earn-Out, the Phase-1 Revenue Earn-Out or the Phase-2 Revenue Earn-Out, the Buyer may make corresponding adjustments in any subsequent Quarterly Product Revenue Statement or submit an additional Quarterly Product Revenue Statement, and the Sellers shall repay to the Buyer any Earn-Out Payments that they already received with respect to such uncollectible amounts, always provided that if the Group (i) has recovered or will be entitled to recover such amount (or any part thereof) under a trade credit insurance then an adjustment shall only be made with respect to the residual amount not being covered by the trade credit insurance, (ii) further provided that if the Group after the Closing Date will not maintain the Group's past practice with respect to taking out trade credit insurances, the uncollectible amounts shall be calculated as if such practice had been maintained on substantially similar terms as those in place as of the Effective Date, and/or (iii) if the relevant amount subsequently is paid to the Group,

- d) Revenues exclude VAT, and
 - e) if any trade or commercial arrangements between a Group Company and the Buyer or any Affiliate of the Buyer (which is not already covered by clause 6.9.1 (a)) has not been made on arms' length conditions, such trade or commercial arrangements shall be deemed to have been made on arms' length conditions and the Revenues shall be calculated accordingly.
- 6.9.2 If the Sellers have indemnified the Buyer or a Group Company for any Breach or any indemnification pursuant to clause 10, then for the purpose of determining the Revenues and EBIT Margin, any such indemnification payment shall (on a EUR for EUR basis or other relevant currency, as the case may be) be treated as Revenues if and to the extent the underlying Breach or cause for indemnification resulted in a reduction of Revenues of any Group Company.
- 6.9.3 For purpose of determining any payment related to the 2018 Revenue Earn-Out, the Phase-1 Revenue Earn-Out and the Phase-2 Revenue Earn-Out, respectively, if there are any discrepancies between the Accounting Policies and the provisions set out in this clause 6.9, the provisions in this clause 6.9 shall prevail.
- 6.9.4 During the period from the Closing Date until the lapse of the Phase-2 Revenue Period, the Buyer undertakes and shall cause the Group to:
- a) conduct the business of the Group as a stand-alone and separate business unit in the ordinary course consistent with past practice with a view, in good faith, to maximize the Revenues and achieve the EBIT Margin of the Group consistent with Schedule 6.9,
 - b) use its commercially reasonable efforts to provide the resources and make the investments necessary to operate the business of the Group consistent with Schedule 6.9,
 - c) not materially change the pricing or margin strategy of the Group as contemplated in Schedule 6.9,
 - d) use its commercially reasonable efforts to carry out the additional staff hiring as contemplated in Schedule 6.9,

- e) not change the legal structure of the Group in a manner that will have any adverse effect on the calculation of Revenues or EBIT Margin for purposes of the Earn-Outs, it being understood that that the shares of Mobile Industrial Robots Inc. may in any event be transferred to the Guarantor or an Affiliate of the Guarantor established in the U.S., provided, however, that after such transfer, Mobile Industrial Robots Inc. will remain a “Subsidiary” and member of the “Group” for all purposes of this Agreement including but not limited to the calculation of Revenues and EBIT Margin for the Earn-Outs in Clause 6,
- f) generally maintain the Group’s operations as a distinct business and not integrate its business with other entities (or outsource production) in a manner that would or would reasonably be expected to negatively impact the Group’s ability to achieve the Revenues and EBIT Margins required for the full Earn-Out Payments,
- g) not complete a sale or transfer of the Company or the Group to a third Person during the 2018 Revenue Period, the Phase-1 Revenue Period or the Phase-2 Revenue Period, including any sale or transfer of the Group’s material assets, and
- h) not take any action, the purpose of which is to deprive the Sellers of or materially reduce any of the Earn-Out Payments,

unless, in each case above, except for h), any such measure is a reasonable response to any changes or developments in (A) the economic or competitive environment of the Group as a whole, (B) market conditions for the Group as a whole or (C) the financial, business or operating condition of the Group as a whole.

6.9.5 The Buyer shall procure that the Group is managed and operated in a commercially reasonable manner and, subject to the exceptions at the end of clause 6.9.4, consistent in all material respects with Schedule 6.9, as it may be amended from time to time in accordance with this Agreement. The Buyer may submit a request in writing to the Sellers’ Representative to consent to any measure, action or omission, including a modification to Schedule 6.9 that, without such consent, would otherwise constitute a violation of the provisions of clause 6.9.4. If the Sellers’ Representative gives its consent, no such violation shall be deemed to have occurred. The Sellers’ Representative shall in good faith provide its consent unless the Sellers’ Representative reasonably and in good faith believes that the proposed modification, measure, action or omission shall impact or potentially may impact the Group’s ability to achieve the Revenues or EBIT Margin required to achieve one or more of the Earn-Outs. The Parties agree that the filing of patent applications and/or the implementation of engineering design changes related to the business of the Group will not constitute a non-compliance with the provisions of this clause 6.9.5 and/or clause 6.9.4.

- 6.9.6 As long as Thomas Visti Jensen continues to work for any Group Company, and then after, but during the Earn-Out periods, any successor CEO of any Group Company, such person shall cooperate with the Buyer to procure that the Group is managed and operated in a commercially reasonable manner and, subject to the exceptions at the end of clause 6.9.4, consistent in all material respects with Schedule 6.9, as it may be amended from time to time in accordance with this Agreement. If during the period Thomas Visti Jensen is CEO of the Group, in response to the Group performing during the Phase-2 Revenue Period inconsistent with Schedule 6.9, the Buyer takes actions consistent with Schedule 6.9, such actions shall for the avoidance of doubt not constitute non-compliance with clause 6.9.4.
- 6.9.7 If the Buyer or any Group Company carries out any actions or omissions that constitute a non-compliance with the provisions of clause 6.9 and the action or omission has or could reasonably be expected to have a material impact on the Group's ability to achieve the Revenues or the EBIT Margin required to achieve one or more of the Earn-Outs, then the Sellers' Representative shall without undue delay upon actual knowledge of the action or omission provide the Buyer with written Notice of such non-compliance. The Buyer shall have 20 Business Days to correct or dispute such Notice of non-compliance. If the Buyer disputes the asserted non-compliance or the Sellers' Representative does not accept the Buyer's correction to the asserted non-compliance, then the Sellers' Representative and a designated Buyer's representative shall (i) discuss the dispute and, (ii) if the Buyer should ultimately agree that there was a non-compliance with the provisions of clause 6.9, discuss for purposes of calculating the relevant Earn-Out in good faith any adjustments to the Revenues or the EBIT Margin, as the case may be, generated by the Group Companies as if such non-compliance had not taken place. If the Buyer and the Sellers' Representative are unable to reach agreement about whether there was a non-compliance with the provisions of clause 6.9 and/or the respective adjustment of the Revenues or the EBIT Margin generated by the Group Companies due to such non-compliance, each of them may initiate a claim under clause 16. The subject matter of such arbitration shall be to ascertain: (i) if a non-compliance of the provisions of clause 6.9 has occurred, and if the arbitrators determine non-compliance has occurred; (ii) if the non-compliance has had an impact on the Group's ability to achieve one or more of the Earn-Outs; and if the arbitrators determine such non-compliance has had such an impact; (iii) the amount of the Earn-Outs to be accelerated ("Accelerated Earn-Out Payments"), provided that such Accelerated Earn-Out Payments shall in no event exceed the Earn-Out Payments Cap Amount, as set forth below:

- 6.9.7.1 If the arbitrators determine that a non-compliance has had a material impact on the Group's ability to achieve one or more of the Earn-Outs, then the arbitrators shall determine the Accelerated Earn-Out Payments as set forth below:
- a) if the non-compliance occurred during the 2018 Revenue Earn-Out Period, an amount of EUR 13,650,000 million under the 2018 Revenue Earn-Out shall become immediately accelerated and payable to the Sellers and in addition thereto if it is the arbitrators' assessment that in the absence of such non-compliance and based on the Group's accumulated Revenues performance since 1 January 2018 it is more likely than not that the Sellers would have achieved an Earn-Out Payment in excess of EUR 13,650,000 under the 2018 Revenue Earn-Out, the Phase-1 Revenue Earn-Out and/or the Phase-2 Revenue Earn-Out, then such excess Earn-Out Payments as determined by the arbitrators shall also become accelerated and payable to the Sellers,
 - b) if the non-compliance occurred during the Phase-1 Revenue Earn-Out Period, but after lapse of the 2018 Revenue Period, an amount of EUR 17,600,000 million under the Phase-1 Earn-Out shall become immediately accelerated and payable to the Sellers and in addition thereto if it is the arbitrators' assessment that in the absence of such non-compliance and based on the Group's accumulated Revenues performance since 1 January 2018 it is more likely than not that the Sellers would have achieved an Earn-Out Payment in excess of EUR 17,600,000 under the Phase-1 Revenue Earn-Out and/or the Phase-2 Revenue Earn-Out, then such excess Earn-Out Payments as determined by the arbitrators shall also become accelerated and payable to the Sellers,
 - c) if the non-compliance occurred during the Phase-2 Revenue Earn-Out Period but after lapse of the Phase-1 Revenue Period and if it is the arbitrators' assessment that in the absence of such non-compliance and based on the Group's accumulated Revenues performance since 1 January 2018 it is more likely than not that the Sellers would have achieved an Earn-Out Payment under the Phase-2 Revenue Earn-Out, then all or a part of the Phase-2 Revenue Earn-Out as determined by the arbitrators shall become accelerated and payable to the Sellers.
- 6.9.7.2 If the arbitrators determine that a non-compliance has had an impact, but not a material impact, on the Group's ability to achieve one or more of the Earn-Outs, then the arbitrators shall determine the Accelerated Earn-Out Payments based on a reasonable estimate of the amount of the Earn-Out the Group more likely than not would have achieved in the absence of such non-compliance.

6.9.8 After the lapse of each of the 2018 Earn-Out Period, the Phase-1 Revenue Earn-Out Period or the Phase-2 Revenue Period, respectively, and notwithstanding any Accelerated Earn-Out Payments pursuant to clause 6.9.7, to the extent that the Group has achieved Revenues and the EBIT Margin under the applicable Earn-Out, the Buyer shall make any required Earn-Out Payment as provided in this Agreement, however, deducting any Accelerated Earn-Out Payments already determined and paid pursuant to clause 6.9.7. Any rights set forth in clause 6.9.7 shall be the only remedies of the Sellers in case of any non-compliance of the Buyer with the provisions of clause 6.9, provided however, that in addition hereto, the Buyer shall reimburse reasonable costs to advisors of the Sellers' Representative incurred in connection with establishing grounds to document the specific non-compliance with the provisions of this clause 6.9. If the Parties cannot agree on the amount of such reasonable advisor costs to be reimbursed, the amount of advisor costs of the Sellers' Representative to be reimbursed by the Buyer shall be decided by arbitration pursuant to clause 16.2. The arbitrators shall when deciding the dispute *inter alia* take into consideration the degree to which the Sellers' positions on the alleged non-compliance with the provisions of this clause 6.9 were justified.

6.10 Capitalized Value of Earn-Out Payments

In respect of section 12 B of the Danish Tax Assessment Act (*Ligningsloven*) the Parties have agreed that the capitalized value of the Earn-Out Payments amounts to EUR 90,000,000.

7. COOPERATION AND FURTHER COVENANTS

7.1 General Cooperation

7.1.1 Subject to the terms and conditions of this Agreement, the Buyer and the Sellers and their respective Affiliates shall use their best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under applicable Law to consummate the transactions contemplated by this Agreement. The Sellers and the Buyer agree to execute and deliver, and to cause their respective Affiliates to execute and deliver, such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement and to vest in Buyer ownership of the Shares.

7.2 Access to Information

7.2.1 On and after the Closing Date, the Buyer will afford promptly to the Sellers and their professional advisors reasonable access to the Group Companies' books of account, financial and other records (including auditor's work papers), employees and auditors to the extent necessary for the Sellers in connection with any third Person (i.e., not the Buyer or any of Buyer's Affiliates) audit, investigation, dispute or litigation relating to a Group Company; provided that any such access by the Sellers shall not unreasonably interfere with the conduct of the business of the Group. The Sellers shall bear all of the out-of-pocket costs and expenses (including attorneys' fees, but excluding reimbursement for general overhead, salaries and employee benefits) reasonably incurred in connection with the foregoing.

7.3 Waiver of Claims

7.3.1 Each Seller (including on behalf of its Affiliates and closely related Persons) hereby irrevocably waives any claims it or they may have against any Group Company as of the Closing Date, except for ordinary outstanding claims for board of directors' fees, salary, bonus and similar payments arising out of the employment agreements and consultancy agreements, if applicable.

8. CLOSING

8.1 Closing shall, unless otherwise agreed by the Parties, take place at the offices of Bech-Bruun Law Firm, Langelinie Allé 35, 2100 Copenhagen, Denmark, on 25 April 2018, at 13:00 CET.

8.2 At Closing, the Sellers' Representative must deliver the following documents:

- (a) the Company's original register of shareholders evidencing that the Buyer is entered as the owner of the Shares free from any Third Party Rights;
- (b) letters of resignation from each member of the board of directors of the Company;
- (c) the Escrow Agreement duly executed by the Sellers;
- (d) a final version of the Closing Memorandum executed on behalf of the Sellers;
- (e) evidence of the authority of the individual(s) signing the Closing Memorandum on behalf of the Sellers;
- (f) the Service Agreement, duly signed by Thomas Visti Jensen and the Company;

- (g) the Employment Agreement, duly executed by Niels Jul Jacobsen and the Company;
- (h) the Employment Addenda, duly signed by the Company and the respective employees being parties thereto;
- (i) the new Employment Bonus Scheme attached as Schedule 8.3(e), duly signed by the Company and the respective employees being parties thereto;
- (j) evidence, in a form acceptable to the Buyer, that (i) all Warrants have been effectively accelerated with the effect that as of 26 April 2018 all non-exercised Warrants will effectively expire unless exercised by 25 April 2018 at the latest and (ii) that as at the time of Closing no Warrants have been exercised;
- (k) the Option Cancellation Agreement, duly signed by the Company and Ed Mullen attached as Schedule 8.2(k); and
- (l) an updated version of the Company's articles of association reflecting that article 11.1.1 has been deleted.

8.3 At Closing, the Buyer must take the following actions and deliver the following documents:

- (a) transfer the Preliminary Closing Purchase Price less the Escrow Amount into the Sellers' Bank Account in immediately available funds in EUR, as evidenced by confirmation from the Sellers' Bank Account that the payment has been received, such payment being a sufficient discharge of the Buyer's liability for such sum owed to the Sellers and accordingly the Buyer shall not be concerned to see the application thereof between the Sellers;
- (b) transfer the Pay-Off Amounts into the accounts notified by the Sellers to the Buyer pursuant to clause 3.1(d) in immediately available funds;
- (c) transfer the Escrow Amount into the Escrow Account in immediately available funds;
- (d) the Escrow Agreement duly executed by the Buyer;
- (e) approve by way of signing the Closing Memorandum that the Company implements the new Employment Bonus Scheme attached as Schedule 8.3(e) in the Group;

- (f) a final version of the Closing Memorandum executed on behalf of the Buyer; and
- (g) evidence of the authority of the individual(s) signing the Closing Memorandum on behalf of the Buyer.

8.4 The actions taken under clauses 8.2 and 8.3 will be considered to have been taken simultaneously, and none of the actions taken by one Party will be considered to have been taken until the actions to be taken by the other Party have also been taken. In connection with the completion of Closing, the Parties must approve and sign the Closing Memorandum.

9. ACTIONS AFTER CLOSING

9.1 Notification of Resignations

9.1.1 The Buyer undertakes to, or cause the relevant Group Company to, notify the Danish Business Authority no later than 2 Business Days after the Closing Date and for similar relevant foreign public authorities and registers, if any, no later than 20 Business Days after the Closing Date about the retirement of board members in accordance with clause 8.2(b) and pending the de-registrations of such board members, the Buyer shall indemnify and hold harmless such individuals against any and all claims of whatever nature arising out of the operations of the Group after the Closing Date. The Buyer undertakes promptly to provide the Sellers' Representative with evidence of such completed de-registrations.

9.2 Joint Taxation

9.2.1 The Company is presently not subject to mandatory tax consolidation pursuant to Section 31 of the Danish Company Tax Act. When the Buyer as of the Closing Date commences to control the Company for the purpose of Section 31 of the Danish Company Tax Act, the Company will be jointly taxed with the Buyer and existing Danish (direct or indirect) subsidiaries of the Guarantor.

9.2.2 The Buyer will procure that notice is given to the Danish tax authorities ("SKAT") of the Company's commencement of joint taxation with the Buyer and the existing Danish subsidiary of the Buyer's UK parent company per the Closing Date. The notice will be submitted to SKAT no later than 30 Business Days after the Closing Date.

10. SPECIAL INDEMNIFICATIONS**10.1 Tax Indemnity**

- 10.1.1 Notwithstanding any other provisions of this Agreement, the Sellers undertake—to the extent not fully provided for in the Closing Purchase Price Calculation—to indemnify and hold harmless the Buyer or, at the Buyer's election, the respective Group Companies, on a EUR for EUR basis, from and against any Tax claims, including any losses and costs (including fees of external advisers, claims, penalties, interests etc.) incurred by any Group Company (i) relating to any period until the Effective Date that are payable by any Group Company after the Effective Date or (ii) that are triggered or arise, directly or indirectly, as a consequence of the transactions contemplated by this Agreement, including, but not limited to, the acceleration and/or expiry of the Warrants and/or the introduction by the Company of the Employment Bonus Scheme. With respect to fiscal years and/or accounting periods beginning before the Effective Date and ending after the Effective Date, the portion of Taxes related to the time period until the Effective Date shall be deemed equal to the amount which would have to be assessed by the competent Tax authority if the Effective Date was the end of the respective business year and/or accounting period of the relevant Group Company. Notwithstanding the aforementioned, the Sellers shall not be liable in respect of any claim pursuant to this clause 10.1.1 to the extent that Taxes arise or are increased by reason of (i) any change after the Effective Date in the bases, methods or policies of Tax accounting of the Buyer, the Company or any Group Company other than in the ordinary course of business as conducted at the Effective Date, or (ii) any Tax claim occurring due to or otherwise as a result of the joint taxation with Buyer or Buyer's Affiliates as further described in clause 9.2 which would not have occurred without such joint taxation. To the extent that the Sellers can reasonably demonstrate that an actual Tax relief is available to the Buyer or any Group Company in relation to the Tax claim in question, the Buyer shall reimburse such actual Tax relief if and when it is received by the respective Group Company.
- 10.1.2 Any payment under clause 10.1.1 above shall be due and payable by the Sellers from the Escrow Account and if such payment is made after release of the Escrow Account only then directly from the Sellers within 15 Business Days after the Sellers' Representative has been notified in writing by the Buyer about the payment obligation and the corresponding payment date pursuant to this Agreement and has received a copy of the relevant Tax assessment notice or Tax return, but in no event earlier than 5 Business Days before the relevant Tax to be indemnified is due and payable to the Tax authority. If any Tax for which indemnification is sought under clause 10.1.1 is contested, the payment of such Tax by the Sellers shall be due 5 Business Days after such Tax has been finally and bindingly determined by the relevant Tax authority or court of proper jurisdiction, provided that the Tax authority has suspended payment of such Tax until such Tax becomes final and binding. If the Tax authority did not suspend payment of such Tax, the Sellers shall make respective advance indemnification payments to the Buyer. If the final amount to be indemnified for such Tax is lower than the advance indemnification payment made by the Sellers, the Buyer shall reimburse the difference to Sellers, including all interest received thereon from the respective Tax authority, if any.

- 10.1.3 Any claims under clause 10.1.1 shall become time-barred 3 months after the later of (i) the underlying Tax has been finally and bindingly determined by the Tax Authorities or (ii) the expiry of the statutory limitation period for the Tax claim in question.
- 10.1.4 Any costs and payments of the Group Companies relating to the Closing, including exit bonuses, shall for purposes of this clause 10.1 be attributed to the time period before the Closing.
- 10.2 Other specific indemnities
- 10.2.1 Notwithstanding any other provisions of this Agreement, the Sellers undertake—to the extent not fully provided for in the Closing Purchase Price Calculation—to indemnify and hold harmless the Buyer or, at the Buyer’s election, the respective Group Companies, on a EUR for EUR basis, from and against (i) any claims, losses and/or costs (including, but not limited to, costs (whether external or internal) of any repairs or other remedial works undertaken by the Group Companies, fees of external advisers, claims from customers, penalties, interests etc.) incurred by any Group Company as a result of or in connection with the issues detailed in index 4.23.1 of the Due Diligence Information.
- 10.2.2 Notwithstanding any other provisions of this Agreement, the Sellers undertake—to the extent not fully provided for in the Closing Purchase Price Calculation - to indemnify and hold harmless the Buyer or, at the Buyer’s election, the respective Group Companies, on a EUR for EUR basis, from and against any claims, losses and/or costs incurred by any Group Company in connection with the intellectual property matters set forth in indices 14.1 and 14.2 of the Due Diligence Information.
- 10.2.3 Notwithstanding any other provisions of this Agreement, the Sellers undertake to indemnify and hold harmless the Buyer or, at the Buyer’s election, the respective Group Companies, on a EUR for EUR basis, from and against any claims, losses and/or costs (excluding however, for the avoidance of doubt, ordinary bonus payments pursuant to the Employment Bonus Scheme) relating to (i) the redemption or purchase of shares in any Group Company (other than the Shares) which have been or may be subscribed for or purchased by any Person on the basis of any Warrants issued, offered or promised, directly or indirectly, by any Group Company to such Person as at or before the Closing Date and/or (ii) the settlement, cancellation, annulment and/or expiry of any Warrants issued, offered or promised, directly or indirectly, by any Group Company to any Person as at or before the Closing Date.

10.2.4 Any payment under clauses 10.2.1, 10.2.2 and 10.2.3 above shall be due and payable by the Sellers from the Escrow Account and if such payment is made after release of the Escrow Account only then directly from the Sellers within 15 Business Days after the Sellers' Representative has been notified in writing by the Buyer about the payment obligation and the corresponding payment date pursuant to this Agreement. For the avoidance of doubt, the Buyer shall be entitled to set-off any claim made pursuant to clauses 10.2.1, 10.2.2 and 10.2.3 against the Sellers' right to any Earn-Outs.

10.2.5 Any claims under clauses 10.2.1, 10.2.2 and 13.2.3 shall become time-barred 3 years after Closing.

10.3 Limitations

10.3.1 None of the limitations in clauses 11 or 12 shall apply to this clause 10, except for clauses 12.2 – 12.3 and 12.6, however, the Sellers' aggregated liability pursuant to this clause 10 together with liability for any other Losses due to a Breach of the Sellers' Warranties shall in no event exceed the Cap and the Sellers' liability pursuant to this clause 10 shall always be several and not joint. Notwithstanding anything to the contrary in this clause 10.2 and for the avoidance of doubt, any amount for which the Sellers have indemnified the Buyer or a Group Company pursuant to clause 10.1 shall not be included in the Basket pursuant to clause 12.4.1(b). Moreover, for the avoidance of doubt, no multiple shall be applied in whatever context establishing and calculating a claim with reference to clause 10.2, cf. also clause 12.2.1.

11. WARRANTIES

11.1 Sellers' Warranties

11.1.1 The Sellers have made the Warranties stated in Schedule 11.1 to the Buyer, such Warranties being (i) the only representations or warranties given by the Sellers, and (ii) made as of the Signing Date and to be deemed repeated as of the Closing Date unless such Warranty expressly is made as of the Signing Date only. The Buyer acknowledges that it is not relying on any express or implied representations or warranties whatsoever, except as expressly set forth in this Agreement and further acknowledges that the Sellers make no representation or warranty whatsoever with respect to any projections, estimates, forecasts or budgets delivered to or made available to the Buyer or its representatives of future revenues, future results of operations (or any component thereof), future cash flows or future financial condition (or any component thereof) of the Group or the future business and operations of the Group.

11.1.2 Except with respect to Breaches of the Title Warranties, the Sellers are not liable for any Breach of the Sellers' Warranties to the extent it is within the Buyer's Knowledge that the Sellers' Warranties were incorrect or misleading or to the extent matters rendering any of the Sellers' Warranties incorrect or misleading have been Disclosed to the Buyer before the Buyer and the Guarantor have signed this Agreement.

11.2 Buyer's Warranties

The Buyer has made the following Warranties to the Sellers as of the Signing Date and as of the Closing Date:

- (a) The Buyer is a corporation duly organized and validly existing under the laws of the Denmark and has all necessary corporate power and authority to enter into this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby.
- (b) The execution and delivery by the Buyer of this Agreement, the performance by the Buyer of its obligations hereunder and the consummation by the Buyer of the transactions contemplated hereby have all been duly authorized by all requisite action on the part of the Buyer.
- (c) This Agreement has been duly executed and delivered by the Buyer and this Agreement constitutes a legal, valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms subject to the effect of any applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally.
- (d) No consent of any shareholder, board of directors or any other Person or body is required in connection with the execution, delivery and performance by the Buyer of the Agreement.
- (e) Except as may be required under any merger control Laws, the execution, delivery and performance by the Buyer of this Agreement does not and will not (i) violate, conflict with or result in the breach of the Buyer's Corporate Documents, (ii) violate or conflict with or require consent or notification under any, judgment, court order or other decision made by a court, arbitration tribunal or public authority against or binding upon the Buyer, (iii) conflict with or constitute a violation of or require consent or notification under any law or regulation applicable to the Buyer, or (iv) conflict with or

result in breach of or require consent or notification under any agreement to which the Buyer is a party, except for any such agreements in respect of which a breach will not adversely affect the Buyer's ability to perform any of its obligations under and to consummate the transactions contemplated, by this Agreement.

- (f) The Buyer is not a party to any dispute before a court, arbitration tribunal or public authority which may prevent or delay Closing if the Buyer is unsuccessful in such dispute.

11.3 Buyer's due diligence

- 11.3.1 The Buyer has, prior to the execution of this Agreement, conducted its own independent investigation, review and analysis of the Group's business, assets, liabilities, results of operation, financial condition, software, technology, intellectual property rights and prospects, including through review of the Due Diligence Information as set out in Schedule 1(c).

12. SELLERS' LIABILITY, LIMITATIONS AND CLAIMS PROCEDURE

12.1 Survival: Liability for Breach

In the event of any Breach by the Sellers, the Sellers must indemnify and hold the Buyer harmless against and from any Loss in accordance with the general rules of Danish law, subject to the limitations stated in this clause 12; provided that the Sellers shall be entitled to remedy a Breach within 20 Business Days (if capable of being cured) after receipt of the Buyer's Notice of the claim, and the claim and the Breach will cease to exist if and to the extent the Sellers effectively remedy the Breach and its financial consequences for the Buyer and the Group before expiry of this deadline. For the avoidance of doubt, the Buyer shall be entitled to set-off any claim under this Agreement against the Sellers' right to any Earn-Outs.

12.2 Calculation of Loss

- 12.2.1 Notwithstanding anything herein to the contrary, the Sellers shall not be liable for any Loss which has been included in calculation of the Final Purchase Price Calculation. The Buyer's Loss shall be calculated as the Buyer's or respective Group Company's direct loss on a EUR 1 for EUR 1 basis without regard to any methods of calculation (P/E, EBITDA multiple or similar method) used for the determination of the Enterprise Value.

- 12.2.2 When calculating a Loss, the Buyer must take into account any amount and any similar financial benefit that the Buyer or a Group Company has effectively received or which the Sellers can reasonably demonstrate that the Buyer is entitled to receive from a third party as a result of the Breach or the Loss, and any such amount and benefit must be set off against the Buyer's claim, including (i) any net tax benefit that the Buyer or a Group Company is entitled to receive as a result of such Breach or Loss and (ii) any insurance payment or benefit that the Buyer or a Group Company has effectively received or is entitled to receive in respect of such Loss (or would have been entitled to receive under the insurance policies in place at the Closing Date).
- 12.2.3 For the avoidance of doubt, the Buyer shall not be entitled to indemnification or other restitution more than once in respect of the same Loss (no double counting).
- 12.3 Mitigation
- The Buyer is required to mitigate any Loss in accordance with the general rules of Danish law. In furtherance of the foregoing, Buyer undertakes and agrees to use reasonable efforts to recover from a third party any Loss for which an indemnity payment hereunder may be due. If the Buyer receives payment from a third party in respect of a Loss subsequent to an indemnification payment by Sellers against which the Sellers have already indemnified the Buyer, the Buyer shall promptly reimburse the Sellers up to the amount paid by the Sellers in indemnification hereunder.
- 12.4 Limitations
- (a) The Sellers shall have no obligation to indemnify the Buyer in respect of any Loss in respect of a Breach if the Buyer fails to give Notice (in accordance with clause 12.5.1) of the claim to the Sellers' Representative no later than on the day falling 18 months after the Effective Date.
- 12.4.1 The Sellers shall have no obligation to indemnify the Buyer in respect of any Loss caused by a Breach of any of the Warranties unless;
- (a) the amount of such Loss arising from a single Breach or series of related Breaches of any of the Warranties exceeds EUR 100,000 (the "De Minimis Threshold"); and
- (b) the total amount of the Buyer's Losses in respect of all such Breaches of the Warranties (each exceeding the De Minimis Threshold), is in excess of EUR 1,000,000 (the "Basket") in which case the Sellers shall be liable for the full amount of such Loss.

- 12.4.2 The Sellers' maximum liability for all Losses in respect of all such Breaches and any liability pursuant to any indemnity under clause 10 shall be limited to a total amount equivalent to EUR 24,400,000 (the "Cap").
- 12.4.3 The limitations in clause 12.4 do not apply to any Breach of any of the Title Warranties or Breach arising out of or as a result of fraud or wilful misrepresentation, always provided that none of the Sellers' liability for such Breach can in any event exceed such Seller's portion of the Purchase Price. For any Breach and the breach of any indemnity or covenant as provided by the Sellers pursuant to this Agreement, the Sellers' liability shall be several (based on the Sellers' ownership of the Share on the Closing Date immediately prior to Closing) and not joint.
- 12.4.4 Any payment by the Sellers as indemnification of Buyer against any Loss will be considered a reduction of the Purchase Price.
- 12.4.5 The Sellers shall not be liable in respect of any claims to the extent that such claim is attributable to, or such claim otherwise having arisen or is increased as a result of, any Law not being in force at the Closing Date.
- 12.5 Claims procedure
- 12.5.1 In the event that the Buyer wishes to make a claim against the Sellers or in the event that the Buyer acquires knowledge of a matter which may give rise to a claim against the Sellers, the Buyer shall give Notice (in accordance with clause 17.2) to the Sellers' Representative within 30 Business Days, after the Buyer became aware of events or circumstances giving rise to the claim. The Buyer's Notice must include a reasonably detailed description of the claim, its actual and legal basis and – to the extent reasonably possible – a calculation of the Loss or the estimated Loss together with reasonable supporting documentation. Failure of the Buyer to notify the Sellers' Representative within the aforementioned 30 Business Days does not release the Sellers from its obligation to indemnify under this Agreement, except to the extent the Buyer's failure to so notify prejudices the Sellers' ability to defend against such claim (but not for any other part of the claim for which the Sellers shall remain liable).
- 12.5.2 The Sellers shall have a period of 30 Business Days from receipt of the Notice of claim to dispute such claim by the Sellers' Representative providing Notice that the Sellers dispute such claim in accordance with clause 17.2.
- 12.6 Third Party Claims
- 12.6.1 If the grounds for a claim in relation to any of the Sellers' Warranties arise as a result of, or in connection with, a claim by, or alleged liability to, a third Person (a "Third Party Claim"), the Sellers shall be entitled to participate in the defence of any Third Party Claim and, subject to the limitations set forth in this clause. The Buyer shall upon the event of a Third Party Claim:

- (a) As soon as possible, but in no event later than thirty 30 Business Days after the Buyer becomes aware of the relevant fact or set of circumstances, give notice thereof to the Sellers' Representative;
- (b) give the Sellers' Representative reasonable access to the personnel of the Buyer and/or the relevant Group Company, as the case may be, and to any relevant premises, accounts, documents and records within their respective possession, and allow the Sellers' Representative to take copies thereof, in order to enable the Sellers' Representative to examine the basis of any potential Third Party Claim; and
- (c) subject to the Sellers' Representative (on behalf of the relevant Seller(s)) in writing accepting full liability for the Third Party Claim:
 - not, and procure that no Group Company will, (i) make any admission of liability and (ii) agree to settle or compromise any Third Party Claim with any Person without obtaining the prior written consent of the Sellers' Representative, not to be unreasonably withheld or delayed;
 - upon the Sellers' Representative's request, allow the Sellers' Representative the right to dispute and defend such Third Party Claim in the name of the relevant Group Company, and to properly conduct any litigation resulting therefrom.

12.6.2 In case the Buyer fails to comply with the foregoing, the Sellers' obligation to indemnify the Buyer for the Third Party Claim shall be reduced, if and to the extent such non-compliance has caused an increase in the Loss in respect of the relevant matter.

12.7 Exclusive remedies

After Closing, the rights described in this clause 12 (and clause 17.8) shall be the Buyer's exclusive remedy for any Breach. Except in case of a Breach of Title Warranties, the Buyer is not entitled to terminate (*hæve*) the Agreement. The Buyer is not entitled to demand a proportionate reduction of the Purchase Price (*forholdsmæssigt afslag*). The Buyer expressly waives any right to claim damages from the present or former board of directors or management of any Group Company with respect to any act or omissions of such individuals and the Buyer shall seek its remedy against the Sellers exclusively under the provisions of this Agreement. The provisions in this clause 12.7 do not apply to any matters which are caused by fraud or wilful misrepresentation.

13. GUARANTEE

The Guarantor hereby as primary obligor (*selvskyldnerkaution*) irrevocably and unconditionally guarantees the due performance of the obligations of the Buyer under this Agreement, in particular any and all payment obligations under clauses 5 and 6.

14. RESTRICTIVE COVENANTS**14.1 Non-compete**

14.1.1 For a period of 3 years following the Closing Date, each of the Principal Sellers undertakes not to be directly or indirectly engaged in any business which competes with the Group's business as conducted immediately prior to the Signing Date nor shall such Persons for the avoidance of doubt act as a consultant, owner, or partner of, any business or organization which directly or indirectly competes with or is directly or indirectly engaged in the same business as conducted by the Group prior to the Signing Date. As at the Signing Date, the Principal Sellers are engaged in and have the investment activities described in Schedule 14.1.1, which for the purposes of this Agreement are considered permitted activities and investments not infringing the covenant set forth in this clause 14.1.1.

14.2 Non-solicitation

For a period of 6 months following the Closing Date each of the Principal Sellers undertakes to refrain from enticing or persuading or attempting to entice or persuade any employees to leave their employment with the Group.

14.3 Agreed penalty

In addition to any other relief that may be available to the Buyer, any violation of the covenants in this clause 14 shall trigger an agreed penalty payable from the relevant Principal Seller in breach to the Buyer for an amount of EUR 750,000 (with respect to violation of clause 14.1) and EUR 150,000 (with respect to violation of clause 14.2) for each violation, however, subject to a 5 Business Days remedy period from written notice (if remediable in full). If a violation persists for a period of more than 2 weeks, such continued violation shall be deemed to constitute a new and separate violation, which shall entitle the Buyer to payment of additional penalties for each period of 2 weeks where such violation persists. In addition to any other relief that may be available to the Buyer. The provisions in this clause 14 may be enforced by either the Buyer or a Group Company. For the avoidance of doubt, only the Principal Seller in violation of the provisions in this clause 14 shall be liable for payment of the agreed penalty and the Buyer may not deduct its claim from the Escrow Amount, but shall solely pursue its claim directly from the Principal Seller in violation. Payment of penalty shall not relieve the Principal Sellers of their obligations pursuant to this clause 14.

15. CONFIDENTIALITY AND PUBLICATION

15.1 Each Party undertakes to treat, and shall procure that its Affiliates and its and their respective representatives treat, Confidential Information strictly confidential and refrain from disclosing it to any third Persons, unless such disclosure is explicitly permitted by this Agreement.

15.2 In this Agreement, "Confidential Information" shall mean:

- (a) with respect to the confidentiality obligations of either Party: the contents of (i) this Agreement, (ii) any related agreements, minutes, term sheets, notes, letters or other documents prepared or executed by a Seller, its Affiliates or its or their representatives on the one hand and the Buyer, its Affiliates or its or their representatives on the on the other hand, and (iii) related discussions and negotiations;
- (b) with respect to the confidentiality obligations of the Sellers alone: any information about the Group Companies and their business and any information obtained in connection with the preparation, negotiation, execution or consummation of this Agreement and the transactions contemplated herein about the Buyer, its Affiliates and its representatives, except, however, that Thomas Visti Jensen, Niels Jul Jacobsen and Esben Hallundbæk Østergaard shall not be deemed to violate this clause 15 as long as they continue to be employed by any Group Company and are entitled to disclose Confidential Information under their respective employment contracts; and
- (c) with respect to the confidentiality obligations of the Buyer alone: until the Closing any information about the Group Companies and their business and as from the date of this Agreement any information obtained in connection with the preparation, negotiation, execution or consummation of this Agreement and the transactions contemplated herein about the Sellers, their Affiliates and their representatives;

except for information that (i) has come into the public domain, or (ii) in the case of paragraphs (b) or (c) has been received from a third Person, except in each of (i) and (ii) where such information has come into the public domain or been received from a third Person following a breach of the confidentiality obligations under this clause 15.

- 15.3 Each Party may disclose Confidential Information (i) to professional advisors advising it on the transactions contemplated by this Agreement, provided such advisors are bound by contractual or professional confidentiality obligations at least as strict as the obligations under this Agreement and (ii) as may be required by applicable Law, including stock exchange regulations.
- 15.4 Notwithstanding clauses 15.1 - 15.3, the Buyer and the Sellers' Representative shall promptly after the Signing Date issue a joint press release in the agreed form attached as Schedule 15.4. The Parties shall, however, not be prevented from disclosing such information which is required to be disclosed under applicable Law or stock exchange regulations.
- 16. GOVERNING LAW AND DISPUTES**
- 16.1 The Agreement is governed by and will be interpreted in accordance with Danish law, excluding its conflicts of law rules to the extent they would lead to the application of laws other than Danish law.
- 16.2 Any dispute arising out of the Agreement, including any dispute concerning its existence or validity that cannot be settled amicably between the Parties must be submitted to the Danish Institute of Arbitration (Danish Arbitration) for final and binding decision. The Danish Institute of Arbitration will apply the rules of procedure in force when the application for arbitration is submitted.
- 16.3 Each Party will appoint 1 arbitrator (it being understood that the Sellers shall collectively appoint 1 arbitrator). The Danish Institute of Arbitration will appoint 1 further arbitrator who will act as the chairman of the arbitration tribunal. If a Party fails to appoint an arbitrator within 30 Business Days of submitting an application for arbitration or of receiving Notice of arbitration, the Danish Institute of Arbitration will also appoint that arbitrator.
- 16.4 The arbitration proceedings will take place in Copenhagen and the language of the proceedings will be English.
- 16.5 The Parties are not entitled to disclose any confidential information relating to the arbitration proceedings to any third party, including information on any decision or arbitration award, unless the other Party has consented in writing to such disclosure. However, either Party is entitled to disclose information relating to the arbitration proceedings to a third party if such disclosure is made to protect its interests in relation to the other Party or to comply with current legislation or public authority decisions, or if such disclosure is required under any listing agreements.

17. OTHER PROVISIONS

- 17.1 Each of the Sellers hereby irrevocably appoints Thomas Visti Jensen as its representative (the “Sellers’ Representative”) and authorises the Sellers’ Representative to act on its behalf in connection with all transactions contemplated by this Agreement and to make and receive all Notices, declarations and statements on its behalf. Notwithstanding the foregoing sentences of this clause 17.1, if the Sellers provide to the Buyer any Notice that has been signed by Sellers representing more than 50% of the Shares sold under this Agreement, then such Notice shall be deemed to have been given by and on behalf of all Sellers and such Notice may be given instead of any Notice of the Sellers’ Representative, except, however that if the Sellers’ Representative previously had given a valid Notice regarding the same matter, then the Buyer may rely on such Notice and such Notice of the Sellers’ Representative shall prevail over any conflicting subsequent Notice signed by the Sellers.
- 17.2 Any notice to be given under the Agreement, including with respect to exercising any rights under this Agreement, must be in writing and delivered by hand or sent by registered mail, by fax or by email (in which case a scanned document duly signed by the respective Parties shall be attached to such email) to the addresses stated in Schedule 17.2 (“Notice”).
- 17.3 No Party is entitled to assign, in full or in part, the rights and obligations set out in the Agreement without the prior written consent of the other Parties.
- 17.4 If the Parties agree to amend the Agreement, such agreement must be made in a writing signed by the Parties.
- 17.5 Unless otherwise explicitly stated in the Agreement, each Party will pay its own costs relating to the negotiations, drafting and conclusion of the Agreement and the fulfilment of the obligations of the Agreement (including all fees for its own legal, financial or other advisors).
- 17.6 This Agreement shall become effective once signed by all Parties. Until and unless each Party has signed a counterpart, this Agreement shall have no effect and no Party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication). No provision of this Agreement is intended to confer any rights, benefits, remedies, obligations, or liabilities hereunder upon any Person other than the Parties hereto and their respective successors and assigns.

- 17.7 If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other governmental authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such a determination, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.
- 17.8 The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof, in addition to any other remedy to which they are entitled at law or in equity.

The Agreement has been executed in 6 original copies (one original for each of Parties).

SEPARATE SIGNATURE SHEET TO FOLLOW

Signature page to Share Sale and Purchase Agreement

For Teradyne Robotics Holdings Denmark
ApS

/s/ Michael D. Callahan
Name: Michael D. Callahan

For Jacon 2 ApS

/s/ Karsten Pedersen
Name: Karsten Pedersen

For Esben ApS

/s/ Karsten Pedersen
Name: Karsten Pedersen

For Juul Holding ApS

/s/ Karsten Pedersen
Name: Karsten Pedersen

Teradyne, Inc. (as Guarantor)

/s/ Charles J. Gray
Name: Charles J. Gray

For TPC Management ApS

/s/ Karsten Pedersen
Name: Karsten Pedersen

For Visti Jensen Holding ApS

/s/ Karsten Pedersen
Name: Karsten Pedersen

As Principal Sellers:

/s/ Niels Jul Jacobsen

Niels Jul Jacobsen

/s/ Esben Hallundbæk Østergaard

Esben Hallundbæk Østergaard

/s/ Søren Michael Juul Jørgensen

Søren Michael Juul Jørgensen

/s/ Thomas Visti Jensen

Thomas Visti Jensen

/s/ Torben Frigaard Rasmussen

Torben Frigaard Rasmussen

Copenhagen · April 2018

File no. 061194-0005
Doc.no. 18725268.1

Agreed form

Schedule 11.1 – Sellers' Warranties

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EXHIBITS

Exhibit 3.6	Share Register
Exhibit 15	Material Agreements

1. DEFINITIONS

1.1 Defined terms and expressions in this schedule 14.1 shall be construed as having the meaning attributed to them in the Share Sale and Purchase Agreement concerning Mobile Industrial Robots ApS (the "Agreement").

In addition, the following terms and expressions shall have the following meanings:

Anti-Bribery Laws	as stated in clause 18.2.
Benefit Plans	(i) any agreements and other commitments, whether of an individual or collective nature, regarding pension benefits and (ii) any agreements and other commitments regarding employee benefits, such as anniversary, holiday or jubilee payments, early retirement, bonus, profit participation and other variable remuneration elements, stock options, stock appreciation rights and similar rights, granted to any current or former director or employee of any Group Company that are sponsored or maintained by a Group Company or with respect to which a Group Company has made or is required to make payments, transfers, or contributions or has any liability.
Company Software	any software, including in particular operating systems used for the products of the Group Companies, owned, developed, marketed, distributed, licensed, or sold by any Group Company.
Encumbrance	any option, pledge, mortgage, lien, security interest, claim, option, right of first refusal, pre-emptive right, community property interest or other claims of third parties of any kind, or restriction of any nature (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset).

Danish GAAP	the accounting principles set forth in the Danish Financial Statements Act (<i>Årsregnskabsloven</i>) and other Danish generally accepted accounting practices.
IPR	any Registered IPR and any of the following: (a) any invention, discovery, whether patentable or un-patentable and whether or not reduced to practice, and all improvements (b) trade secret, technical information, know-how and any other confidential information, including ideas, research and development, know-how, data, drawings, prototypes, models, formulas, manufacturing, production and other processes and techniques, engineering, production and other designs and business methods (c) unregistered trademarks, trade names or brand identifier, (d) unregistered copyrights, (e) software or components thereof, and (f) any other intellectual property, industrial property or proprietary rights anywhere throughout the world.
IT Systems	as stated in clause 10.14.
Key Employees	means each of Thomas Visti Jensen, Niels Jul Jacobsen, Claus Larsen, Søren E. Nielsen and René T. Lydiksen.
Leased Properties	as stated in clause 8.2.
Malicious Code	as stated in clause 10.9.
Management Accounts	the non-audited monthly management accounts of the Group as presented to the Company's board of directors covering the period from 1 January 2018 until 28 February 2018.

Material Agreements	any of the following agreements (whether written or oral): (i) licenses with respect to any IPR to or from any third Person that are material to the Company's business, including commitments by a Group Company not to enforce certain IPR against any third Person, except for any (i) off-the-shelf software licenses and (ii) IPR licenses contained in any customer agreements entered into the ordinary course of business consistent with past practice, (ii) contracts with the top customers and suppliers of the Group set forth in Exhibit 15.
Permit	as stated in clause 11.1.
Permitted Encumbrances	means statutory Encumbrances and customary retention of title by suppliers.
Registered IPR	any of the following applied for or registered with any registration authority (a) trademarks, trade names, brand identifier, logos, symbols, names, domain names, trade dress, designs, copyrights, all applications and registrations for any of the foregoing, including all renewals of same, and (b) all patents, utility models and patent applications, including renewals, extensions, reissues, divisionals, continuations, continuations in part and reexaminations thereof and all patents that may be issued on such applications.

2. AUTHORITY

- 2.1 Each of the Sellers is a corporation duly organized and validly existing under the laws of Denmark and has the full right, power and authority to enter into the Agreement and to consummate all transactions contemplated thereby.
- 2.2 The execution and delivery by the Sellers of this Agreement, the performance by the Sellers of their obligations hereunder and the consummation by the Sellers of the transactions contemplated hereby have all been duly authorized by all requisite action on the part of the Sellers.

- 2.3 This Agreement has been duly executed and delivered by each Seller and this Agreement constitutes a legal, valid and binding obligation of each Seller, enforceable against each Seller in accordance with its terms subject to the effect of any applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally.
- 2.4 The execution, delivery and performance of this Agreement does not and will not (i) violate, conflict with or result in the breach of any Seller's Corporate Documents, (ii) violate or conflict with any, judgment, court order or other decision made by a court, arbitration tribunal or Governmental Authority against or binding upon a Seller and/or any Group Company, (iii) conflict with or constitute a violation of any law or regulation applicable to a Seller and/or any Group Company, or (iv) conflict with or result in breach of any agreement to which a Seller is a party, except in the case of (ii)–(iv) as such violation, conflict or breach, as the case may be, would not be reasonably likely to materially and adversely affect a Seller's ability to perform its obligations under and to consummate the transactions contemplated, by this Agreement.
- 2.5 No Seller is a party to any dispute before a court, arbitration tribunal or Governmental Authority which may prevent Closing if a Seller is unsuccessful in such dispute.

3. THE GROUP

- 3.1 Each Group Company is a corporation duly organized and validly existing under the applicable laws of their respective countries of incorporation and, to the extent the concept applies, in good standing. Each of the Group Companies has requisite corporate or similar power and authority to own its properties and to carry on its business as currently conducted.
- 3.2 No Group Company has filed, and no third Person has filed against any Group Company, any petition for winding-up, dissolution, liquidation, bankruptcy or receivership and there are no facts or circumstances justifying such filing. None of the Group Companies have made any assignment in favour of, or initiated any negotiations with respect to, an overall compromise or arrangement with all of or the majority of its creditors.
- 3.3 The Company has no subsidiaries other than the Subsidiaries and holds no shares or other ownership interests in any other Person. No Subsidiary holds any shares or other ownership interests in any other Person.
- 3.4 No third Person (not being a member of the Group) owns shares or any similar ownership interest in the Subsidiaries and no third party has been granted any right to acquire or subscribe for such shares or ownership interest.

- 3.5 The Company has full and unrestricted title (directly or indirectly) to the shares in the Subsidiaries free and clear from any Encumbrances.
- 3.6 Each Seller is the sole legal owner of the Shares listed against its name in the Company's share register attached as Exhibit 3.6, and the Shares listed against its name therein are free and clear from any Encumbrances.
- 3.7 The Due Diligence Information contains an up-to-date, complete and correct copy of the Company's Corporate Documents.
- 4. CAPITALISATION**
- 4.1 The share capital of the Company amounts to nominal DKK 1,420,200 shares, divided into nominal DKK 1,420,200 shares that have all been properly and validly issued and which are all fully paid up.
- 4.2 The share capital of the Subsidiaries is fully paid up to the extent such full payment is a mandatory requirement under any relevant statutory law.
- 4.3 On Closing, no Group Company has issued any outstanding warrants, options or other instruments entitling any Person to acquire, convert or subscribe for equity in any of the Group Companies.
- 4.4 No share certificates have been issued for the Shares or for any of the shares in any of the Subsidiaries.
- 5. FINANCIAL INFORMATION**
- 5.1 The Annual Reports have been prepared in accordance with Danish GAAP and, to the extent such principles comply with Danish GAAP, the principles set forth in Schedule 1.1(a) of the Agreement on a consistent basis.
- 5.2 Each of the Annual Reports give a true and fair view of the Company's and of the Group's financial position as of 31 December 2016 and the Accounts Date, respectively, and of the results and cash flows of the Company and the Group for the financial year 1 January 2016 until 31 December 2016 and 1 January 2017 until 31 December 2017, respectively.
- 5.3 The Management Accounts have been derived from the books and records of the Group and have in all material respects been prepared in accordance with Danish GAAP, except for certain yearend adjustments. The profit and loss statements, balance sheet and cash flow statement included in the Management Accounts do not materially misstate the financial position, financial performance or cash flows of the Group as at the date to which they were made up, or the profits or losses for the accounting period to which they relate.

6. ORDINARY COURSE AND ABSENCE OF CERTAIN EVENTS

- 6.1 Since the Accounts Date and until the Closing Date
- 6.1.1 the Group Companies have carried out their business in the ordinary course consistent with past practice as a going concern;
 - 6.1.2 no unusual or onerous contract has been entered into by any Group Company;
 - 6.1.3 no Material Contract has been terminated or the terms and conditions thereof has been amended other than in the ordinary course of business;
 - 6.1.4 no resolution of the Company in a general meeting has been passed other than routine resolutions relating to the routine business of annual meetings;
 - 6.1.5 no Key Employee has been given notice of termination;
 - 6.1.6 no change in remuneration or the employment terms of Key Employees has been made or promised other than adjustments which follow from existing contractual commitments as Disclosed.
 - 6.1.7 no material increases of the rates of compensation including bonuses to the employees of the Group Companies have been made or agreed to, other than increases due to collective bargaining agreement(s), prior agreements or increases which are otherwise made in the ordinary course of business;
 - 6.1.8 no material litigation, arbitration or settlement or waiver of any material claim or right have been instituted or made other than in relation to the collection of trade debts, in the ordinary course of business or as instructed by its insurance providers;
 - 6.1.9 each Group Company has made capital and operating expenditures if and when required in the ordinary course consistent with past practice, and no Group Company has delayed any such capital or operating expenditures to a period after the Signing Date; and
 - 6.1.10 no agreement or commitment to do any of the foregoing has been entered into or accepted.

7. TAXES

- 7.1 All Tax returns and reports relating to Taxes required to be filed by or on behalf of a Group Company have been properly filed with the relevant authority, including all information required to be filed for purposes of correct Tax assessments.
- 7.2 No special tax relief, tax exemptions or tax privileges enjoyed by any Group Company may be changed or reversed due to circumstances attributable to such Group Company's activities prior to the Closing Date, or due to the conclusion of the Agreement or Closing.
- 7.3 No Tax authority has raised any claims against any Group Company regarding the payment, assessment or otherwise in respect of Taxes and none of the Group Companies has received written notice of any threatened or pending audit, investigation or similar proceeding relating to Taxes, and, to the Sellers' Knowledge, there are no grounds for the raising of any such Tax claims.
- 7.4 No transactions, agreements or arrangements have been made or entered into by any Group Company with Tax arbitrage or Tax evasion as their primary purpose, and no transactions, agreements or arrangements constitute unlawful Tax evasion.
- 7.5 The Group Companies have at all times transacted with other Group Companies and their Affiliates and/or shareholders on fair market terms and have adequate documentation to substantiate this in accordance with applicable Danish Tax rules.
- 7.6 No Tax will be imposed on any Group Company as a consequence of the conclusion of the Agreement or Closing.
- 7.7 No Group Company has participated in any tax exempt restructurings according to applicable Danish Tax rules to which a holding period requirement applies on the date of the conclusion of the Agreement or Closing.
- 7.8 To the Sellers' Knowledge, the Group Companies right to deduct input VAT is correctly reflected in the applicable VAT returns and to the Sellers' Knowledge there exists no basis for any Governmental Authority to contest the right to deduct input VAT.
- 7.9 To the Sellers' Knowledge, the Group Companies have not conducted any activities in other countries than their country of incorporation for which a registration obligation for Tax purposes has arisen but not complied with.

- 7.10 No Group Company has waived any statutory limitation periods with respect to Taxes.
- 7.11 No Group Company is part of a joint taxation with companies or legal entities outside the Group.

8. REAL PROPERTY

- 8.1 No Group Company owns or has owned any real property.
- 8.2 All lease agreements related to real property leased, sub-leased or used by the Group Companies as at the date hereof (the "Leased Properties") have been Disclosed in the Due Diligence Information.
- 8.3 To the Sellers' Knowledge, the Leased Properties are in a lawful state and in reasonably satisfactory condition considering their present use.
- 8.4 As of the Signing Date, no lease relating to any Leased Property has been terminated or breached by the Group Companies or, to the Sellers' Knowledge, by the landlord, which would entitle the other party to terminate the lease.
- 8.5 Each of the Leased Properties can legally be used for the purpose for which they are currently used. "
- 8.6 As of the Signing Date, no claim related to or arising out of real properties previously owned, leased or otherwise used by any Group Company is pending or to the Sellers' Knowledge threatened against any Group Company.
- 8.7 No landlord has the right to terminate and/or demand any amendment of the lease agreement as a result of the execution and/or consummation of the Agreement.
- 8.8 As of the Signing Date there is no pending litigation or arbitration concerning any Group Company's lease and to the Sellers' Knowledge no such litigation or arbitration is threatened.

9. OPERATION EQUIPMENT, MACHINERY, FIXTURES AND FITTINGS

- 9.1 The Group Companies are the legal or beneficial owners of all operating equipment, machinery, fixtures and fittings and other technical plants reflected in the Annual Reports and Management Accounts, free and clear of any Encumbrances, except for Permitted Encumbrances, and except for the assets acquired or sold in the ordinary course of business in the period since the dates of the Annual Reports or Management Accounts, respectively.

- 9.2 As of the Signing Date and save for ordinary wear and tear, all plants, machinery, fixtures, vehicles, and other equipment (including hardware and machinery) owned or operated by a Group Company in connection with its business are, other than minor defects, in the ordinary course (i) in good and safe repair, (ii) free from any material defects, and (iii) operational insofar as it is necessary for such business to be carried on safely, lawfully, and efficiently.
- 9.3 The assets owned by the Group or held under lease or rental agreements or other agreements permitting their use comprise in all material respects and with the exception of consumables assets necessary for the continuation of the Group's business as currently conducted, and no assets are shared with another person.

10. INTELLECTUAL PROPERTY RIGHTS & IT

- 10.1 Disclosed in the Due Diligence Information are all Registered IPR owned or purported to be owned by the Group Companies. The Group Companies are the owner(s) of such Registered IPR free and clear of any Encumbrances. All maintenance fees and other fees to file, obtain and maintain in effect such Registered IPR have been paid and no such Registered IPR has unintentionally been allowed to lapse by any Group Company. None of such Registered IPR is subject to any opposition, interference, inventorship challenge or cancellation proceedings, and, to the Sellers' Knowledge, no such proceedings are threatened with respect to any such Registered IPR.
- 10.2 The Group Companies hold valid title or license to use the IPR necessary for the Group to carry on its business in all material respects as presently conducted.
- 10.3 Each Group Company is validly licensed to use the IPR used in its business and no separate action will be necessary to enable it to continue to use such IPR to the same extent and in the same manner as they have been used prior to the date hereof.
- 10.4 No Group Company infringes or ever has infringed IPR of any third Person. As of the Signing Date and during the 36 months preceding the Signing Date, no Group Company has received any claim stating that it is in infringement of any IPR of any third Person.

- 10.5 The Group has not granted any licenses with respect to any of the IPR owned by the Group that are used in the operation of the business of the Group concerning the Company's products, except for (i) licenses granted to end customers in the ordinary course of business; (ii) licenses granted to distributors, suppliers and other third parties for the purpose of development, manufacture, marketing and/or supply related to the Products; or (iii) licenses otherwise granted in the ordinary course of business. As of the Signing Date and to the Sellers' Knowledge, no Group Company is infringing or ever has infringed any license agreement on the basis of which it has licensed any IPR from or to a third Person.
- 10.6 As of the Signing Date no Group Company is engaged in any dispute in which any third party is claiming that any Group Company infringes the intellectual property rights of the third party and, to the Sellers' Knowledge, no such dispute is threatened.
- 10.7 As of the Signing Date and to the Sellers' Knowledge, no third party is infringing or making unauthorised use of any IPR owned or used by any Group Company.
- 10.8 To the Sellers' Knowledge, no Company Software (i) contains any bug, defect, or error that materially and adversely affects the use, functionality, or performance of such software or any Product, or (ii) fails to comply in any material respect with any applicable warranty or other contractual commitment relating to the use, functionality, or performance of such software or any Product.
- 10.9 No Company Software written by, or to the Sellers' Knowledge on behalf of the Company, contains any "back-door", "drop dead device", "time bomb", "Trojan horse", "virus", "worm", "Spyware" or "adware" (as such terms are commonly understood in the software industry) or any other code designed or intended to have, or capable of performing or facilitating, any of the following functions: (i) disrupting, disabling, harming, or otherwise impeding in any manner the operation of, or providing unauthorized access to, a computer system or network or other device or (ii) compromising the privacy or data security of a user or damaging or destroying any data or file without the user's consent (collectively, "Malicious Code"). The Group Companies have implemented industry standard measures designed to prevent the introduction of Malicious Code into Company Software, including firewall protections, regular virus scans, and protection of access credentials and the like.
- 10.10 No source code for any Company Software written by, or on behalf of the Company, has to the Sellers' Knowledge been delivered, licensed, or made available to any Person who is not, as at the Signing Date, an employee or of the Group. No Group Company has any duty or obligation (whether present, contingent, or otherwise) to deliver, license, or make available the source code for any Company Software to any escrow agent or other Person. As of the Signing Date, no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) will, or could reasonably be expected to, result in the delivery, license, or disclosure of any source code for any software to any other Person who is not, as of the Signing Date, an employee of the Company.

- 10.11 No Group Company has modified or otherwise disposed of any open source licensed software in a manner which entitles or would entitle any Person to require such Group Company to make own developments available based on open source license terms and conditions.
- 10.12 No funding, facilities, or personnel of any Governmental Authority or any public or private university, college, or other educational or research institution were used, directly or indirectly, to develop or create, in whole or in part, any Company Software or other IPR owned, purported to be owned or exclusively licensed by any Group Company.
- 10.13 No Group Company is or ever has been a member or promoter of, or a contributor to, any industry standards body or similar organization that could require or obligate any Group Company to grant or offer to any other Person any license or right to any Intellectual Property Rights owned, purported to be owned or exclusively licensed by any Group Company.
- 10.14 The Group Companies have designed, operated and maintained the information technology systems used by them ("IT Systems"): (i) to keep their IT Systems free from Malicious Code, (ii) with procedures and facilities to safeguard the security and the integrity of its IT Systems, and (iii) to comply with all software license obligations all at a level consistent with standard practices of companies of its size. As of the Signing Date and to the Sellers' Knowledge, there have been no unauthorized intrusions or breaches of the security with respect to the IT Systems.
- 10.15 As of the Signing Date, none of the Group Companies' present or former employees have made any claim for any payment, which remains unsettled, or any other claims in respect of any invention or other IPR, which is being utilized or claimed by the Group Companies, and to the Sellers' Knowledge, and save for such rights which follow from mandatory Law, no such employees have such rights. All the documents transferring all the title, right and interest in and to any IPR which are being or planned to be utilized or claimed by the Group Companies has to the Sellers' Knowledge been properly prepared and signed by the employees owning such rights, title and interest before the date hereof.
- 10.16 The Group has taken reasonable and customary measures to prevent third Persons from obtaining unauthorized knowledge of or exploiting its business secrets and know-how.

11. PERMITS

11.1 Each Group Company holds all necessary permits, licenses, certifications, approvals, registrations, consents, authorizations, exemptions and orders issued or granted by a Governmental Authority (each a "Permit") required by the relevant Group Company for the carrying on its business as presently conducted. Such Permits are in full force and effect, and each Group Company is and always has been in compliance with the applicable requirements of such Permits. As of the Signing Date and since 31 December 2017, no Group Company has received written notice of any non-compliance with any applicable requirements of such Permits.

12. INSURANCE

12.1 All material insurance policies in respect of the Group Companies have been Disclosed in the Due Diligence Information and all such policies are and will until the Closing Date remain in full force and effect in accordance with their terms and all premiums which have become due and payable have been paid.

12.2 The Group has an insurance coverage, which to the Sellers' Knowledge is commercially adequate for its current business. As of the Signing Date, there are no material outstanding claims under any of the Group's insurance policies and, to the Seller's Knowledge as of the Signing Date, no such claim is threatened, nor has any Group Company received any notice of termination of the said insurance policies and, to the best of the Sellers' Knowledge, no such termination is threatened.

12.3 In the three years preceding the Signing Date, the Group has not suffered or reported any loss which might substantially affect the Group's chance for future insurance cover on usual and customary terms and conditions.

13. PRODUCTS AND PRODUCT LIABILITY

13.1 As of the Signing Date, no defects in any of the Group Companies' Products or services have resulted in any liability or claim to pay damages or other compensation for any of the Group Companies, including in respect of personal injury.

13.2 The Group Companies have to the Sellers' Knowledge appropriate quality control procedures in place to ensure that its Products and services are safe and in all material respects comply with all applicable Laws, contractual specifications and other applicable standards.

- 13.3 As of the Signing Date, there are no pending general recalls of any of the Products which are presently marketed and distributed, and as of the Signing Date and to the Sellers' Knowledge no such recall is threatened.
- 13.4 As of the Signing Date, there are no pending insurance claims against any member of the Group regarding product liability and no such claims are filed with the Group Companies' insurers and to the Sellers' Knowledge no such claims are threatening.
- 14. EMPLOYEES**
- 14.1 Disclosed in the Due Diligence Information is a complete list of all employees, directors and officers of the Group Companies stating their starting date, function, salary and other key terms of employment as of 26 March 2018
- 14.2 All employees, directors and officers of the Group have written employment contracts, which in respect of the contracts to which the Company is a party comply with Danish Law or other applicable Law and which correctly reflect the terms of their employment.
- 14.3 As of the Signing Date, no Key Employee has received notice of termination of his/her employment by the respective Group Company and no Key Employee has given notice of termination of his/her employment relationship with the relevant Group Company and to the Sellers' Knowledge no such termination is threatening.
- 14.4 No amount due or in respect of any former or present director, officer or employee of the Group is in arrears and unpaid other than his salary and other benefits for the month current at the date of this Agreement.
- 14.5 As of the Signing Date no Group Company is a party to any dispute with any present or prior director or Key Employee.
- 14.6 All salaries and other benefits of employees of the Group have to the extent due, been paid or, if not due, a corresponding provision required by applicable law for the payment thereof has been established in the relevant accounts. The Group Companies have withheld all amounts required by law or agreement to be withheld from the wages or salaries of, and other payments to, its employees and any former employees.
- 14.7 Any collective bargaining agreement to which any Group Company is a party has been entered into on terms which are normal and customary for companies carrying on similar activities as the Group Companies. All collective bargaining agreements to which any Group Company is a party have been Disclosed in the Due Diligence Information.

- 14.8 The Group Companies have fulfilled their obligations to inform, and negotiate with, trade unions or any employee representative bodies with respect to the transactions contemplated by this Agreement. As of the Signing Date, there is no on-going strike by any employees of the Group.
- 14.9 All Benefit Plans to which any Group Company is a party have been Disclosed in full in the Due Diligence Information. Each Benefit Plan is being and has always been maintained in all respects in accordance with its terms, any applicable collective or individual agreement and the requirements of all applicable Laws. All pension schemes of the Group Companies are defined contribution schemes only. Each Group Company has performed all obligations required to be performed by it under any Benefit Plan and is not in default under or in violation of any Benefit Plan.
- 14.10 No Group Company is party to any defined benefit plan regarding funding of pension commitments towards employees.
- 14.11 Disclosed in the Due Diligence Information are complete copies of all agreements, commitments or arrangements concerning (i) bonuses or similar payments that will become payable on account of the entering into or completion of this Agreement and/or (ii) any other benefits which accrue to any director, officer, employee or consultant of any Group Company on account of the entering into or completion of this Agreement.
- 14.12 To Sellers' Knowledge and as of the Signing Date, no Group Company is subject to any pending or threatened claims from current or former employees or any Governmental Authority in relation to working environment or working-related accidents.
- 15. AGREEMENTS**
- 15.1 No Group Company is a party to any contract, agreement or business arrangement (written or oral) with customers, distributors, suppliers or other third parties which have not been concluded, agreed and made, in the reasonable opinion of the Sellers, (i) on commercial terms that are in all material respects not uncommon within the industry; and/or (ii) in the ordinary course of business of the Group; and/or (iii) in the best interest of the Group.
- 15.2 All Material Agreements of any Group Company have been Disclosed in the Due Diligence Information.

- 15.3 No Group Company is a party to any agreements, contracts or arrangements which contains a cap or “most favored nation” provision relating to the prices that can be charged by the respective Group Company for its products and/or services.
- 15.4 No Group Company is a party to any Material Agreement that may be terminated, rescinded, lapse or amended in consequence of the execution of this Agreement or the consummation of the transactions contemplated by this Agreement.
- 15.5 No Group Company is, and has within the past 3 years been a party to, liable under or subject to any Material Agreement, which to the Sellers’ Knowledge cannot be expected to be fulfilled or performed by the relevant Group Company, or which limits the relevant Group Company and/or the Group from independently carrying on its business as presently conducted.
- 15.6 No Group Company is in breach of any provision of or in default under the terms of Material Agreement and as of the Signing Date, no party has given notice (written or oral) of claims pertaining to or alleging such breach, which could reasonably be expected to give rise to the party terminating or rescinding such Material Agreement.
- 15.7 No Group Company is party to any agreement
- 15.7.1 containing covenants that limit the ability of any Group Company to compete in any business or with any Person or in any geographic area or otherwise restricting a Group Company from engaging in any business activity anywhere in the world,
- 15.7.2 relating to any hedging or swap arrangement, or
- 15.7.3 under which a Group Company has directly or indirectly guaranteed, or provided other collateral for, liabilities or obligations of any other Person other than another Group Company.

16. LITIGATION

- 16.1 As of the Signing Date no written notification involving any claim or series of related claims against any Group Company in excess of EUR 50,000 has been received by any duly authorized officer within the Group. There are no pending litigation or arbitration proceedings or any pending actions by any Governmental Authority involving any Group Company and to the Sellers’ Knowledge (i) no such litigation or arbitration proceedings or actions are threatened and (ii) no basis for any such claims or actions exist.

17. ANTI TRUST MATTERS

- 17.1 No Group Company is a party to any agreement, decision or concerted practice aimed at or resulting in an actual or potential, direct or indirect, prevention, restriction or limitation of competition.
- 17.2 As of the Signing Date no Group Company has been notified by any Governmental Authority that its operation, business or dealings are the subject matter of any anti-trust investigation.

18. COMPLIANCE WITH LAWS

- 18.1 Each Group Company is and always has been in compliance with all applicable Laws. To the Sellers' Knowledge and as of the Signing Date, no investigation, audit or review by any Governmental Authority with respect to any Group Company is pending or threatened.
- 18.2 Each Group Company is and always has been in compliance in all material respects with all legal requirements under (i) the Foreign Corrupt Practices Act (15 U.S.C. §§ 78dd-1, et seq.), (ii) the national laws implementing the Organization for Economic Cooperation and Development Convention Against Bribery of Foreign Public Officials in International Business Transactions and other international anti-bribery conventions and (iii) all other applicable anti-bribery and anti-corruption Laws, in jurisdictions in which the Group Companies are or have been operating (collectively, the "Anti-Bribery Laws").
- 18.3 As of the Signing Date, no Group Company has received any written notice or other written communication from any Governmental Authority with regard to any actual, alleged or potential violation of the Anti-Bribery Laws. As of the Signing Date, there are no claims pending involving any Group Company with regard to any actual or alleged non-compliance with the Anti-Bribery Laws by any Group Company or any of its owners, shareholders, directors, employees, representatives or agents.

19. ENVIRONMENTAL MATTERS

- 19.1 The operations of the Group are in all material respects in conformity and compliance with applicable environmental health and safety law, rules and regulations, including with respect to interior and exterior environment, working environment, emissions (air/odour, noise, water, etc), waste treatment, deposit and storage of chemicals and other contaminating and/or hazardous substances.

- 19.2 No Group Company is or has been party to any judicial or administrative injunctions, proceedings or investigations in relation to polluted or contaminated air, land or water. As of the Signing Date, no proceedings are pending, or to the Sellers' Knowledge threatened, against any of the Group Companies in respect of any breach of environmental Law or environmental licences.
- 19.3 There is no soil or water contamination caused by the Group Companies on any of the properties owned, leased or formerly owned or leased or otherwise used by any Group Company or on any third party's properties, which (i) may cause any order issued by a public authority under applicable Law for cleaning or other remedial action against a Group Company, (ii) would prevent the continued use of the Properties for such purposes and in the manner the properties are being used by the Group Companies as of the date hereof, or (iii) which would entitle any third party to raise a claim against any Group Company to pay damages, indemnification or the similar.
- 20. PUBLIC SUBSIDIES**
- 20.1 No Group Company has received any public subsidies, grants or allowances that are subject to (conditional or unconditional) repayment obligations.
- 21. DISCLOSURE**
- 21.1 The Sellers have complied with their "good faith duty of disclosure" (*sælgers loyale oplysningspligt*) under the general rules of Danish law in connection with the transactions contemplated by this Agreement.

AMENDMENT NO. 2

This Amendment No. 2, dated as of March 21, 2018 (this "Amendment"), to that certain Credit Agreement, dated as of April 27, 2015 (as amended by that certain Amendment No. 1, dated as of May 19, 2015, and as further amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Teradyne, Inc. (the "Borrower"), the banks and other financial institutions or entities from time to time party thereto as lenders (the "Lenders"), the Issuing Lenders Party thereto, and Barclays Bank PLC, as administrative agent (in such capacity, the "Administrative Agent") and collateral agent for the Lenders, is entered into by and among the Borrower, the subsidiaries of the Borrower party hereto (such subsidiaries, together with the Borrower, the "Amendment Parties"), the Administrative Agent, each Issuing Lender and the Lenders party hereto (the "Consenting Lenders"). Capitalized terms used herein but not defined herein are used as defined in the Credit Agreement.

WITNESSETH:

WHEREAS, the Borrower, the Administrative Agent, the Issuing Lenders and the Lenders are party to the Credit Agreement;

WHEREAS, the Borrower has requested that the Administrative Agent, the Issuing Lenders and the Lenders agree to amend certain provisions of the Credit Agreement as set forth herein; and

WHEREAS, subject to the terms and conditions set forth in this Amendment, the Consenting Lenders (which constitute Required Lenders) and each Issuing Lender are willing to make such amendment.

NOW, THEREFORE, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Amendment Parties, the Consenting Lenders and the Administrative Agent, intending to be legally bound hereby, agree as follows:

SECTION 1. AMENDMENTS TO THE CREDIT AGREEMENT

Effective as of the Second Amendment Effective Date (as defined in Section 2 below), the Credit Agreement is hereby amended as follows:

(a) The following definitions shall hereby be inserted into Section 1.1 of the Credit Agreement in the correct alphabetical order:

"Bail-In Action": the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation": with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“EEA Financial Institution”: (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country”: means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority”: any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“EU Bail-In Legislation Schedule”: the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Write-Down and Conversion Powers”: with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

(b) Section 1.1 of the Credit Agreement is amended to amend and restate the definition of the term “Defaulting Lender” as follows:

“Defaulting Lender”: any Lender that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or Swingline Loans or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, (b) has notified the Borrower or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after required by a Credit Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans under this Agreement; provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit Party’s receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has become the subject of a Bankruptcy Event or Bail-in Action.

(c) Section 3.1(a) of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

“(a) Subject to the terms and conditions hereof, the Issuing Lender, in reliance on the agreements of the other Lenders set forth in Section 3.4(a), agrees to issue letters of credit (collectively, “Letters of Credit”) for the account of the Borrower (or any Restricted Subsidiary, provided the Borrower is liable hereunder in respect of any such Letter of Credit) on any Business Day during the Revolving Commitment Period in such form as may be provided or approved from time to time by the Issuing Lender; provided that the Issuing Lender shall have no obligation to issue any Letter of Credit if, immediately after giving effect to such issuance, (i) the L/C Obligations would exceed the Total L/C Limit, (ii) the aggregate amount of the Available Revolving Commitments would be less than zero, (iii) the L/C Exposure in respect of Letters of Credit issued by such Issuing Lender would exceed such Issuing Lender’s L/C Commitment or (iv) except as otherwise agreed by the Administrative Agent and the

Issuing Lender, such Letter of Credit is in an initial stated amount less than \$10,000; provided, further, that Barclays shall have no obligation to issue any Letter of Credit that is not a standby letter of credit. Each Letter of Credit shall be denominated in Dollars and expire no later than the earlier of the first anniversary of its date of issuance and five Business Days prior to the Revolving Termination Date, unless the Issuing Lender otherwise agrees; provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods. Notwithstanding anything to the contrary contained herein, each Letter of Credit with an expiry date beyond the date that is ten Business Days prior to the Revolving Termination Date shall, on or prior to such date, be cash collateralized or supported by a back-to-back letter of credit reasonably acceptable to the applicable Issuing Lender (it being understood that, except in respect of drawing requests and draws made prior to the Revolving Termination Date, each Lender's participation in such Letter of Credit shall revert to such Issuing Lender on the Revolving Termination Date, and no Lender (other than the applicable Issuing Lender) shall be entitled to any Letter of Credit fees pursuant to Section 3.3 on and after the Revolving Termination Date, except to the extent such fees have been accrued on account of such Lender in accordance with such Section and remain unpaid.)”

(d) Section 3.2(b) of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

“(b) If the Borrower so requests in any applicable Application, the Issuing Lender may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic renewal provisions (each, an “Auto-Renewal Letter of Credit”); provided that any such Auto-Renewal Letter of Credit shall permit the Issuing Lender to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the “Nonrenewal Notice Date”) in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the Issuing Lender, the Borrower shall not be required to make a specific request to the Issuing Lender for any such renewal. Once an Auto-Renewal Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the Issuing Lender to permit the renewal of such Letter of Credit (it being understood that if the expiry date of such Letter of Credit is later than the date that is ten Business Days prior to the Revolving Termination Date, such Letter of Credit shall be cash collateralized or supported by a back-to back letter of credit in accordance with the last sentence of Section 3.1(a)); provided, however, that the Issuing Lender shall not (x) permit any such renewal if (A) the Issuing Lender has determined that it would not be permitted, or would have no obligation, at such time to issue such Letter of Credit in its renewed form under the terms hereof or (B) it has received notice (which may be in writing or by telephone (if immediately confirmed in writing)) on or before the day that is twelve Business Days before the Nonrenewal Notice Date from the Administrative Agent that the Required Lenders have elected not to permit such renewal or (y) be obligated to permit such renewal if it has received notice (which may be in writing or by telephone (if immediately confirmed in writing)) on or before the day that is seven Business Days before the Nonrenewal Notice Date from the Administrative Agent, the Required Lenders or the Borrower that one or more of the applicable conditions set forth in Section 5.2 is not then satisfied, and in each such case directing the Issuing Lender not to permit such renewal.”

(e) Section 10 of the Credit Agreement is amended by inserting a new Section 10.18 therein immediately after Section 10.17 as follows:

“Section 10.18 Acknowledgement and Consent to Bail-In of EEA Financial Institutions.

Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.”

SECTION 2. CONDITIONS PRECEDENT

This Amendment shall become effective as of the date (the “Second Amendment Effective Date”) on which the Administrative Agent shall have received this Amendment, duly executed by the Amendment Parties, the Consenting Lenders constituting Required Lenders and each Issuing Lender.

SECTION 3. REPRESENTATIONS AND WARRANTIES

The Amendment Parties hereby confirm that each of the representations and warranties made by any Group Member in Section 4 of the Credit Agreement or in any other Loan Document are true and correct in all material respects (provided that if any representation or warranty is by its terms qualified by materiality, such representation shall be true and correct in all respects) on and as of the Second Amendment Effective Date, except to the extent that any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall be true and correct on and as of such earlier date.

SECTION 4. MISCELLANEOUS

4.1 Costs and Expenses. The Borrower agrees to reimburse the Administrative Agent for its costs and expenses in connection with this Amendment (and any other Loan Documents delivered in connection herewith) as provided in Section 10.5 of the Credit Agreement.

4.2 Reference to and Effect on the Loan Documents.

(a) As of the Second Amendment Effective Date, each reference in the Credit Agreement to “*this Agreement*,” “*hereunder*,” “*hereof*,” “*herein*,” or words of like import, and each reference in the other Loan Documents to the Credit Agreement (including, without limitation, by means of words like “*thereunder*,” “*thereof*” and words of like import), shall mean and be a reference to the Credit Agreement as amended by this Amendment.

(b) Except as expressly provided in this Amendment, each Amendment Party hereby ratifies and confirms all of the terms and conditions of the Credit Agreement, the Security Documents and the other Loan Documents to which it is a party and all documents, instruments and agreements related thereto, which remain in full force and effect.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Administrative Agent or any Lender under the Credit Agreement or any Loan Document, or constitute a waiver or amendment of any other provision of the Credit Agreement or any Loan Document (as amended hereby) except as and to the extent expressly set forth herein.

4.3 **Counterparts.** This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Amendment by email or facsimile transmission shall be effective as delivery of an originally executed counterpart hereof. A set of the copies of this Amendment signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

4.4 **Governing Law.** THIS AMENDMENT AND THE OTHER LOAN DOCUMENTS AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AMENDMENT OR ANY OTHER LOAN DOCUMENT (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

4.5 **Loan Document and Integration.** This Amendment is a Loan Document, and together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

4.6 **Headings.** Section headings contained in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

4.7 **Waiver of Jury Trial.** EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers and members thereunto duly authorized, as of the date indicated above.

TERADYNE, INC., as Borrower

By: /s/ Charles Gray

Name: Charles Gray

Title: Secretary

[SIGNATURE PAGE TO AMENDMENT NO. 2]

EAGLE TEST SYSTEMS, INC., as Guarantor
NEXTEST SYSTEMS CORPORATION, as Guarantor
GENRAD, LLC, as Guarantor
HERCO TECHNOLOGY CORP., as Guarantor
P.L.S.T., INC., as Guarantor

By: /s/ Charles Gray
Name: Charles Gray
Title: Director

LITEPOINT CORPORATION, as Guarantor

By: /s/ Charles Gray
Name: Charles Gray
Title: Director

LITEPOINT DESIGN TEST, LLC, as Guarantor

By: /s/ Charles Gray
Name: Charles Gray
Title: Director

[SIGNATURE PAGE TO AMENDMENT NO. 2]

BARCLAYS BANK PLC,
as Administrative Agent, Issuing Lender and Lender

By: /s/ Chris Walton
Name: Chris Walton
Title: Director

[SIGNATURE PAGE TO AMENDMENT NO. 2]

BANK OF AMERICA N.A.,
as Lender and Issuing Lender

By: /s/ Raymond T. Liu
Name: Raymond T. Liu
Title: Associate

[SIGNATURE PAGE TO AMENDMENT NO. 2]

JPMORGAN CHASE BANK, N.A.

By: /s/ Douglas Panchal

Name: Douglas Panchal

Title: Executive Director

[SIGNATURE PAGE TO AMENDMENT NO. 2]

SUNTRUST BANK,
as Lender and Issuing Lender

By: /s/ Christian Sumulong
Name: Christian Sumulong
Title: Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 2]

SILICON VALLEY BANK, as Issuing Lender and
Lender

By: /s/ Jon Wolter

Name: Jon Wolter

Title: Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 2]

Wells Fargo Bank, N.A., as Lender

By: /s/ Cameron Burbank

Name: Cameron Burbank

Title: Vice President

[SIGNATURE PAGE TO AMENDMENT NO. 2]

**CERTIFICATION PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Teradyne, Inc. (the "Company") on Form 10-Q for the period ended April 1, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark E. Jagiela, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C (S) 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/S/ MARK E. JAGIELA

Mark E. Jagiela
Chief Executive Officer
May 11, 2018

**CERTIFICATION PURSUANT TO
18 U.S.C SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Teradyne, Inc. (the "Company") on Form 10-Q for the period ended April 1, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory R. Beecher, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C (S) 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ GREGORY R. BEECHER

Gregory R. Beecher
Chief Financial Officer
May 11, 2018

