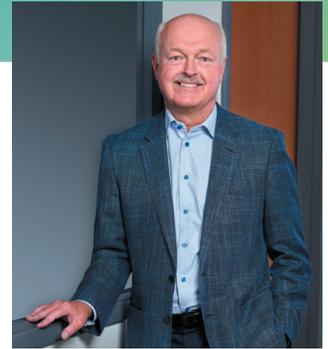


TERADYNE



Mark E. Jagiela
Chief Executive Officer and President
Teradyne, Inc.

Fellow Shareholders,

2020 was an incredible year for Teradyne with record revenue, earnings and cash flow. However, we were not immune from the global pandemic which brought unmeasurable pain, suffering and disruption to communities worldwide. The pandemic forced dramatic change across our businesses. We shifted to work from home for more than 80% of employees, added operational flexibility to help employees balance work and family responsibilities, used our global reach to acquire and distribute protective equipment to employees, and added new protections at facilities where in-person work was required. Our operations and supply line teams dealt with numerous material shortages, logistics and transportation bottlenecks and our sales and support teams pivoted from in-person to digital engagement with customers.

When the pandemic hit, our priorities were the safety of our employees, supporting our customers and continued execution in achieving our financial objectives. I am proud to say we delivered on all three priorities while posting the strongest results in our 60-year history. In 2020, we:

- Grew sales 36% to \$3.1 billion
- Generated \$684 million of free cash flow, 22% of sales¹
- Expanded our GAAP earnings per share 65% to \$4.28 and non-GAAP earnings 62% to \$4.62 per share¹
- We navigated thousands of supply, operations, logistics and staffing issues to produce and deliver the products and services needed to meet the pressing demands of our customers
- We expanded our Semiconductor Test market share from 40 to 50%

These results build on our track record of growth that has delivered sales and non-GAAP earnings per share expansion at a compounded rate of 12% and 23% respectively over the last 7 years.

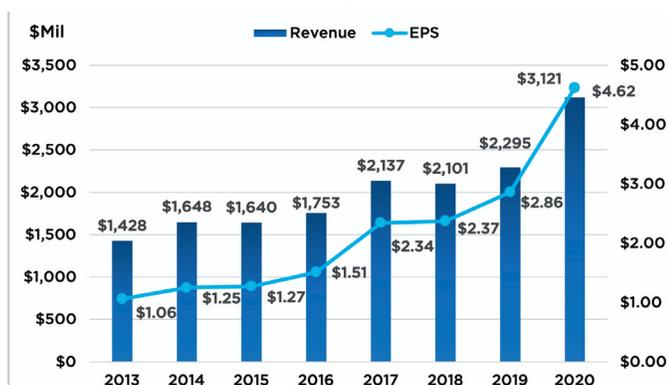
Our SemiTest business was especially strong in 2020, growing 46% for the year driven by investments in smart phone related test capacity, our expansion into the compute sector of System-On-a-Chip (SOC) test with our new UltraFLEXplus product, and the ramp of our Magnum-EPIC product for DRAM test. As we've noted in past shareholder letters, two favorable trends are powering our SemiTest business, the increasing use of semiconductors across the global economy and the growing complexity of those devices. Semiconductor units have been on a nearly 6% growth trend line for 10 years and are expected to grow at a similar rate for the foreseeable future. Amplifying that growth is the explosion in device complexity enabled by the relentless advances in semiconductor manufacturing technology combined with demand for more intelligent devices to enhance human life in countless ways. Advancements in healthcare, entertainment, self-driving cars, vehicle safety, agriculture output, education, and a multitude of human conveniences are enabled by increasing semiconductor complexity. The result has been a steady increase in the size of our test markets over the last 5 years. In 2020, smartphones were the dominant growth driver of our business but over the next 5 years, we expect applications in computing, especially in data center and edge AI, will be significant new drivers of test market growth as well. Combining that with growth in automotive, industrial, and memory applications points to a very promising future.

Elsewhere in test, our System Test Group also had an extraordinary year, delivering 43% growth with the Storage Test business more than doubling from 2019 to over \$240 million. This is the second consecutive year of hyper growth in Storage Test driven by steady test intensity growth of tera-byte HDD drives and similar growth in the system level test of complex semiconductor devices. The Defense and Aerospace unit of System Test also grew for the year with tight alignment to major Department of Defense procurement programs.

Our Wireless Test business at LitePoint verifies the performance of devices ranging from smartphones to network access points to wireless modules used in a wide array of connected devices. Sales grew 10% from 2019, with solid demand in both our connectivity and cellular test markets. WiFi 6 test, Ultra-Wide-Band test, and increased investments in 5G related handset test all contributed. As 5G rolls out across the globe over the next 5 years, we expect LitePoint to continue to thrive.

The performance of our test businesses more than offset the weaker results in our Industrial Automation (IA) business which contracted 6% for the year. The pandemic related slow-down in manufacturing was concentrated in the first six months of the year and was a significant headwind for Universal Robots and AutoGuide. Our MiR

Revenue and Earnings Per Share¹ Growth



Non-GAAP Operating Results¹

	GAAP Revenue (\$M)	Operating Income (\$M)	Operating Margin	Net Income (\$M)	Earnings per Share	Diluted Share Count (M)	# of Employees
2020	3,121	947	30%	801	\$4.62	175	5,500
2019	2,295	582	25%	494	\$2.86	175	5,400
2018	2,101	529	25%	449	\$2.37	189	4,900

mobile robots on the other hand, managed to deliver sales at 2019 levels thanks to a surge in demand for mobile disinfecting robots to fight COVID. As the year drew to a close, our IA business improved dramatically with record fourth quarter sales at UR and a strong outlook as we entered 2021.

To take full advantage of the growth opportunities across the IA space, we've combined all of our automation businesses into a single Industrial Automation Group led by Group President, Greg Smith. Greg moved into the role in October after successfully leading Semiconductor Test since 2016. Taking the reins in Semiconductor Test is Rick Burns, a seasoned leader who ran our Semiconductor Test engineering team prior to his new role.

In 2020, the global pandemic and social upheaval caused pain and hardship in the communities where we work and beyond. To help lessen this impact, Teradyne magnified our employees' generosity by tripling their donations to fundraising campaigns supporting both COVID-19 relief and social justice initiatives in 2020. Equally significant, we expanded our Diversity/Equity/Inclusion (DEI) efforts with the creation of an executive level team to accelerate our goal to become a more diverse and inclusive company. The team, which reports to me, is responsible for actions we're taking across the company ranging from talent acquisition and leadership development to corporate giving and community engagement.

We also continued to expand our Environmental/Social/Governance (ESG) activities in 2020, aligning our ESG efforts with the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB), third party frameworks which address a wide range of sustainability factors.

Both of these initiatives are long term journeys which will make our company a more attractive place to work, a more supportive neighbor in our communities, a more creative provider of innovative solutions for our customers and ultimately, a more rewarding investment for our owners. We will continue to update our progress along that journey in our annual Corporate Social Responsibility report which is available on Teradyne.com.

On the capital allocation front, we paused our share repurchase program in April of 2020 as the pandemic and related economic uncertainty swept across the globe. However, our strategy to balance our strong cash position to support our operating investments and potential M&A with direct shareholder returns through dividends and share repurchases remains in place. In January 2021, we announced a \$2 billion share repurchase program and expect to repurchase \$600 million of our shares in 2021. We continue to have an active M&A pipeline to further our growth opportunities and, as always, will be judicious in any investments we make.

Teradyne's strategy, execution, and operating efficiency were on full display in 2020. The performance of our test businesses reflects the success of R&D bets made in years past and enables us to increase those bets for the future. Our Industrial Automation investments continue despite the short-term impacts of COVID-19 and we are positioned to capitalize on a world emerging to invest even more in automation to improve resilience and productivity.

Equally significant, 2020 showed the resilience of Teradyne employees, our global suppliers, and an operating model designed for the sometimes volatile markets we serve. In the face of unimaginable challenges across communities worldwide, the team dealt with health, safety, and operational obstacles daily, met R&D milestones, executed steep new product ramps, and delivered record shipments of SOC, Memory, and Storage Test products to meet our customers' needs. We did all this while exercising the cost and schedule discipline expected at Teradyne. It is truly extraordinary, and I am very grateful to be part of such a powerful team.

As we move into 2021, the outlook appears bright across all our markets. I am confident that as 2020 taught us, no matter what comes our way in the short-term, our global team and market strategy will deliver exciting long term returns for our customers, investors, and employees.

Thank you for your continued confidence in Teradyne.



Mark E. Jagiela
Chief Executive Officer and President
Teradyne, Inc.
March 2021

¹Non-GAAP financial measures. Please see the "Shareholder Letter Supplement" posted to our Investor Relations website - investors.teradyne.com - for explanations of why we use these Non-GAAP measures and the reconciliation to the most comparable GAAP financial measures.

TERADYNE

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