UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1999

OR

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

Commission file number 1-6462

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 Number)
321 HARRISON AVENUE, BOSTON, MASSACHUSETTS (Address of principal executive offices)	02118 (Zip Code)

Registrant's telephone number, including area code: (617) 482-2700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.125 per share	New York Stock Exchange

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[X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or in any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 27, 2000 was $14.6 billion based upon the composite closing price of the registrant's Common Stock on the New York Stock Exchange on that date.

The number of shares outstanding of the registrant's only class of Common Stock as of February 27, 2000 was 172,399,504 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement in connection with its 2000 annual meeting of shareholders are incorporated by reference into Part III.

TERADYNE, INC.

FORM 10-K

PART I

ITEM 1: BUSINESS

Teradyne, Inc. is a leading manufacturer of automatic test equipment ("ATE") and related software for the electronics and communications industries. Products include systems to test semiconductors ("semiconductor test systems"), circuit-boards ("circuit-board test systems"), telephone lines and networks ("telecommunication test systems"), and software ("software test systems"). The Company is also a leading manufacturer of backplanes and associated connectors used in electronic systems ("backplane connection systems"). Circuit-board test systems, telecommunications test systems, and software test systems have been combined into "other test systems" for purposes of reporting the Company's operating segments. For financial information concerning these operating segments, see "Note N: Operating Segment and Geographic Information" in Notes to Consolidated Financial Statements. Unless the context indicates otherwise, the term "Company" as used herein includes Teradyne, Inc. and all its subsidiaries.

Statements in this Annual Report on Form 10-K which are not historical facts, so called "forward looking statements," are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that all forward looking statements involve risks and uncertainties, including those detailed in the Company's filings with the Securities and Exchange Commission. See also "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations--Certain Factors That May Affect Future Results."

PRODUCTS

Semiconductor test systems produced by the Company are used by electronic component manufacturers in the design and testing of a wide variety of semiconductor products, including logic, memory, mixed signal, and system on a chip integrated circuits. Semiconductor test systems are sold to semiconductor manufacturers and subcontractors to the semiconductor industry. Semiconductor manufacturers use the Company's semiconductor test systems to measure product performance, to improve product quality, to shorten time to market, to enhance manufacturability, to conserve labor costs, and to increase production yields. Semiconductor test systems accounted for 68% of consolidated net sales in 1999, 65% in 1998, and 67% in 1997.

Backplane connection systems are used principally for the computer, communications, and military/aerospace industries. A backplane is an assembly into which printed circuit boards are inserted that provides for the interconnection of electrical signals between the circuit boards and the other elements of the system. The Company produces both printed circuit and metal backplanes, along with mating circuit-board connectors. Backplane connection systems customers include makers of data storage systems, telecommunications gear, and routers and servers. In addition, backplane connection systems have a long-standing military/aerospace customer base. Backplane connection systems accounted for 21% of consolidated net sales in 1999, 18% in 1998, and 17% in 1997.

Circuit-board test systems are used by electronic equipment manufacturers for the design and testing of circuit boards and other assemblies. Circuit-board test systems are also sold to customers across most sectors of the electronics industry and to companies in other industries that use electronic devices in high volume. Similar to semiconductor test systems, circuit-board test systems customers use their test systems and related software to increase product performance, to improve product quality, to shorten time to market, to enhance manufacturability, to conserve labor costs, and to increase production yields. Circuit-board test systems accounted for 6% of consolidated net sales in 1999, 10% in 1998, and 9% in 1997.

Telecommunications test systems are used by telephone operating companies for the testing and maintenance of their subscriber telephone lines and related equipment. Telecommunications test systems accounted for 2% of consolidated net sales in 1999 and 5% in 1998 and 1997.

Software test systems are used by a number of industries to test communications networks, computerized telecommunication systems, and web based applications. Software test systems accounted for 3% of consolidated net sales in 1999 and 2% in 1998 and 1997.

SALES AND DISTRIBUTION

The Company's systems are extremely complex and require extensive support both by the customer and the Company. Prices for the Company's systems can reach $3 million or more. In 1999, principally all of the Company's operating segments reported sales to Motorola Inc. accounting for a total of 11% of consolidated net sales. In 1999, the Company's three largest customers accounted for 26% of consolidated net sales.

Direct sales to United States government agencies accounted for less than 2% of consolidated net sales in 1999, 1998, and 1997. Approximately 4% of other test systems segment sales were to United States government agencies in 1999. Sales are also made within each of the Company's segments to customers who are government contractors. Approximately 5% of backplane connection systems sales and approximately 16% of other test systems segment sales fell into this category during 1999.

The Company has sales and service offices throughout North America, Europe, the Asia Pacific region, and Japan as the Company's customers outside the United States are located primarily in those geographic areas. The Company sells in these areas predominantly utilizing a direct sales force. Substantially all of the Company's manufacturing activities are conducted in the United States. Sales to customers outside the United States accounted for 52% of consolidated net sales in 1999, 46% in 1998, and 51% in 1997.

The Company is subject to the inherent risks involved in international trade, such as political and economic instability, restrictive trade policies, controls on funds transfer, currency fluctuations, difficulties in managing distributors, potentially adverse tax consequences, and the possibility of difficulty in accounts receivable collection. The Company attempts to reduce the effects of currency fluctuations by hedging part of its exposed position and by conducting some of its international transactions in U.S. dollars or dollar equivalents. See also "Item 7A. Quantitative and Qualitative Disclosures About Market Risks."

COMPETITION

The Company faces substantial competition, throughout the world, in each operating segment. Some of these competitors have substantially greater financial and other resources with which to pursue engineering, manufacturing, marketing, and distribution of their products. The Company also faces competition from internal suppliers at several of its customers. Competition is principally based on technical performance, equipment and service reliability, reputation and price. New product introductions by the Company's competitors could cause a decline in sales or loss of market acceptance of existing products.

BACKLOG

On December 31, 1999, the Company's backlog of unfilled orders for semiconductor test systems, backplane connection systems and other test systems segments was approximately $700.0 million, $175.4 million, and $104.1 million, respectively, compared with $334.0 million, $131.1 million and $114.7 million, respectively on December 31, 1998. Of the backlog at December 31, 1999, approximately 99% of the semiconductor test systems backlog and backplane connection systems backlog and approximately 68% of the other test systems backlog are expected to be delivered in 2000. The Company's past experience indicates that a portion of orders included in the backlog may be canceled. There are no seasonal factors related to the backlog.

RAW MATERIALS

The Company's products require a wide variety of electronic and mechanical components. The Company can experience occasional delays in obtaining timely delivery of certain items. Additionally, the Company could experience a temporary adverse impact if any of its sole source suppliers ceased to deliver products. Any prolonged inability of the Company to obtain adequate yields or deliveries, or any other circumstances that would require the Company to seek alternative sources of supply could have a material adverse effect on the Company's business, financial condition, and results of operations.

PATENTS AND LICENSES

The development of products by the Company, both hardware and software, is largely based on proprietary information. The Company protects its rights in proprietary information through various methods such as copyrights, trademarks, patents and patent applications, software license agreements, and employee agreements. Any invalidation of the Company's intellectual property rights could have a material adverse effect on the Company's business.

EMPLOYEES

As of December 31, 1999 the Company employed 7,500 people. Since the inception of the Company's business, there have been no work stoppages or other labor disturbances. The Company has no collective bargaining contracts.

ENGINEERING AND DEVELOPMENT ACTIVITIES

The highly technical nature of the Company's products requires a large and continuing engineering and development effort. Engineering and development expenditures for new and improved products were approximately $228.6 million in 1999, $195.2 million in 1998, and $162.5 million in 1997. These expenditures amounted to approximately 13% of consolidated net sales in 1999, 1998, and 1997.

ENVIRONMENTAL AFFAIRS

The Company's manufacturing facilities are subject to numerous laws and regulations designed to protect the environment, particularly from manufacturing plant wastes and emissions. These laws include the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Superfund Amendment and Reauthorization Act of 1986, the Occupational Safety and Health Act, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act of 1976, and the Hazardous and Solid Waste Amendments of 1984. In the opinion of management, the costs associated with complying with these laws and regulations have not had and are currently not expected to have a material adverse effect upon the financial position of the Company.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth the names of all executive officers of the Company and certain other information relating to their positions held with the Company and other business experience. Executive officers of the Company do not have a specific term of office but rather serve at the discretion of the Board of Directors.

EXECUTIVE OFFICER	AGE	POSITION	BUSINESS EXPERIENCE FOR THE PAST 5 YEARS
Alexander V. d'Arbeloff........	72	Chairman of the Board	Chairman of the Board of the Company since 1977; Chief Executive Officer of the Company from 1996 to 1997; President of the Company from 1971 to 1996; Director of the Company since 1960.
George W. Chamillard...........	61	President, Chief Executive Officer, and Member of the Board	President and Chief Executive Officer of the Company since 1997; Director of the Company since 1996; President and Chief Operating Officer of the Company from 1996 to 1997; Executive Vice President of the Company from 1994 to 1996.
Michael A. Bradley.............	51	Vice President and Chief Financial Officer	Chief Financial Officer beginning in 1999; Vice President of the Company since 1992.

Edward Rogas, Jr.	59	Senior Vice President	Senior Vice President beginning in 2000; Vice President of the Company from 1984 to 1999.
David L. Sulman	56	Senior Vice President	Senior Vice President beginning in 2000; Vice President of the Company from 1994 to 1999.
Eileen Casal	41	Vice President and General Counsel	Vice President and General Counsel of the Company since March 1999; From September 1986 to February 1999, Ms. Casal served in various legal positions at Stratus Computer, Inc.: including Vice President, General Counsel and Assistant Secretary.
John M. Casey	51	Vice President	Vice President of the Company since 1990.
Ronald J. Dias	56	Vice President	Vice President of the Company since 1988.
Donald J. Hamman	48	Controller	Controller of the Company since 1994.
Jeffrey R. Hotchkiss	52	Vice President	Chief Financial Officer from 1997 to 1999; Vice President of the Company since 1990.
Stuart M. Osattin	54	Vice President and Treasurer	Vice President and Treasurer of the Company since 1994.

ITEM 2: PROPERTIES

The Company's executive offices are in Boston, Massachusetts. Manufacturing and other operations are carried on in several locations. The following table provides certain information as to the Company's principal general offices and manufacturing facilities.

LOCATION	OPERATING SEGMENT	PROPERTY INTEREST	APPROXIMATE SQUARE FEET OF FLOOR SPACE
Boston, Massachusetts	Semiconductor Test & General Offices	Own	492,000
Agoura Hills, California	Semiconductor Test	Own	572,000
North Reading, Massachusetts	Semiconductor & Circuit Board Test	Own	273,000
Nashua, New Hampshire	Backplane Connection	Own	570,000
San Jose, California	Semiconductor Test	Own	120,000
Walnut Creek, California	Circuit Board Test	Lease	69,000
Kumamoto, Japan	Semiconductor Test	Own	66,000
Deerfield, Illinois	Telecommunication Test	Own	63,000
Dublin, Ireland	Backplane Connection	Lease	46,000

Approximately 112,000 square feet of the floor space the Company owns in Agoura Hills is unoccupied and therefore available for future expansion.

ITEM 3: LEGAL PROCEEDINGS

The Company is subject to legal proceedings and claims which arise in the ordinary course of business. Management does not believe these actions will have a material affect on the financial position or results of operations of the Company.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The following table shows the market range for the Company's Common Stock based on reported sale prices on the New York Stock Exchange, after giving effect to the two-for-one stock split effected in the form of a 100% stock dividend distributed on August 31, 1999.

PERIOD	HIGH	LOW
1999 First Quarter	$32 1/2	$21 1/8
Second Quarter	36	23 3/8
Third Quarter	41 7/8	32
Fourth Quarter	66	29 1/2
1998 First Quarter	$24 1/4	$13 7/8
Second Quarter	21 3/4	12 3/8
Third Quarter	14 1/8	8 5/8
Fourth Quarter	22 3/4	7 1/2

The number of record holders of the Company's Common Stock at February 27, 2000 was 2,520.

The Company has never paid cash dividends because it has been its policy to use earnings to finance expansion and growth. Payment of future cash dividends will rest within the discretion of the Board of Directors and will depend, among other things, upon the Company's earnings, capital requirements, and financial condition. The Company presently expects to retain all of its earnings for use in the business.

ITEM 6: SELECTED FINANCIAL DATA

	YEARS ENDED DECEMBER 31,*				
	1999	1998	1997	1996	1995
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
Net sales	$1,790,912	$1,489,151	$1,266,274	$1,171,615	$1,191,022
Income from continuing operations	$ 191,694	$ 102,117	$ 127,608	$ 93,574	$ 159,284
Income from continuing operations per common share - basic	$ 1.12	$ 0.61	$ 0.76	$ 0.56	$ 0.98
Income from continuing operations per common share - diluted	$ 1.07	$ 0.59	$ 0.74	$ 0.55	$ 0.95
Total assets	$1,568,213	$1,312,814	$1,251,674	$1,096,816	$1,023,831
Long-term obligations	$ 8,948	$ 13,200	$ 13,141	$ 15,650	$ 18,679

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* Note: Previously published financial data have been restated to give effect to the two-for-one stock split effected in the form of a 100% stock dividend distributed on August 31, 1999.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SELECTED RELATIONSHIPS WITHIN THE CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31,

	1999	1998	1997
	(DOLLARS IN THOUSANDS)		
Net sales	$1,790,912	$1,489,151	$1,266,274
Net income	$ 191,694	$ 102,117	$ 127,608
Increase in net sales from preceding year:			
Amount	$ 301,761	$ 222,877	$ 94,659
Percentage	20%	18%	8%
Increase (decrease) in net income from preceding year	$ 89,577	$ (25,491)	$ 34,034
Percentage of net sales:			
Net sales	100%	100%	100%
Expenses:			
Cost of sales	59	64	58
Engineering and development	13	13	13
Selling and administrative	14	14	15
	85	91	86
Net interest income	1	1	1
Income before income taxes	15	10	15
Provision for income taxes	4	3	5
Net income	11%	7%	10%

RESULTS OF OPERATIONS:

1999 compared to 1998

Sales increased 20% in 1999 to a record $1,790.9 million from $1,489.2 million in 1998. Semiconductor test systems shipments increased by 25% due to increased orders resulting from capacity expansion at semiconductor manufacturers and subcontractors. Sales of backplane connection systems to unaffiliated customers grew 39% as a result of continued growth in demand from networking, data storage, and other high technology customers. Other test systems sales were down 18% from 1998 with decreases in telecommunications test systems of 45% and circuit-board test systems of 20%. These decreases were a result of telecommunication customers reducing investment in traditional voice testing technology and circuit-board test systems customers seeking lower cost solutions and or new solutions to test increasing complex circuit-boards. Other test systems sales decreases were offset slightly by an increase of 42% in sales of software test systems to customers within the telecommunication and web-based application development markets.

Net income grew $89.6 million to $191.7 million in 1999 from $102.1 million in 1998. Income before income taxes increased $127.9 million from $145.9 million in 1998 to $273.8 million in 1999. Semiconductor test systems and backplane connection systems income before income taxes increased $183.4 million and $29.2 million, respectively in 1999 due to increased sales. Other test systems income before income taxes decreased $46.5 million in 1999 resulting in a loss before income taxes of $14.3 million in 1999. This decrease in income before income taxes was due to decreased sales coupled with the Company maintaining its engineering and development of new products.

Incoming orders increased 82% from $1,206.5 million in 1998 to a record $2,190.6 million in 1999. Orders increased in nearly all operating segments and were led by a 130% increase in semiconductor test systems orders. Backplane connection systems and software test systems orders both increased 34% and circuit-board

test systems orders increased by a modest 4%. Orders for telecommunications test systems decreased 59% in 1999. As a result of record bookings, the Company's backlog increased 69% to a record $979.5 million.

Costs of sales as a percentage of sales decreased from 64% of sales in 1998 to 59% of sales in 1999. Included in cost of sales in 1998 was a $23.0 million charge for excess inventory. The charge resulted from the drop in demand for semiconductor test systems products. Excluding this charge cost of sales decreased from 62% to 59%. The decrease in cost of sales was primarily due to the increased utilization of the Company's manufacturing overhead as sales volume increased while certain components of cost of sales remained fixed.

Engineering and development expenses were 13% of sales in both 1999 and 1998 representing a year over year increase of $33.4 million. The increase was primarily due to new product development expenses in semiconductor test systems although there were increased expenses related to product development in each of the Company's operating segments.

Selling and administrative expenses were 14% of sales in both 1999 and 1998 representing a year over year increase of $43.5 million. The increase was due to higher compensation related expenses and spending in support of increased semiconductor test systems and software test systems sales.

Interest income increased $3.8 million to $17.3 million in 1999 compared to 1998 due to an increase in the Company's average invested balances.

The Company's effective tax rate was 30% in 1999 and 1998. The Company utilized export sales corporation benefits and certain research and development tax credits to operate below the U.S. statutory rate of 35%.

1998 compared to 1997

Sales increased 18% in 1998 to $1,489.2 million from $1,266.3 million in 1997. Due to a strong backlog at the beginning of 1998, semiconductor test systems shipments increased by 14%, despite a decline in sales by the semiconductor test equipment market as a whole. Sales of backplane connection systems to unaffiliated customers grew 23% as a result of growth in demand from networking, data storage, and other high technology customers. Other test systems sales were up 31% from 1997 with increases in circuit-board test systems of 28%, telecommunications test systems of 20%, and software test systems of 77%. Net income fell from $127.6 million in 1997 to $102.1 million in 1998. Excluding the effect of pre-tax special charges of $23.0 million for excess raw material inventory and $5.0 million for acquired in-process technology in 1998 and 1997, respectively, income before income taxes decreased $29.5 million from $198.4 million in 1997 to $168.9 million in 1998.

Incoming orders decreased 25% from $1,612.4 million in 1997 to $1,206.5 million in 1998. A 40% drop in semiconductor test system orders drove the decline. Offsetting that decline, backplane connection systems orders grew 36% and software test systems orders increased by 73%. Orders for circuit-board test systems and telecommunications test systems decreased 3% and 38%, respectively. The Company's backlog fell 33% to $579.8 million as a result of the decrease in orders.

Costs of sales as a percentage of sales, excluding a 1998 charge of $23.0 million for excess inventory, increased from 58% of sales in 1997 to 62% of sales in 1998. The charge for excess inventory resulted from the drop in demand for semiconductor test systems products. The increase in cost of sales was primarily due to higher costs related to the increased shipment of new semiconductor test systems products and the relationship of fixed manufacturing costs to the lower semiconductor test systems shipment volume in the second half of 1998. In addition, backplane connection systems 1998 cost of sales, as a percentage of sales, increased over 1997 as a result of capacity expansion at its printed circuit-board facility and the costs to support production activity of connector design wins at several new customers.

Engineering and development expenses were 13% of sales in both 1997 and 1998 representing a year over year increase of $32.6 million. The increases were primarily in semiconductor test systems although there were increased expenses related to product development in each of the operating segments.

Selling and administrative expenses increased by $18.8 million in 1998 over 1997, representing a decrease from 15% of sales in 1997 to 14% of sales in 1998. The dollar increase was primarily related to the introduction and marketing of new semiconductor and software test system products.

The Company's effective tax rate was 30% in 1998 compared to 34% in 1997. The tax rate declined due to increases in certain research and development tax credits and increases in export sales corporation benefits.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash, cash equivalents and marketable securities balance increased $89.5 million in 1999, to $387.4 million. The Company has been able to generate cash from operating activities in each of the last three years. The primary source of cash from operating activities has been net income, as adjusted to exclude the effects of non-cash items such as depreciation and amortization. Net income from operating activities, adjusted to exclude the effects of non-cash items, for each of the last three years was $278.3 million in 1999, $186.0 million in 1998, and $189.5 million 1997. The other source or use of cash from operating activities has been changes in assets and liabilities other than those assets and liabilities resulting from investing and financing activities. The cash effect of changes in assets and liabilities for each of the last three years was: a $89.2 million source in 1999, a $52.6 million source in 1998; and an $176.0 million use in 1997.

The Company used $244.8 million of cash for investing activities in 1999, $101.6 million in 1998, and $77.4 million in 1997. Investing activities consist of purchases, sales, and maturities of marketable securities and purchases of capital assets to support long-term growth. Capital expenditures were $151.2 million in 1999, $164.4 million in 1998, and $132.1 million in 1997.

The Company used $126.8 million of cash for financing activities in 1999, $26.2 million in 1998, and $62.9 million in 1997. Financing activities include sales and repurchases of the Company's common stock, as well as repayments of debt. During 1999, 1998, and 1997 net common stock activity used $125.5 million, $24.6 million, and $60.5 million of cash, respectively. Since 1996, the Company has used $393.3 million of cash to repurchase 16.2 million shares of its common stock on the open market.

The Company believes its cash, cash equivalents, and marketable securities balance of $387.4 million, together with other sources of funds, including cash flow generated from operations and the available borrowing capacity of $120.0 million under its line of credit agreement, will be sufficient to meet working capital and capital expenditure requirements for the foreseeable future.

Inflation has not had a significant long-term impact on earnings.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1999, the Financial Accounting Standards Board issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities -- Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which was issued in June 1998 and was to be effective for all fiscal quarters of fiscal years beginning after June 15, 1999. SFAS No. 137 defers the effective date of SFAS No. 133 to be effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. Accordingly, the Company will adopt the provisions of SFAS No. 133 for its 2001 fiscal year. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. Management is currently evaluating the effects of this change on its recording of derivatives and hedging activities.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes the SEC's view in applying generally accepted accounting principles to selected revenue recognition issues. The application of the guidance in SAB 101 will be required in the Company's fiscal year 2000. The effects of applying this guidance will be reported as a cumulative effect adjustment resulting from a change in

accounting principle. The Company has not completed its evaluation of SAB 101 and is therefore unable to determine its impact.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

EXCHANGE RATE RISK MANAGEMENT

The Company regularly enters into forward contracts in European and Japanese currencies to hedge its overseas net monetary position and firm commitments. The Company's firm commitments consist of certain orders received in currencies other than U.S. dollars. Forward currency contracts generally have maturities of less than one year. These contracts are used to reduce the Company's risk associated with exchange rate movements, as gains and losses on these contracts are intended to offset exchange losses and gains on underlying exposures. The Company does not engage in currency speculation.

At December 31, 1999 the face amount of outstanding forward currency contracts to buy U.S. dollars for non U.S. currencies was $62.4 million. A 10% fluctuation in exchange rates for these currencies would change the fair value by approximately $6.2 million. However, since these contracts hedge non U.S. currency transactions, any change in the fair value of the contracts would be offset by opposite changes in the underlying value of the transactions being hedged. The hypothetical movement was estimated by calculating the fair value of the forward currency contracts at December 31, 1999 and comparing that with those calculated using hypothetical forward currency exchange rates.

INTEREST RATE RISK MANAGEMENT

Due to its short-term duration the fair value of the Company's cash and investment portfolio at December 31, 1999 approximated carrying value. Market risk was estimated as the potential decrease in fair value resulting from a hypothetical 10% increase in interest rates for issues contained in the investment portfolio. The resulting hypothetical fair value was not materially different from the year-end carrying value.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

From time to time, information provided by the Company, statements made by its employees or information included in its filings with the Securities and Exchange Commission (including this Form 10-K and the Company's Annual Report to Shareholders) may contain statements which are not historical facts, so-called "forward looking statements," which involve risks and uncertainties. In particular, statements in "Item 1: Business" relating to the Company's delivery time of unfilled orders, and in "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" relating to the sufficiency of capital to meet working capital and planned capital expenditures, may be forward looking statements. The Company's actual future results may differ significantly from those stated in any forward looking statements. Factors that may cause such differences include, but are not limited to, the factors discussed below. Each of these factors, and others, are discussed from time to time in the Company's filings with the Securities and Exchange Commission.

The Company's future results are subject to substantial risks and uncertainties. The Company's business and results of operations depend in significant part upon capital expenditures of manufacturers of semiconductors, which in turn depend upon the current and anticipated market demand for semiconductors and products incorporating semiconductors. The semiconductor industry has been highly cyclical with recurring periods of over supply, which often have had a severe effect on the semiconductor industry's demand for test equipment, including systems manufactured and marketed by the Company. The Company believes that the markets for newer generations of semiconductors will also be subject to similar fluctuations. There can be no assurance that any future increase in semiconductor test systems bookings for a calendar quarter will be sustained in subsequent quarters. In addition, any factor adversely affecting the semiconductor industry or particular segments within the semiconductor industry may adversely affect the Company's business, financial condition and operating results.

The Company relies on certain intellectual property protections to preserve its intellectual property rights, including patents, copyrights, and trade secrets. While the Company believes that its patents, copyrights, and trade secrets have value, in general no single one is in itself essential. The Company believes that its technological position depends primarily on the technical competence and creative ability of its research and development personnel. From time to time the Company is notified that it may be in violation of patents held by others. An assertion of patent infringement against the Company, if successful, could have a material adverse effect on the Company or could require a lengthy and expensive defense which could adversely affect the Company's operating results.

The development of new technologies, commercialization of those technologies into products, and market acceptance and customer demand for those products is critical to the Company's success. Successful product development and introduction depends upon a number of factors, including new product selection, development of competitive products by competitors, timely and efficient completion of product design, timely and efficient implementation of manufacturing and assembly processes and product performance at customer locations.

The Company faces substantial competition, throughout the world, in each operating segment. Some of these competitors have substantially greater financial and other resources to pursue engineering, manufacturing, marketing and distribution of their products. The Company also faces competition from internal suppliers at several of its customers. Certain of the Company's competitors have introduced or announced new products with certain performance characteristics which may be considered equal or superior to those currently offered by the Company. The Company expects its competitors to continue to improve the performance of their current products and to introduce new products or new technologies that provide improved cost of ownership and performance characteristics. New product introductions by competitors could cause a decline in sales or loss of market acceptance of the Company's existing products. Moreover, increased competitive pressure could lead to intensified price based competition, which could materially adversely affect the Company's business, financial condition and results of operations.

The Company derives a significant portion of its total revenue from customers outside the United States. International sales are subject to significant risks, including unexpected changes in legal and regulatory requirements and policy changes affecting the Company's markets, changes in tariffs, exchange rates and other barriers, political and economic instability, difficulties in accounts receivable collection, difficulties in managing distributors and representatives, difficulties in staffing and managing international operations, difficulties in protecting the Company's intellectual property and potentially adverse tax consequences.

The Company's semiconductor test systems operating segment generates a significant portion of its revenue from customers operating in South Asian countries and Taiwan. Although the economies of South Asian countries and Taiwan have stabilized to some degree since mid fiscal 1998, if these economies deteriorate the negative economic developments would increase the likelihood of either a direct or indirect adverse impact on the Company's future operating results.

The Company's quarterly and annual operating results are affected by a wide variety of factors that could materially adversely affect revenues and profitability, including: competitive pressures on selling prices; the timing and cancellation of customer orders; changes in product mix; the Company's ability to introduce new products and technologies on a timely basis; introduction of products and technologies by the Company's competitors; market acceptance of the Company's and its competitors' products; fulfilling backlog on a timely basis; reliance on sole source suppliers; potential retrofit costs; the level of orders received which can be shipped in a quarter; and the timing of investments in engineering and development. As a result of the foregoing and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis which could materially and adversely affect its business, financial condition, operating results and stock price.

YEAR 2000

As of the Company's fiscal month ended February 27, 2000 the Company has not experienced any material negative impact related to the Year 2000 problem in any of its business-critical functions. Based upon

our ability to deliver our products and services without interruption and information received from vendors and service providers, the Company has no reason to believe that there will be any material adverse impact on the Company's financial condition or results of operations relating to any Year 2000 problem. However, if the information received from vendors and service providers is not accurate or happens to change, then there could be an unforeseen material adverse impact on the Company's results of operations or financial condition. The Company will continue to monitor its systems and operations until it is reasonably assured that no significant business interruptions will occur as a result of the Year 2000 problem.

The aggregate costs incurred by the Company in addressing its Year 2000 problem were within the $5.0 million estimate previously reported by the Company.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT ACCOUNTANTS

To the Directors and Shareholders of
Teradyne, Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) on page 34 present fairly, in all material respects, the financial position of Teradyne, Inc. and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) on page 34 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Boston, Massachusetts
January 14, 2000

TERADYNE, INC.

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1999 AND 1998

	1999	1998
	(IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 181,345	$ 185,514
Marketable securities	66,316	15,914
Accounts receivable, less allowance for doubtful accounts of $4,410 and $2,395 in 1999 and 1998, respectively	296,159	219,303
Inventories:		
Parts	123,300	154,706
Assemblies in process	145,393	111,641

	268,693	266,347
Deferred tax assets	49,716	49,262
Prepayments and other current assets	45,458	23,200
Total current assets	907,687	759,540
Property, plant, and equipment:		
Land	41,774	41,060
Buildings and improvements	238,136	171,895
Machinery and equipment	692,383	591,897
Construction in progress	9,693	52,699
Total	981,986	857,551
Less: Accumulated depreciation	(484,247)	(422,594)
Net property, plant, and equipment	497,739	434,957
Marketable securities	139,752	96,494
Other assets	23,035	21,823
Total assets	$1,568,213	$1,312,814
LIABILITIES		
Current liabilities:		
Notes payable -- banks	$ 8,221	$ 7,393
Current portion of long-term debt	4,659	1,309
Accounts payable	104,335	45,042
Accrued employees' compensation and withholdings	117,314	68,431
Unearned service revenue and customer advances	60,096	64,674
Other accrued liabilities	66,223	54,071
Accrued income taxes	31,478	14,770
Total current liabilities	392,326	255,690
Deferred tax liabilities	13,907	17,554
Long-term debt	8,948	13,200
Commitments (Note E)		
Total liabilities	415,181	286,444
SHAREHOLDERS' EQUITY		
Common stock, $0.125 par value, 250,000 shares authorized, 170,319 and 83,744 net shares issued and outstanding in 1999 and 1998, respectively	21,290	10,468
Additional paid-in capital	234,198	310,052
Retained earnings	897,544	705,850
Total shareholders' equity	1,153,032	1,026,370
Total liabilities and shareholders' equity	$1,568,213	$1,312,814

The accompanying notes are an integral part of the consolidated financial statements.

TERADYNE, INC.

CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Net sales	$1,790,912	$1,489,151	$1,266,274
Expenses:			
Cost of sales	1,047,752	947,174	734,370
Engineering and development	228,570	195,158	162,500
Selling and administrative	256,392	212,885	194,103

	1,532,714	1,355,217	1,090,973
Income from operations	258,198	133,934	175,301
Interest income	17,307	13,514	20,289
Interest expense	(1,656)	(1,566)	(2,245)
Income before income taxes	273,849	145,882	193,345
Provision for income taxes	82,155	43,765	65,737
Net income	$ 191,694	$ 102,117	$ 127,608
Net income per common share -- basic	$ 1.12	$ 0.61	$ 0.76
Net income per common share -- diluted	$ 1.07	$ 0.59	$ 0.74
Shares used in net income per common share -- basic	170,519	167,645	166,868
Shares used in net income per common share --diluted	178,550	171,930	172,638

The accompanying notes are an integral part of the consolidated financial statements.

TERADYNE, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1999, 1998 AND 1997

	SHARES		COMMON STOCK	ADDITIONAL PAID-IN	RETAINED	
	ISSUED	REACQUIRED	PAR VALUE	CAPITAL	EARNINGS	TOTAL
			(IN THOUSANDS)			
Balance, December 31, 1996	87,242	4,762	$10,310	$ 355,576	$476,125	$ 842,011
Issuance of stock to employees under benefit plans	3,373		422	43,643		44,065
Tax benefit from stock options				27,982		27,982
Repurchase of stock		2,550	(319)	(104,216)		(104,535)
Net income					127,608	127,608
Balance, December 31, 1997	90,615	7,312	10,413	322,985	603,733	937,131
Issuance of stock to employees under benefit plans	1,796		224	26,355		26,579
Tax benefit from stock options				11,701		11,701
Repurchase of stock		1,355	(169)	(50,989)		(51,158)
Net income					102,117	102,117
Balance, December 31, 1998	92,411	8,667	10,468	310,052	705,850	1,026,370
Issuance of stock to employees under benefit plans	3,205		401	60,730		61,131
Repurchase of stock		1,366	(171)	(86,980)		(87,151)
Two-for-one stock split effected in the form of a 100% stock dividend	95,616	10,033	10,698	(10,698)		0
Issuance of stock to employees under benefit plans after two-for-one stock split	1,973		246	20,947		21,193
Tax benefit from stock options				60,462		60,462
Repurchase of stock after two-for-one stock split		2,820	(352)	(120,315)		(120,667)
Net income					191,694	191,694
Balance, December 31, 1999	193,205	22,886	$21,290	$ 234,198	$897,544	$1,153,032

The accompanying notes are an integral part of the consolidated financial statements.

TERADYNE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31, 1999	1998	1997
	(IN THOUSANDS)		
Cash flows from operating activities:			
Net income	$ 191,694	$ 102,117	$ 127,608
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	85,279	75,351	57,983
Amortization	1,107	953	1,168
Charge for excess inventory		23,000	
Deferred income tax provision (credit)	(4,101)	(14,607)	1,341
Other non-cash items, net	4,354	(804)	1,377
Changes in operating assets and liabilities:			
Accounts receivable	(76,856)	81,630	(122,503)
Inventories	(2,346)	(16,990)	(131,014)
Other assets	(24,576)	(1,184)	(3,861)
Accounts payable and accruals	115,750	(18,530)	41,261
Accrued income taxes	77,171	7,685	40,092
Net cash provided by operating activities	367,476	238,621	13,452
Cash flows from investing activities:			
Additions to property, plant, and equipment	(119,780)	(119,457)	(106,436)
Increase in equipment manufactured by the Company	(31,376)	(44,983)	(25,695)
Purchases of held-to-maturity marketable securities	(177,650)	(20,000)	(111,033)
Maturities of held-to-maturity marketable securities	118,990	20,000	206,556
Purchases of available-for-sale marketable securities	(204,824)	(162,092)	(192,174)
Proceeds from sales and maturities of available-for-sale marketable securities	169,824	224,951	151,426
Net cash used in investing activities	(244,816)	(101,581)	(77,356)
Cash flows from financing activities:			
Payments of long-term debt	(1,333)	(1,615)	(2,410)
Issuance of common stock under stock option and stock purchase plans	82,323	26,579	44,065
Acquisition of treasury stock	(207,819)	(51,158)	(104,535)
Net cash used by financing activities	(126,829)	(26,194)	(62,880)
Increase (decrease) in cash and cash equivalents	(4,169)	110,846	(126,784)
Cash and cash equivalents at beginning of year	185,514	74,668	201,452
Cash and cash equivalents at end of year	$ 181,345	$ 185,514	$ 74,668
Supplementary disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 1,615	$ 1,525	$ 2,257
Income taxes	$ 22,747	$ 47,225	$ 31,971

The accompanying notes are an integral part of the consolidated financial statements.

TERADYNE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. THE COMPANY

Teradyne, Inc. (the "Company") designs, manufactures, markets, and services test systems and related software, and backplanes and associated connectors. The Company has five principal products; semiconductor test systems, backplane connection systems, circuit-board test systems, telecommunications test systems, and software test systems.

Semiconductor test systems are used by electronic component manufacturers in the design and testing of their products. Backplane connection systems are used principally for the computer, communications, and military/aerospace industries. A backplane is an assembly into which printed circuit boards are inserted that provides for the interconnection of electrical signals between the circuit boards and the other elements of the system. Circuit-board test systems are used by electronic equipment manufacturers for the design and testing of circuit boards and other assemblies. Telecommunication test systems are used by telephone operating companies for the testing and maintenance of their subscriber telephone lines and related equipment. Software test systems are used by a number of industries to test communications networks, computerized telecommunication systems, and client/server applications.

B. ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions are eliminated. Certain prior years' amounts were reclassified to conform to the current year presentation.

Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes the SEC's view in applying generally accepted accounting principles to selected revenue recognition issues. The application of the guidance in SAB 101 will be required in the Company's fiscal year 2000. The effects of applying this guidance will be reported as a cumulative effect adjustment resulting from a change in accounting principle. The Company has not completed its evaluation of SAB 101 and is therefore unable to determine its impact.

Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) or market (net realizable value). Inventories include materials, labor, and manufacturing overhead costs.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Leasehold improvements and major renewals are capitalized and included in property, plant, and equipment accounts while expenditures for maintenance and repairs and minor renewals are charged to expense. When assets are retired, the assets and related allowances for depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in operations.

B. ACCOUNTING POLICIES -- (CONTINUED)

The Company provides for depreciation of its assets principally on the straight-line method with the cost of the assets being charged to expense over their useful lives as follows: buildings and improvements -- 5 to 40 years; and machinery and equipment -- 2 to 10 years.

Revenue Recognition

Product revenue is recognized upon shipment. The Company's products are generally subject to warranty, and the Company provides for such estimated costs when product revenue is recognized. The Company recognizes service revenue as the services are provided or ratably over the period of the related contract, as applicable. The Company unbundles service revenue from product sales and maintenance services from software license fees based upon amounts charged when such elements are separately sold. For certain contracts eligible under American Institute of Certified Public Accountants ("AICPA") Statement of Position No. 81-1, revenue is recognized using the percentage-of-completion accounting method based upon an efforts-expended method. In all cases, changes to total estimated costs and anticipated losses, if any, are recognized in the period in which determined.

Engineering and Development Costs

The Company's products are highly technical in nature and require a large and continuing engineering and development effort. All engineering and development costs are expensed as incurred.

Impairment of Long-Lived Assets

The Company 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. Each impairment test is based on a comparison of the undiscounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset is written down to its estimated fair value on a discounted cash flow basis.

Income Taxes

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The measurement of deferred tax assets is reduced by a valuation allowance if, based upon weighted available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

U.S. Federal taxes are provided for on the retained earnings of non-U.S. sales and service subsidiaries whose earnings are expected to be remitted to the U.S.. U.S. Federal taxes are not provided for on the earnings of a non-U.S. manufacturing subsidiary which are expected to be reinvested indefinitely in operations outside the U.S.

Translation of Non U.S. Currencies

Assets and liabilities of non U.S. subsidiaries, which are denominated in currencies other than the U.S. dollar, are remeasured into U.S. dollars at rates of exchange in effect at the end of the fiscal year except nonmonetary assets and liabilities which are remeasured using historical exchange rates. Revenue and expense amounts are remeasured using an average of exchange rates in effect during the year, except those amounts related to nonmonetary assets and liabilities, which are remeasured at historical exchange rates. Net realized and unrealized gains and losses resulting from currency remeasurement are included in operations.

Net Income per Common Share

Basic net income per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common share is calculated by dividing net income by the sum of the weighted average number of common shares plus additional common shares that would have been outstanding if potential dilutive common shares had been issued for granted stock option and stock purchase rights.

Other Comprehensive Income

Comprehensive income does not materially differ from net income, for the years ended December 31, 1999, 1998 and 1997.

C. FINANCIAL INSTRUMENTS

Cash Equivalents

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

Marketable Securities

The Company classifies investments in marketable securities as trading, available-for-sale or held-to-maturity at the time of purchase and periodically re-evaluates such classification. There were no securities classified as trading at December 31, 1999, and no securities classified as trading or held-to-maturity at December 31, 1998. Securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at cost with corresponding premiums or discounts amortized over the life of the investment to interest income. Securities classified as available-for-sale are reported at fair value, unless the difference between the fair value and amortized cost is immaterial in which case they are carried at amortized cost. Unrealized gains or losses on available-for-sale securities are not material and therefore have not been recorded. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in interest income. The cost of securities sold is based on the specific identification method.

The fair market value of cash equivalents and short-term and long-term investments in marketable securities is substantially equal to the carrying value and represents the quoted market prices at the balance

C. FINANCIAL INSTRUMENTS -- (CONTINUED)

sheet dates. The short-term investments mature in less than one year. Long-term investments have maturities of one to ten years. At December 31, 1999 and 1998 these investments are reported as follows (in thousands):

	1999		1998
	AVAILABLE-FOR-SALE	HELD-TO-MATURITY	AVAILABLE-FOR-SALE
Short-term marketable securities:			
U.S. Treasury and government agency securities	$ 910	$58,659	$ 8,142
Corporate debt securities	6,747		7,772
	$ 7,657	$58,659	$15,914
Long-term marketable securities:			
U.S. Treasury and government agency securities	$ 69,098		$37,888
Corporate debt securities	70,654		58,606

	$139,752	$96,494
	========	=======

Other

For all other balance sheet financial instruments, the carrying amount approximates fair value.

Off-Balance Sheet Risk

The Company regularly enters into forward contracts in European and Japanese currencies to hedge its non U.S. currency net monetary position and firm commitments. The Company's firm commitments consist of certain orders received in currencies other than U.S. dollars. Forward currency contracts generally have maturities of less than one year. These contracts are used to reduce the Company's risk associated with exchange rate movements, as gains and losses on these contracts are intended to offset exchange losses and gains on underlying exposures. The Company does not engage in currency speculation. Gains or losses associated with the termination of the underlying contract for which a firm commitment no longer exists are immediately included in selling and administrative expenses.

At December 31, 1999, the Company had the following forward currency contracts to buy U.S. dollars for non U.S. currencies with the following notional amounts totaling $62.4 million; $25.8 million Japanese yen, $21.7 Euro, $13.7 million British pound sterling, and $1.2 million Swedish Krona. At December 31, 1998 the face amount of outstanding forward currency contracts to buy and sell U.S. dollars for non U.S. currencies was $36.4 million and $10.3 million, respectively.

The fair value of these contracts as of December 31, 1999 and 1998, determined by applying year-end currency exchange rates to the notional contract amounts, represented a net unrealized gain of $1.0 million in 1999 and a net unrealized loss of $0.2 million in 1998. The Company's policy is to defer gains and losses on these contracts until the corresponding losses and gains are recognized on the items being hedged. Both the contract gains and losses and the gains and losses on the items being hedged are included in selling and administrative expenses.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash investments, forward currency contracts, and accounts receivable. The Company maintains cash investments primarily in U.S. Treasury and government agency securities and corporate debt securities,

C. FINANCIAL INSTRUMENTS -- (CONTINUED)

rated AA or higher, which have minimal credit risk. The Company places forward currency contracts with high credit-quality financial institutions in order to minimize credit risk exposure. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of geographically dispersed customers.

D. DEBT

Long-term debt at December 31, 1999 and 1998 consisted of the following (in thousands):

	1999	1998
Mortgage notes payable................................	$ 9,699	$ 9,939
Capital equipment notes payable.......................	0	1,087
Other long-term debt..................................	3,908	3,483

Total	13,607	14,509
Less current maturities	4,659	1,309
	$ 8,948	$13,200

The total maturities of long-term debt for the succeeding five years and thereafter are: 2000 -- $4.7 million; 2001 -- $0.2 million; 2002 -- $0.3 million; 2003 -- $0.3 million; 2004 -- $0.3 million and $7.8 million thereafter.

Revolving Credit Agreement

The Company's available revolving credit line, in effect through January 31, 2001, is $120.0 million. At expiration of the revolver, any amounts outstanding are converted into a two year term note. As of December 31, 1999, no amounts were outstanding under this agreement. The terms of this line of credit include restrictive covenants regarding working capital, tangible net worth, and leverage. Interest rates on borrowings are either at the stated prime rate, based upon Eurocurrency, or certificate of deposit interest rates. Pursuant to the terms of the credit agreement, the Company may incur additional indebtedness of up to $30.0 million outside the agreement provided that the liabilities of the Company, exclusive of deferred income taxes and subordinated debt, shall not exceed 100% of the Company's tangible net worth.

Mortgage Notes Payable

In 1983, the Company received a loan of $4.5 million from the Boston Redevelopment Authority in the form of a 3% mortgage loan maturing March 31, 2013. This loan is collateralized by a mortgage on the Company's property at 321 Harrison Avenue which may, at the Company's option, become subordinated to another mortgage up to a maximum of $5.0 million. Interest for the first 4 1/2 years of the note was capitalized up to a principal amount of $5.0 million. Since September 30, 1987, the Company has been making semi-annual interest payments.

In conjunction with the purchase of operating facilities in San Jose, the Company received a $5.5 million mortgage loan which matures on August 31, 2000. The loan is collateralized by a mortgage on the San Jose facilities. The loan bears interest at 8.1% per annum and is payable in 59 consecutive monthly installments of $0.05 million with a $4.6 million balloon payment due at maturity. The terms of this mortgage note payable include principal prepayment penalty clauses.

D. DEBT -- (CONTINUED)

Short-term Borrowings

The weighted average interest rates on short-term borrowings outstanding as of December 31, 1999 and 1998 was 1.8% and 2.1%, respectively.

E. COMMITMENTS

Rental expense for the years ended December 31, 1999, 1998, and 1997 was $18.8 million, $17.7 million, and $15.1 million, respectively. Minimum annual rentals under all noncancellable leases are: 2000 -- $11.6 million; 2001 -- $8.9 million; 2002 -- $6.2 million; 2003 -- $4.2 million; 2004 -- $1.7 million; and $6.5 million thereafter, totaling $39.1 million.

F. NET INCOME PER COMMON SHARE

The following table sets forth the computation of basic and diluted net income per common share (in thousands, except per share amounts):

	1999	1998	1997

Net income	$191,694	$102,117	$127,608
Shares used in net income per common share -- basic	170,519	167,645	166,868
Effect of dilutive securities:			
Employee and director stock options	7,540	3,494	5,202
Employee stock purchase rights	491	791	568
Dilutive potential common shares	8,031	4,285	5,770
Shares used in net income per common share -- diluted	178,550	171,930	172,638
Net income per common share -- basic	$ 1.12	$ 0.61	$ 0.76
Net income per common share -- diluted	$ 1.07	$ 0.59	$ 0.74

Options to purchase 0.1 million shares of common stock in 1999, 4.0 million shares in 1998, and 0.8 million shares in 1997 were outstanding during the years then ended, but were not included in the year to date calculation of diluted net income per share because the options' exercise price was greater than the average market price of the common shares during those periods.

G. RETIREMENT PLANS

The Company has defined benefit pension plans covering substantially all domestic employees and employees of certain non U.S. subsidiaries. Benefits under these plans are based on the employees' years of service and compensation. The Company's funding policy is to make contributions to the plans in accordance with local laws and to the extent that such contributions are tax deductible. The assets of these plans consist primarily of equity and fixed income securities. In addition, the Company has an unfunded supplemental defined benefit plan in the United States to provide retirement benefits in excess of levels allowed by the Employment Retirement Income Security Act (ERISA).

On December 31, 1999, the U.S. defined benefit pension plan (the "U.S. plan") was amended to update all participating employees accrued benefit to reflect their average pay over the last five years.

During the fourth quarter of 1999, the Company offered all eligible domestic employees participating in the U.S. plan a choice; to continue to have benefits grow in the U.S. plan and continue to be eligible for the current Savings plan match described in "Note: K Savings Plan" or to stop growing benefits in the U.S plan

G. RETIREMENT PLANS -- (CONTINUED)

and be eligible for an increased match in the Savings plan. The accrued benefit of those employees who selected the enhanced Savings plan match was frozen on January 1, 2000 resulting in an insignificant curtailment gain.

The expense of these defined benefit pension plans and the December 31 balances of plan assets and obligations are shown below (in thousands):

	1999	1998	1997
EXPENSE			
Service cost	$ 7,874	$5,852	$5,057
Interest cost	8,247	6,789	6,031
Expected return on plan assets	(7,394)	(6,317)	(5,413)
Amortization of unrecognized:			
Net transition obligation	102	81	67
Prior service cost	612	584	525
Net loss	1,592	1,196	1,024
Other	(87)	--	--

Total expense	$10,946	$8,185	$7,291

	1999	1998	1997
WEIGHTED AVERAGE ASSUMPTIONS			
Discount rate	7.75%	7.0%	7.0%
Expected return on plan assets	9.0%	9.0%	9.0%
Salary progression rate	5.0%	5.0%	5.0%

ASSETS AND OBLIGATIONS	1999	1998
Projected benefit obligation:		
Beginning of year	$121,234	$98,149
Service cost	7,874	5,852
Interest cost	8,247	6,789
Actuarial (gain) loss	(10,983)	12,132
Benefits paid	(3,324)	(2,309)
Plan amendment	6,820	
Curtailment	(5,682)	
Non U.S. currency movement	360	621
End of year	124,546	121,234
Fair value of plan assets:		
Beginning of year	93,594	77,809
Company contributions	6,131	6,224
Actual return	14,996	11,668
Benefits paid	(3,324)	(2,309)
Non U.S. currency movement	138	202
End of year	111,535	93,594
Funded status	(13,011)	(27,640)

G. RETIREMENT PLANS -- (CONTINUED)

ASSETS AND OBLIGATIONS	1999	1998
Unrecognized prior service cost	7,566	3,571
Unrecognized net transition obligation	646	567
Unrecognized net actuarial (gain) loss	(5,993)	17,136
Accrued pension cost	(10,792)	$(6,366)

The following table provides amounts recognized in the statement of financial position as of December 31, of both years (in thousands):

	1999	1998

Prepaid pension cost	$ 554	$ 2,519
Accrued benefit liability	(11,346)	(8,885)
Accrued pension cost	$(10,792)	($ 6,366)

There is no additional minimum pension liability to be recognized as of December 31, 1999 and 1998. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $19.9 million, $13.4 million and $3.7 million, respectively, as of December 31, 1999 and $17.6 million, $11.5 million and $2.5 million, respectively, as of December 31, 1998.

H. COMMON STOCK REPURCHASE PROGRAM

The Company's Board of Directors has authorized the repurchase of 20.0 million shares of the Company's stock on the open market. In 1999, the Company repurchased 5.6 million shares at a cost of $207.8 million, increasing the cumulative shares purchased under this program through 1999 to 16.2 million shares at an aggregate cost of $393.3 million. The Company records treasury stock at cost.

I. COMMON STOCK SPLIT

On July 30, 1999 the Company's Board of Directors authorized a two-for-one stock split effected in the form of a 100% stock dividend distributed on August 31, 1999 to shareholders of record as of August 17, 1999. As a result of the stock split, the accompanying consolidated financial statements reflect an increase in the number of outstanding shares of common stock and the transfer of the par value of these additional shares from paid-in capital. All share and per share amounts have been restated to reflect the retroactive effect of the stock split, except for the capitalization of the Company.

J. STOCK BASED COMPENSATION

At December 31, 1999, the Company had both stock option plans and stock purchase plans. The Company previously adopted SFAS No. 123 "Accounting for Stock-Based Compensation" (Statement 123), and as permitted by this standard, will continue to apply Accounting Principles Board (APB) Opinion 25 and related interpretations in accounting for its plans. The Company is required to disclose pro forma net income and net income per common share amounts had compensation cost for the Company's stock based compensation plans been determined based on the fair value at the grant dates for awards under those plans. Had compensation expense for the stock based compensation plans been consistent with the method of Statement 123, amounts reported for 1999, 1998, and 1997, respectively would have been; net income of $153.6 million, $ 77.8 million and $115.4 million; net income per common share -- basic of $0.90; $0.46 and $0.69; and net income per common share -- diluted of $0.86, $0.45 and $0.67. The impact to reported net income and per common share amounts of this pro forma disclosure are not comparable among 1999, 1998,

J. STOCK BASED COMPENSATION -- (CONTINUED)

and 1997 as Statement 123 did not apply to awards prior to 1995. The amounts of this pro forma disclosure are also not indicative of the impact on net income for future years.

Stock Option Plans

Under its stock option plans, all of which are fixed, the Company granted options to directors, officers, certain employees, and other individuals entitling them to purchase common stock at 100% of market value at the date of grant. Stock options granted generally have a maximum term of five years and vest over four years.

Stock option plan activity for the years 1999, 1998, and 1997 follows (in thousands):

	1999	1998	1997
Outstanding at January 1	21,548	17,132	17,006
Options granted	5,631	13,778	6,352
Options exercised	(7,272)	(2,470)	(5,700)
Options canceled	(682)	(6,892)	(526)
Outstanding at December 31	19,225	21,548	17,132
Exercisable at December 31	6,355	8,398	6,788
Available for grant at December 31	13,867	18,816	11,366

Weighted average option exercise price information for the years 1999, 1998 and 1997 follows:

	1999	1998	1997
Outstanding at January 1	$ 9.73	$11.24	$ 6.77
Options granted	$32.13	$11.48	$18.22
Options exercised	$ 9.03	$ 6.18	$ 5.88
Options canceled	$12.68	$17.74	$ 9.40
Outstanding at December 31	$16.44	$ 9.73	$11.24
Exercisable at December 31	$12.59	$ 8.66	$ 8.75

Significant option groups outstanding at December 31, 1999 and related weighted average price and life information follows (options in thousands):

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
$3.44 - $9.19	1.68	2,315	$ 5.88	1,497	$ 5.83
$9.59	3.57	5,233	$ 9.59	1,660	$ 9.59
$9.81 - $11.81	3.03	5,599	$11.57	2,158	$11.21
$12.52 - $44.50	4.62	6,078	$30.86	1,040	$29.99
Total	3.52	19,225	$16.44	6,355	$12.59

On August 20, 1998, the Stock Option Committee of the Board of Directors (the "Option Committee") approved a reduction, effective August 27, 1998, in the exercise price of certain outstanding stock options held by officers and employees of the Company. Action was taken to attempt to restore the long-term incentive feature of employee stock options. The Option Committee believed that at their original exercise prices, the disparity between the exercise price of these options and recent market prices for the Company's Common

Stock did not provide meaningful long-term incentive to officers and employees holding these options to perform to their maximum potential and work toward the success of the Company. In connection with this action the Company canceled options to purchase 6.4 million shares. The canceled options were originally granted between May 15, 1997 and July 1, 1998 at exercise prices ranging from $18.25 to $20.94 per share. New options to purchase 6.4 million shares at $9.59 were then granted. All vesting under the canceled options was lost and new vesting periods were started. The effect of this option repricing on the above pro forma disclosures is considered, under Statement 123, a modification of the terms of the outstanding options. Accordingly, the 1999 and 1998 pro forma disclosures include compensation cost for the incremental fair value, under Statement 123, resulting from such modification.

The weighted average fair value at date of grant for options granted during 1999, 1998 and 1997 was $16.21, $5.35 and $8.06 per option, respectively. The fair value of options at date of grant was estimated using the Black-Scholes model with the following weighted average assumptions:

	1999	1998	1997
Expected life (years)	4.1	4.3	4.3
Interest rate	6.1%	5.5%	6.5%
Volatility	56.7%	47.9%	44.2%
Dividend yield	0.0%	0.0%	0.0%

Employee Stock Purchase Plans

The Company has an Employee Stock Purchase plan. Under this plan, eligible employees may purchase shares of common stock through payroll deductions of up to 10% of their compensation. The price paid for the common stock is equal to 85% of the lower of the fair market value of the Company's common stock on the first business day in January (July for new hires) or the last business day of December. In January 2000, the Company issued 1.0 million shares of common stock to employees who participated in the plan during 1999 at a weighted-average price of $17.96 per share. Currently, there are 2.2 million shares reserved for issuance.

The weighted-average fair value of purchase rights granted in 1999, 1998 and 1997 was $8.18, $6.51 and $3.85, respectively. The fair value of the employees' purchase rights was estimated using the Black-Scholes model with the following assumptions for 1999, 1998 and 1997, respectively; dividend yield of 0.0% for all years; an expected life of 1 year for all years; expected volatility of 58.4%, 58.8% and 45.5%; and risk-free interest rates of 4.5%, 5.5% and 5.6%.

K. SAVINGS PLANS

The Company sponsors a Savings Plan covering substantially all U.S. employees. Under this plan, employees may contribute up to 12% of their compensation (subject to Internal Revenue Service limitations). The Company annually matches employee contributions up to 6% of such compensation at rates ranging from 50% to 100%. The Company's contributions vest after two years, although contributions for those employees with five years of service vest immediately. The Company has also established a Supplemental Savings Plan to provide savings benefits in excess of those allowed by ERISA. The provisions of this plan are the same as the Savings Plan. Under the Company's savings plans, amounts charged to operations were $9.8 million in 1999 and $9.3 million in 1998 and 1997.

Beginning in January 2000, domestic employees who elected to discontinue participation in the Company's retirement plan see "Note: G Retirement Plans" and all new domestic employees are eligible for an increased minimum Company match of 100% on contributions up to 5%.

L. STOCKHOLDER RIGHTS PLAN

The Company's Board of Directors adopted a Stockholder Rights Plan on March

14, 1990, under which a dividend of one Common Stock Purchase Right was distributed for each outstanding share of Common Stock. The Plan entitles Stock Purchase Right holders to purchase shares of the Company's common stock for $10 per share subject to adjustment (the "Purchase Price") in certain events, such as a tender offer to acquire 30% or more of the Company's outstanding shares. Under some circumstances, such as a determination by continuing Directors, that an acquiring party's interests are adverse to those of the Company, the Plan entitles such holders (other than an acquiring party or adverse party) to purchase Common Stock (or other securities or consideration owned by the Company) having a value equal to two times the Purchase Price of the right for the Purchase Price. The Rights expired on March 26, 2000.

M. INCOME TAXES

The components of income before income taxes and the provision for income taxes as shown in the consolidated statements of income are as follows (in thousands)

	1999	1998	1997
Income before income taxes:			
United States	$239,453	$131,571	$161,942
Non U.S	34,396	14,311	31,403
	$273,849	$145,882	$193,345
Provision (credit) for income taxes:			
Current:			
U.S. Federal	$ 65,104	$ 43,501	$ 45,302
Non U.S	14,296	11,021	13,053
State	6,856	3,850	6,041
	86,256	58,372	64,396
Deferred:			
U.S. Federal	(184)	(6,102)	77
Non U.S	(3,461)	(7,655)	1,140
State	(456)	(850)	124
	(4,101)	(14,607)	1,341
	$ 82,155	$ 43,765	$ 65,737

M. INCOME TAXES -- (CONTINUED)

Significant components of the Company's deferred tax assets (liabilities) as of December 31, 1999 and 1998 are as follows (in thousands):

	1999	1998
Deferred tax assets:		
Inventory valuations	$ 25,600	$ 28,605
Accruals	5,861	9,786
Vacation	6,675	7,257
In process research and development	2,652	2,751
Deferred revenue	3,902	2,741
U.S. Federal operating loss carryforwards	341	350
Tax credits	3,672	1,955
Other	1,013	0
Total deferred tax assets	49,716	53,445

Deferred tax liabilities:		
Excess of tax over book depreciation	(8,824)	(15,292)
Amortization	(1,303)	(2,023)
Pension	(3,023)	(3,482)
Other	(757)	(940)
Total deferred tax liabilities	(13,907)	(21,737)
Net deferred asset	$ 35,809	$ 31,708

At December 31, 1999 the Company has U.S. Federal operating loss carryforwards of approximately $1.0 million that expire in the years 2000 through 2002. The Company has approximately $1.6 million of U.S. business tax credit carryforwards that expire in the years 2007 through 2011. In addition, the Company has $1.8 in research and experimentation tax credits eligible to be realized beginning in October 2000. These losses and credits are limited in their use by "change in ownership" rules as defined in the Internal Revenue Code of 1986.

A reconciliation of the effective tax rate for the years 1999, 1998, and 1997 follows:

	1999	1998	1997
U.S. statutory federal tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	1.5	1.3	2.1
Tax credits	(1.3)	(3.1)	(1.6)
Export sales corporation	(4.7)	(3.4)	(2.8)
Non-deductible costs related to acquisitions			0.7
Other, net	(0.5)	0.2	0.6
	30.0%	30.0%	34.0%

U.S. federal taxes have not been provided for approximately $30.0 million of cumulative undistributed earnings of a non-U.S. manufacturing subsidiary. The Company intends to reinvest these earnings indefinitely in operations outside the US.

N. OPERATING SEGMENT AND GEOGRAPHIC INFORMATION

The Company has five principal operating segments which are the design, manufacturing and marketing of semiconductor test systems, backplane connection systems, circuit-board test systems, telecommunication test systems, and software test systems. These operating segments were determined based upon the nature of the products and services offered. The Company has three reportable segments; semiconductor test systems segment, backplane connection systems segment, and other test systems segment. The other test systems segment is comprised of circuit-board test systems, telecommunication test systems, and software test systems.

The Company evaluates performance based on several factors, of which the primary financial measure is business segment income before taxes. The accounting policies of the business segments are the same as those described in "Note B: Accounting Policies". Intersegment sales are accounted for at fair value as if sales were to third parties. During 1999, principally all of the Company's operating segments reported sales to Motorola Inc. accounting for a total of 11% of consolidated net sales. During 1998 and 1997 no individual customer accounted for more than 10% of consolidated net sales.

	SEMICONDUCTOR TEST SYSTEMS SEGMENT	BACKPLANE CONNECTION SYSTEMS SEGMENT	OTHER TEST SYSTEMS SEGMENT	CORPORATE AND ELIMINATIONS	CONSOLIDATED
1999					
Sales to unaffiliated customers...	$1,210,543	$373,051	$207,318	--	$1,790,912
Intersegment sales................	--	15,069	--	($15,069)	--
Net sales.........................	1,210,543	388,120	207,318	(15,069)	1,790,912
Income (loss) before taxes (1)....	287,960	63,249	(14,298)	(63,062)	273,849
Total assets (2)..................	564,536	219,763	94,096	686,656	1,565,051
Property additions (3)............	47,054	38,500	8,493	57,109	151,156
Depreciation and amortization expense(3)......................	32,086	18,567	8,357	27,376	86,386
1998					
Sales to unaffiliated customers...	$ 967,147	$268,363	$253,641	--	$1,489,151
Intersegment sales................	--	11,473	--	($11,473)	--
Net sales.........................	967,147	279,836	253,641	(11,473)	1,489,151
Income before taxes (1)...........	104,586	34,027	32,245	(24,976)	145,882
Total assets (2)..................	510,938	189,338	114,734	497,804	1,312,814
Property additions (3)............	87,390	31,417	5,866	39,767	164,440
Depreciation and amortization expense(3)......................	39,973	14,079	7,581	14,671	76,304

TERADYNE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

N. OPERATING SEGMENT AND GEOGRAPHIC INFORMATION -- (CONTINUED)

	SEMICONDUCTOR TEST SYSTEMS SEGMENT	BACKPLANE CONNECTION SYSTEMS SEGMENT	OTHER TEST SYSTEMS SEGMENT	CORPORATE AND ELIMINATIONS	CONSOLIDATED
1997					
Sales to unaffiliated customers...	$ 849,144	$218,532	$194,092	4,506	$1,266,274
Intersegment sales................	--	16,235	--	($16,235)	--
Net sales.........................	849,144	234,767	194,092	(11,729)	1,266,274
Income before taxes (1)...........	166,766	33,501	10,431	(17,353)	193,345
Total assets (2)..................	593,290	159,116	118,813	380,455	1,251,674
Property additions (3)............	76,555	31,523	10,555	13,498	132,131
Depreciation and amortization expense(3)......................	34,304	9,486	5,118	10,243	59,151

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(1) Income before taxes of the principal businesses exclude the effects of employee profit sharing, management incentive compensation, other unallocated expenses, net interest income, and certain special charges. In 1997 the Company recorded a special charge of $5.0 million for acquired in-process technology.

(2) Total business assets are directly attributable to each business. Corporate assets consist of cash and cash equivalents, marketable securities, unallocated fixed assets of support divisions and common facilities and certain other assets.

(3) Corporate property additions and depreciation and amortization expense include items attributable to the unallocated fixed assets of support divisions and common facilities.

Information as to the Company's sales in different geographical areas is as follows (in thousands):

	1999	1998	1997
Sales to unaffiliated customers (1):			
United States	$ 859,638	$ 797,143	$ 616,838
Asia Pacific region	519,364	266,409	299,624
Europe	268,637	247,795	190,220
Japan	89,546	102,900	114,212
Other	53,727	74,904	45,380
	$1,790,912	$1,489,151	$1,266,274

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(1) Sales are attributable to geographic areas based on location of customer site.

Because a substantial portion of the Company's sales are derived from the sales of product manufactured in the United States, long-lived assets located outside the United States are less than 10% of total assets.

SUPPLEMENTARY INFORMATION (UNAUDITED)

The following sets forth certain unaudited consolidated quarterly statements of operations data for each of the Company's last eight quarters. In management's opinion, this quarterly information reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation for the periods presented. Such quarterly results are not necessarily indicative of future results of operations and should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto included elsewhere herein.

	1999*			
	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
Net sales	$344,454	$400,904	$497,039	$548,515
Expenses:				
Cost of sales	219,858	236,940	281,299	309,655
Engineering and development	47,724	56,829	60,331	63,686
Selling and administrative	54,481	59,386	70,470	72,055
	322,063	353,155	412,100	445,396
Income from operations	22,391	47,749	84,939	103,119
Interest income	3,778	3,842	4,794	4,893
Interest expense	(462)	(442)	(217)	(535)
Income before income taxes	25,707	51,149	89,516	107,477
Provision for income taxes	7,712	15,345	26,855	32,243
Net income	$ 17,995	$ 35,804	$ 62,661	$ 75,234
Net income per common share -- basic	$ 0.11	$ 0.21	$ 0.37	$ 0.44
Net income per common share -- diluted	$ 0.10	$ 0.20	$ 0.35	$ 0.42

	1998*			
	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER

Net sales	$431,569	$406,236	$335,227	$316,119
Expenses:				
Cost of sales	251,947	246,457	239,131	209,639
Engineering and development	48,922	49,164	49,569	47,503
Selling and administrative	58,713	57,549	47,288	49,335
	359,582	353,170	335,988	306,477
Income (loss) from operations	71,987	53,066	(761)	9,642
Interest income	3,473	2,871	2,756	4,414
Interest expense	(247)	(266)	(120)	(933)
Income before income taxes	75,213	55,671	1,875	13,123
Provision for income taxes	25,572	16,311	600	1,282
Net income	$ 49,641	$ 39,360	$ 1,275	$ 11,841
Net income per common share -- basic	$ 0.30	$ 0.24	$ 0.01	$ 0.07
Net income per common share -- diluted	$ 0.29	$ 0.23	$ 0.01	$ 0.07

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* Note: Previously published quarterly financial data have been restated to give effect to the two-for-one stock split effected in the form of a 100% stock dividend distributed on August 31, 1999.

ITEM 9: CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Certain information relating to directors and executive officers of the Company, executive compensation, security ownership of certain beneficial owners and management, and certain relationships and related transactions is incorporated by reference herein from the Company's definitive proxy statement in connection with its Annual Meeting of Shareholders to be held on May 25, 2000, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year. For this purpose, the Management Compensation and Development Committee Report and Performance Graph included in such proxy statement are specifically not incorporated herein. (Also see "Item 1 -- Executive Officers of the Company" elsewhere in this report.)

ITEM 11: EXECUTIVE COMPENSATION.

Certain information relating to directors and executive officers of the Company, executive compensation, security ownership of certain beneficial owners and management, and certain relationships and related transactions is incorporated by reference herein from the Company's definitive proxy statement in connection with its Annual Meeting of Shareholders to be held on May 25, 2000, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year. For this purpose, the Management Compensation and Development Committee Report and Performance Graph included in such proxy statement are specifically not incorporated herein.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Certain information relating to directors and executive officers of the Company, executive compensation, security ownership of certain beneficial owners and management, and certain relationships and related transactions is incorporated by reference herein from the Company's definitive proxy statement in connection with its Annual Meeting of Shareholders to be held on May 25, 2000, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year. For this purpose, the Management Compensation and Development Committee Report and Performance Graph included in such proxy statement are specifically not incorporated herein.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Certain information relating to directors and executive officers of the Company, executive compensation, security ownership of certain beneficial owners and management, and certain relationships and related transactions is incorporated by reference herein from the Company's definitive proxy statement in connection with its Annual Meeting of Shareholders to be held on May 25, 2000, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year. For this purpose, the Management Compensation and Development Committee Report and Performance Graph included in such proxy statement are specifically not incorporated herein.

PART IV

ITEM 14: EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(A) 1. FINANCIAL STATEMENTS

The following consolidated financial statements are included in Item 8:

Balance Sheets as of December 31, 1999 and 1998
Statements of Income for the years ended December 31, 1999, 1998, and 1997
Statements of Changes in Shareholders' Equity for the years ended December 31, 1999, 1998, and 1997
Statements of Cash Flows for the years ended December 31, 1999, 1998, and 1997

(a) 2. FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statement schedule is included in Item 14(d):

Schedule II -- Valuation and qualifying Accounts

Schedules other than those listed above have been omitted since they are either not required or information is otherwise included.

(A) 3. LISTING OF EXHIBITS

The Exhibits which are filed with this report or which are incorporated by reference herein are set forth in the Exhibit Index.

(B) REPORT ON FORM 8-K

There have been no Form 8-K filings during the three months ended December 31, 1999.

ITEM 14(d) FINANCIAL STATEMENT SCHEDULES

TERADYNE, INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COST AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD

	(THOUSANDS OF DOLLARS)				
Valuation reserve deducted in the balance sheet from the asset to which it applies:					
Accounts receivable:					
1999 Allowance for doubtful accounts.....	$2,395	$1,407	$ 804	$196	$4,410
1998 Allowance for doubtful accounts.....	$1,938	$ 17	$1,044	$604	$2,395
1997 Allowance for doubtful accounts.....	$1,936	$ --	$ 50	$ 48	$1,938

EXHIBIT INDEX

The following designated exhibits are, as indicated below, either filed herewith or have heretofore been filed with the Securities and Exchange Commission and are referred to and incorporated by reference to such filings.

EXHIBIT NO.	DESCRIPTION	SEC DOCUMENT REFERENCE
3.1	Restated Articles of Organization of the Company, as amended	Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
3.2	Amendment, dated May 23, 1996, to Restated Articles of Organization of the Company, as amended	Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.
3.3	Amended and Restated Bylaws of the Company	Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.
4.1	Rights Agreement between the Company and The First National Bank of Boston dated as of March 14, 1990	Exhibit 4.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
10.1	Amended and Restated Multicurrency Revolving Credit Agreement dated as of January 1, 1996.	Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.
10.2	First Amendment to Amended and Restated Multicurrency Revolving Credit Agreement dated as of January 31, 1997	Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
10.3	Second Amendment to Amended and Restated Multicurrency Revolving Credit Agreement dated as of May 20, 1997	Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
10.4	Third Amendment to Amended and Restated Multicurrency Revolving Credit Agreement dated as of August 21, 1998	Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998
10.5	Fourth Amendment to Amended and Restated Multicurrency Revolving Credit Agreement dated October 1, 1999.	
10.6	Teradyne, Inc. Supplemental Executive Retirement Plan	Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
10.7	1991 Employee Stock Option Plan, as amended	Exhibit 4.2 to the Company's Registration Statement on Form S-8 (Registration Statement No. 333-07177).
10.8	Megatest Corporation 1990 Stock Option Plan	Exhibit 4.1 to the Company's Registration Statement on Form S-8 (Registration Statement No. 333-64683).
10.9	Megatest Corporation Director Stock Option Plan	Exhibit 4.2 to the Company's Registration Statement on Form S-8 (Registration Statement No. 333-64683).
10.10	1996 Stock Purchase Plan	Exhibit 4.1 to the Company's Registration Statement on Form S-8 (Registration Statement No. 333-07177).
10.11	Master Lease Agreement between Megatest and General Electric Capital Corporation dated August 10, 1995	Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.
10.12	Loan and Security Agreement between Megatest and the CIT Group/Equipment Financing, Inc. dated August 14, 1995	Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.

EXHIBIT NO.	DESCRIPTION	SEC DOCUMENT REFERENCE
10.13	Deed of Trust, Financing Statement, Security Agreement and Fixture Filing between Megatest and the Sun Life Assurance Company of Canada (U.S.) dated August 25, 1995	Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.
10.14	1997 Employee Stock Option Plan	Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.
10.15	Letter Agreement dated January 24, 1997 between the Company and Executive Officer	Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.
10.16	1996 Non-Employee Director Stock Option Plan	Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.
10.17	Letter Agreement dated June 1, 1997 between the Company and Member of Board	Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
10.18	Letter Agreement dated June 1, 1997 between the Company and Member of Board	Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
21.1	Subsidiaries of the Company	
23.1	Consent of PricewaterhouseCoopers LLP	
27.1	Financial Data Schedule	
27.2	Financial Data Schedule for the Form 10-Q for the nine months ended October 3, 1999	
27.3	Financial Data Schedule for the Form 10-Q for the six months ended July 4, 1999	
27.4	Financial Data Schedule for the Form 10-Q for the three months ended April 4, 1999	
27.5	Financial Data Schedule for the Form 10-Q for the fiscal year ended December 31, 1998	Exhibit 27.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.
27.6	Financial Data Schedule for the Form 10-Q for the nine months ended September 27, 1998	Exhibit 27.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.
27.7	Financial Data Schedule for the Form 10-Q for the six months ended June 28, 1998	Exhibit 27.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.
27.8	Financial Data Schedule for the Form 10-Q for the three months ended March 29, 1998	Exhibit 27.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.
27.9	Financial Data Schedule for the Form 10-K for the fiscal year ended December 31, 1997	Exhibit 27.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
27.10	Financial Data Schedule for the Form 10-Q for the nine months ended September 28, 1997	Exhibit 27.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
27.11	Financial Data Schedule for the Form 10-Q for the six months ended June 29, 1997	Exhibit 27.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
27.12	Financial Data Schedule for the Form 10-Q for the three months ended March 30, 1997	Exhibit 27.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 this 24th day of March, 2000.

TERADYNE, INC.

By: /s/ MICHAEL A. BRADLEY

MICHAEL A. BRADLEY,
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	
ALEXANDER V. D'ARBELOFF	Chairman of the Board	March , 2000
/s/ GEORGE W. CHAMILLARD GEORGE W. CHAMILLARD	President, Chief Executive Officer, and Member of the Board	March 24, 2000
/s/ MICHAEL A. BRADLEY MICHAEL A. BRADLEY	Vice President and Chief Financial Officer	March 24, 2000
/s/ DONALD J. HAMMAN DONALD J. HAMMAN	Controller (Principal Accounting Officer)	March 24, 2000
JAMES W. BAGLEY	Director	March , 2000
/s/ ALBERT CARNESALE ALBERT CARNESALE	Director	March 24, 2000
/s/ DANIEL S. GREGORY DANIEL S. GREGORY	Director	March 24, 2000
DWIGHT H. HIBBARD	Director	March , 2000
/s/ JOHN P. MULRONEY JOHN P. MULRONEY	Director	March 24, 2000
/s/ VINCENT M. O'REILLY VINCENT M. O'REILLY	Director	March 24, 2000
JAMES A. PRESTRIDGE	Director	March , 2000
/s/ OWEN W. ROBBINS OWEN W. ROBBINS	Director	March 24, 2000
RICHARD J. TESTA	Director	March , 2000

SIGNATURE	TITLE

/s/ ROY A. VALLEE --- ROY A. VALLEE	Director	March 24, 2000
/s/ PATRICIA S. WOLPERT --- PATRICIA S. WOLPERT	Director	March 24, 2000

Exhibit 10.5

ASSIGNMENT AND ACCEPTANCE

Dated as of October 1, 1999

Reference is made to the Amended and Restated Multicurrency Revolving Credit and Term Loan Agreement, dated as of January 31, 1996 (as from time to time amended and in effect, the "Credit Agreement"), by and among TERADYNE INC. (the "Borrower"), the banking institutions referred to therein as Banks (collectively, the "Banks"), and BANKBOSTON, N.A., a national banking association, as agent (in such capacity, the "Agent") for the Banks. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

State Street Bank and Trust Company, N.A. (the "Assignor") and Citizens Bank of Massachusetts (the "Assignee") hereby agree as follows:

1. ASSIGNMENT. Subject to the terms and conditions of this Assignment and Acceptance, the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes without recourse to the Assignor, a 100% interest in and to the rights, benefits, indemnities and obligations of the Assignor under the Credit Agreement.

2. ASSIGNOR'S REPRESENTATIONS. The Assignor (i) represents and warrants that (A) it is legally authorized to enter into this Assignment and Acceptance, and (B) immediately after giving effect to all assignments which have not yet become effective, the Assignor's Commitment Percentage will be sufficient to give effect to this Assignment and Acceptance, (ii) makes no representation or warranty, express or implied, and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or any of the other Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any of the other Loan Documents or any other instrument or document furnished pursuant thereto or the attachment, perfection or priority of any security interest or mortgage, other than that it is the legal and beneficial owner of the interest being assigned by it hereunder free and clear of any claim or encumbrance; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any of its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations, or the performance or observance by the Borrower or any of its Subsidiaries or any other Person primarily or secondarily liable in respect of any of the Obligations of any of its obligations under the Credit Agreement or any of the other Loan Documents or any other instrument or document delivered or executed pursuant thereto.

3. ASSIGNEE'S REPRESENTATIONS. The Assignee (i) represents and warrants that (A) it is duly and legally authorized to enter into this Assignment and Acceptance, (B) the execution, delivery and performance of this Assignment and Acceptance do not conflict with any provision of law or of the charter or by-laws of the Assignee, or of any agreement binding on the Assignee, (C) all acts, conditions and things required to be done and performed and to have occurred prior to the execution, delivery and performance of this Assignment and Acceptance, and to render the same the legal, valid and binding obligation of the Assignee, enforceable against it in accordance with its terms, have been done and performed and have occurred in due and strict compliance with all applicable laws; (ii) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant thereto and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (iii) agrees that it will, independently and without reliance upon the Assignor, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iv) represents and warrants that it is an Eligible Assignee; (v) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement and the other

Loan Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (vi) agrees that it will perform in accordance with their terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank.

4. EFFECTIVE DATE. The effective date for this Assignment and Acceptance shall be the date first set forth above (the "Effective Date"). Following the execution of this Assignment and Acceptance and the consent of the Borrower hereto having been obtained, each party hereto shall deliver its duly executed counterpart hereof to the Agent for consent by the Agent and recording in the Register by the Agent. Schedule 1 to the Credit Agreement shall thereupon be replaced as of the Effective Date by the Schedule 1 annexed hereto.

5. RIGHTS UNDER CREDIT AGREEMENT. Upon such acceptance and recording, from and after the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Bank thereunder, and (ii) the Assignor shall, with respect to that portion of its interest under the Credit Agreement assigned hereunder, relinquish its rights and be released from its obligations under the Credit Agreement; provided, however, that the Assignor shall retain its rights to be indemnified pursuant to the Credit Agreement with respect to any claims or actions arising prior to the Effective Date.

6. PAYMENTS. Upon such acceptance of this Assignment and Acceptance by the Agent and such recording, from and after the Effective Date, the Agent shall

make all payments in respect of the rights and interests assigned hereby (including payments of principal, interest, fees and other amounts) to the Assignee. The Assignor and the Assignee shall make any appropriate adjustments in payments for periods prior to the Effective Date by the Agent or with respect to the making of this assignment directly between themselves. In addition, the Agent hereby agrees to waive the recordation fee of $3,000 required by ss.12.3 of the Credit Agreement.

7. GOVERNING LAW. THIS ASSIGNMENT AND ACCEPTANCE IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT TO BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (WITHOUT REFERENCE TO CONFLICT OF LAWS).

8. COUNTERPARTS. This Assignment and Acceptance may be executed in any number of counterparts which shall together constitute but one and the same agreement.

IN WITNESS WHEREOF, intending to be legally bound, each of the undersigned has caused this Assignment and Acceptance to be executed on its behalf by its officer thereunto duly authorized, as of the date first above written.

STATE STREET BANK AND TRUST
COMPANY, Assignor

By:_____________________________________
Name:
Title:

CITIZENS BANK OF
MASSACHUSETTS, Assignee

By:_____________________________________
Name:
Title:

CONSENTED TO:

TERADYNE INC.

By:_____________________________________
Name:

Title:

BANKBOSTON, as Agent

By:_____________________________________
Name:
Title:

SCHEDULE 1

Immediately following the Effective Date:

Commitment of State Street Bank and Trust Company	$0
Commitment of Citizens Bank of Massachusetts	$10,500,000

EXHIBIT 21.1

PRESENT SUBSIDIARIES

	STATE OR JURISDICTION INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED
Teradyne Benelux, Inc. (Ltd.)	Delaware	100%
Teradyne Canada Limited	Canada	100%
Teradyne Control Automation, Inc.	Delaware	100%
Teradyne GmbH	Germany	100%
Teradyne Holdings Limited	United Kingdom	100%
Teradyne Limited	United Kingdom	100%
Teradyne Hong Kong, Ltd.	Delaware	100%
Teradyne International, Ltd.	Barbados	100%
Teradyne Ireland Limited	Ireland	100%
Teradyne Italia S.r.L	Italy	100%
Teradyne Japan, Ltd.	Delaware	100%
Teradyne K.K	Japan	100%
Teradyne Korea, Ltd.	Delaware	100%
Teradyne Leasing, Inc.	Massachusetts	100%
Teradyne Malaysia, Ltd.	Delaware	100%
Teradyne de Mexico, S.A. de C.V	Mexico	100%
Teradyne Midnight Networks Inc.	Delaware	100%
Teradyne Netherlands B.V	Netherlands	100%
Teradyne Netherlands, Ltd.	Delaware	100%
Teradyne Realty, Inc.	Massachusetts	100%
Teradyne RSW Software, Inc.	Delaware	100%
RSW Software, Inc.	Massachusetts	100%
Teradyne S.A	France	100%
Teradyne Scandinavia, Inc.	Delaware	100%
Teradyne Singapore, Ltd.	Delaware	100%
Teradyne Software and Systems Test, Inc.	Delaware	100%
Teradyne Taiwan, Ltd.	Delaware	100%
Teradyne Thailand Inc.	Delaware	100%
Alternative Delivery		
Systems Support, Inc.	North Carolina	100%
Kinetrix, Inc.	Delaware	100%
Hammer Technologies, Inc.	Massachusetts	100%
Megatest Corporation	Delaware	100%
Megatest Limited	United Kingdom	100%
Megatest SARL	France	100%
Megatest GmbH	Germany	100%
Megatest H.K. Ltd.	Hong Kong	100%
Teradyne Philippines Ltd.	California	100%
Megatest International Sales Corporation	Barbados	100%
Megatest Asia Pte. Ltd.	Singapore	100%
Softbridge, Inc.	Delaware	100%
Zehntel Holdings, Inc.	California	100%
Zehntel, Sarl	France	100%
1000 Washington, Inc.	Massachusetts	100%

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-32547; 333-26045; 33-16077; 33-42352; 33-55123; 33-64683; 333-07177 and 333-56373) of Teradyne, Inc. of our report dated January 14, 2000, relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Boston, Massachusetts
March 24, 2000

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
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<MULTIPLIER> 1,000

<CURRENCY> U.S. DOLLARS

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