

Fellow Shareholders,

We posted another solid year in 2011 despite a slowdown in worldwide semiconductor device growth and constant uncertainty in world markets. Cyclical pullbacks in capital spending are not new to our industry and we saw another one in the second half of the year. While it wasn't the freefall of 2009, the test equipment sector did drop over 40% from the peak to trough quarter in this cycle.....dizzying for some industries, but normal for ours.

Despite that correction we performed very well, posting another strong year of operating profit and cash flow and registering our best back-to-back financial results in over ten years. That was accomplished through strong System-on-a-Chip (SOC) performance, growth in memory test and record numbers from our combined hard disk drive, defense and commercial board test businesses.



Mike Bradley, Teradyne CEO

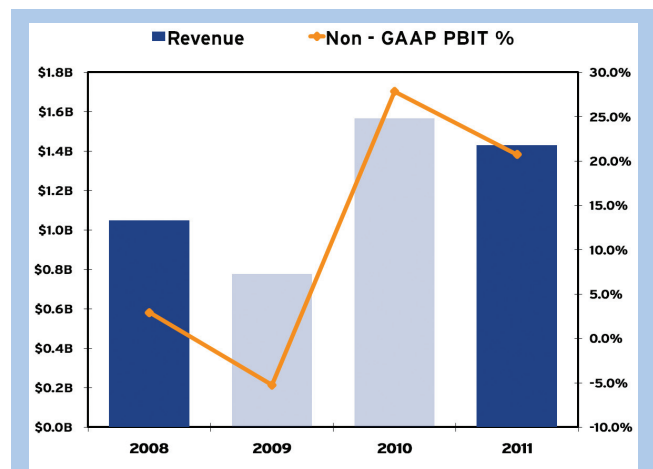
In the last four years, we've moved the Company from one whose results were determined mostly by market swings to one that delivers industry-leading performance independent of market gyrations. Three things have made this possible:

1. Financial discipline combined with a relentless focus on our core semiconductor test business, where we invest over \$150 million every year to extend our SOC test market leadership and grow our share in memory test;
2. Entry into new markets, like storage test, through home-grown innovations including the Neptune hard disk drive test system;
3. Strategic acquisitions that strengthen our core or extend our reach into high-growth adjacent markets.

When you combine these initiatives with the strongest financial model in the industry, the results are impressive. As you can see in the adjacent chart, this strategy has moved our top line into the \$1.5 billion range, up 36% from the level we were at just three years ago when the worldwide semiconductor test market was a comparable size. And our operating profit rate has increased by a factor of 7 from 3% of revenues to 21%.

In 2008, we led the consolidation of the semiconductor test market with the acquisitions of Eagle Test and Nextest and those business units have proven themselves with segment leadership in analog test and strong market share growth in memory test. Our storage test business has delivered \$300 million in revenues since its launch less than three years ago and has become the industry standard for testing 2.5 inch mobile and enterprise hard disk drives.

Our prospects for future growth have been greatly enhanced with the acquisition of LitePoint late in 2011. LitePoint provides wireless test solutions for the latest generation of mobile consumer products like smart phones and tablets. That test market today is about \$1 billion and is growing at 8% to 10% per year. We expect that LitePoint will represent at least 10% of Teradyne's total sales in 2012 and will outpace the robust wireless test market growth in the years ahead.



Teradyne Revenue and Operating Profit Rate¹

	2008	2011
Semiconductor Test Market Size	\$3.1B	\$3.1B
Teradyne Sales	\$1.05B	\$1.43B
Teradyne Profit Rate	3.1%	20.8%
Teradyne Non-GAAP PBIT	\$33M	\$297M

Dramatic Revenue and Profit Gains at Comparable Semiconductor Market Sizes in 2008, 2011

¹ Non-GAAP profit before interest and tax

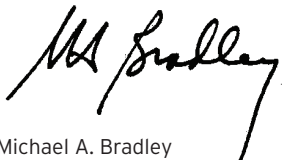
The acquisition of LitePoint reveals much about our vision of the future. Mobile computing is the most powerful innovative force in the electronics industry today. Test technology touches the creative process at every step as products are envisioned, designed and mass-produced. Our leadership at the IC test level in semiconductor fabs and assembly lines around the world is unquestioned. Now LitePoint extends our reach into the final stage of test, verifying and calibrating the performance of wireless products such as smart phones, tablets and the "internet of things" that communicate without human involvement.

But LitePoint is only a piece of the larger Teradyne picture....one which includes a zealous focus on customers, constant financial discipline and prudent use of our hard-earned capital resources.

Last year I told you that we had finished our first fifty years on an exceptional note and we were eager to start the next fifty. 2011 was a very good start...but we continue to look to the future. That future includes:

1. Steady market share growth in semiconductor test through superior test solutions;
2. Outpacing the wireless test market growth with LitePoint's expanding product portfolio;
3. Strong over-the-cycle financial performance with each business unit pulling its weight;
4. Careful deployment of our capital.

I'm extremely proud to be at the helm of Teradyne. I don't recall any time in the past where we've been as strong or have had as much promise looking forward. Our customers count on us every day to solve their most critical test challenges. You, our shareholders, can count on us too.



Michael A. Bradley
President & Chief Executive Officer
Teradyne, Inc.



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