UNILEVER N V
Form 20-F
March 05, 2010

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark one)

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009
OR

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

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report
For the transition period from __________ to __________
Commission file number 001-04547
UNILEVER N.V.

(Exact name of Registrant as specified in its charter)
The Netherlands

(Jurisdiction of incorporation or organization)
Weena 455, 3013 AL, Rotterdam, The Netherlands

(Address of principal executive offices)
S. G. Williams, Group Secretary
Tel: +44(0)2078226991, Fax: +44(0)2078226108
Unilever House, 100 Victoria Embankment, London EC4Y 0DY UK
(Name, telephone number, facsimile number and address of Company Contact)

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

Title of each class	Name of each exchange on which registered
N.V. New York registry shares each representing one ordinary share of the nominal amount of 0.16 each	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**
Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

The total number of outstanding shares of the issuer s capital stock at the close of the period covered by the annual report was: 1,714,727,700 ordinary shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:

Yes þ No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934:

Yes o No þ

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 such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP o	International Financial Reporting Standards as issued by the International Accounting Standards Board þ	Other o

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 o Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes o No þ

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Cautionary statement

This announcement may contain forward-looking statements, including forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as expects , anticipates , intends , believes or the negative of these terms and other similar expressions of future performance or results, including any financial objectives, and their negatives are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including, among others, competitive pricing and activities, economic slowdown, industry consolidation, access to credit markets, recruitment levels, reputational risks, commodity prices, continued availability of raw materials, prioritisation of projects, consumption levels, costs, the ability to maintain and manage key customer relationships and supply chain sources, consumer demands, currency values, interest rates, the ability to integrate acquisitions and complete planned divestitures, the ability to complete planned restructuring activities, physical risks, environmental risks, the ability to manage regulatory, tax and legal matters and resolve pending matters within current estimates, legislative, fiscal and regulatory developments, political, economic and social conditions in the geographic markets where the Group operates and new or changed priorities of the Boards. Further details of potential risks and uncertainties affecting the Group are described in the Group s filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including the 20-F Report and the Annual Report & Accounts 2009. These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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References set forth below are to certain references that include pages incorporated therein, including any page references incorporated in the incorporated material, unless specifically noted otherwise.

The following pages and sections of the Group s Annual Report and Accounts 2009, regardless of their inclusion in any cross-reference below, are hereby specifically excluded and are not incorporated by reference into this report on Form 20-F: Page 1, Operational Highlights on pages 2 and 3, pages 4 to 8, pages 10 to 21, Principal risk factors on pages 30 to 34, pages 64 to 66, Additional Statutory Disclosures on Page 73, and pages 133 to 143.

This 20-F Report and the Group s Annual Report and Accounts 2009 (furnished separately on 5 March 2010 under Form 6-K) contain certain measures that are not defined under IFRS. We report underlying sales growth (abbreviated to USG or growth) at constant exchange rates, excluding the effects of acquisitions and disposals. Turnover includes the impact of exchange rates, acquisitions and disposals. Unilever uses constant rate and underlying measures primarily for internal performance analysis and targeting purposes. We also comment on trends in underlying operating margins (meaning before the impact of restructuring, disposals, and other one-off items, which we collectively term RDIs) and use the movements in Ungeared Free Cash Flow and Return On Invested Capital to measure progress against our longer-term value creation goals. We may also discuss net debt, for which we provide an analysis in the notes to the financial statements. Unilever believes that such measures provide additional information for shareholders on underlying business performance trends. Such measures are not intended to be a substitute for GAAP measures of turnover, operating profit, EPS and cash flow. Further information about certain of these measures is available under the heading Financial Review 2009 on pages 44 to 46 of the Group s Annual Report and Accounts 2009.

Unilever N.V. (NV) is a public limited company registered in the Netherlands, which has listings of shares and depositary receipts for shares on Euronext Amsterdam and of New York Registry Shares on the New York Stock Exchange. Unilever PLC (PLC) is a public limited company registered in England and Wales which has shares listed on the London Stock Exchange and, as American Depositary Receipts, on the New York Stock Exchange.

The two parent companies, NV and PLC, together with their group companies, operate as a single economic entity (the Unilever Group, also referred to as Unilever or the Group). NV and PLC and their group companies constitute a single reporting entity for the purposes of presenting consolidated accounts. Accordingly, the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated accounts.

This document contains references to our website. Information on our website or any other website referenced in this document is not incorporated into this document and should not be considered part of this document. We have included any website as an inactive textual reference only.

Item 1 Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2 Offer Statistics and Expected Timetable

Not applicable.

Item 3 Key Information

A. Selected financial data

The information set forth under the heading Unilever Group Financial record on pages 129 and 130 of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.

Dividends

The information set forth under the headings Dividend record on page 130 and Financial calendar on page 146 of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.

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Exchange rates

Unilever reports its financial results and balance sheet position in euros. Other currencies which may significantly impact our financial statements are sterling and US dollars. Average and year-end exchange rates for these two currencies for the last five years are given below.

Year end	**2009**	2008	2007	2006	2005
1 = US $	1.433	1.417	1.471	1.317	1.184
1 = £	0.888	0.977	0.734	0.671	0.686
Average					
1 = US $	1.388	1.468	1.364	1.254	1.244
1 = £	0.891	0.788	0.682	0.682	0.684

On 1 March 2010 the exchange rates between euros and US dollars and between euros and sterling as published in the Financial Times in London were as follows: 1.00 = US $1.348 and 1.00 = £0.902.

Noon Buying Rates in New York for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York were as follows:

Year end	**2009**	2008	2007	2006	2005
1 = US $	1.433	1.392	1.460	1.320	1.184
Average					
1 = US $	1.394	1.473	1.371	1.256	1.245
High					
1 = US $	1.510	1.601	1.486	1.333	1.348
Low					
1 = US $	1.255	1.245	1.290	1.186	1.167

High and low exchange rate values for each of the last six months:

	September 2009	October 2009	November 2009	December 2009	January 2010	February 2010
High						
1 = US $	1.479	1.503	1.509	1.510	1.454	1.3955
Low						
1 = US $	1.424	1.453	1.466	1.424	1.387	1.3476

Share capital

The information set forth under the heading Note 22 Share capital on page 119 of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.

B. Capitalisation and indebtedness

Not applicable

C. Reasons for the offer and use of proceeds

Not applicable

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D. Risk factors

The information set forth under the heading Note 15 Financial instruments and treasury risk management on pages 104 to 110 of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.

Risk factors

Risks and uncertainties that could cause actual results to vary from those described in this document, or that could impact on our future performance or our ability to meet our published targets, are identified below. This list is not intended to be exhaustive and there may be other risks and uncertainties that are not mentioned below that could impact our future performance or our ability to meet published targets. The risks and uncertainties discussed below should be read in conjunction with the Group s consolidated financial statements and related notes and the portions of the Report of the Directors that are incorporated by reference from the Group s Annual Report and Accounts 2009 (furnished separately on 5 March 2010 on Form 6-K) and other information included in or incorporated by reference in this Report on Form 20-F.

Principal risks	Description of risk
Economic	
Economic slowdown could adversely impact the markets in which we operate by reducing the ability of consumers to buy our products. If we are unable to respond to changing consumer demand our cashflow, turnover, profits, profit margins and the carrying value of our brands could be adversely affected.	Unilever s business is dependent on continuing consumer demand for our brands. Reduced consumer wealth driven by adverse economic conditions may result in our consumers becoming unwilling or unable to purchase our products, which could adversely affect our cash flow, turnover, profits and profit margins. For example, in 2008 the economic downturn adversely impacted our business by reducing the demand for some of our products. In addition we have a large number of global brands, some of which have a significant carrying value as intangible assets: adverse economic conditions may reduce the value of those brands which could require us to impair their balance sheet value. During economic downturns access to credit could be constrained: this happened in 2008 and 2009. This could impact the viability of our suppliers and customers and could temporarily inhibit the flow of day-to-day cash transactions with suppliers and customers via the banks. Adverse economic conditions may affect one or more countries within a region, or may extend globally. The impact on our overall portfolio will depend on the severity of the economic slowdown, the mix of countries affected and any government response to reduce the impact such as fiscal stimulus, changes to taxation and measures to minimise unemployment.
Markets Unilever operates globally in	Unilever operates globally in competitive markets where the activities of other multinational companies, local and regional companies and customers which have a significant private label business may adversely affect our market shares, cash flow, turnover, profits and/or profit margins.

competitive markets where the activities of competitors may adversely impact our market shares and therefore place our cashflow, turnover, profits and/or profit margins under pressure. Further, we derive significant revenues from Developing & Emerging (D&E) markets which are typically more volatile than developed markets. Social, political and/or economic developments could adversely impact our business.	49% of Unilever s turnover in 2009 came from D&E markets including Brazil, India, Indonesia, Turkey, South Africa, China, Mexico and Russia. These markets are typically more volatile than developed markets, so we are continually exposed to changing economic, political and social developments outside our control, any of which could adversely affect our business. Failure to understand and respond effectively to local market developments could put at risk our cash flow, turnover, profit and/or profit margins.

Principal risks	**Description of risk**
Brand Unilever is a branded goods business and our success is dependent on producing superior innovations that meet the needs of our consumers. Failure to achieve this could damage our reputation and hence our growth prospects and future profitability.	Unilever s vision is to help people feel good, look good and get more out of life with brands and services that are good for them and good for others. This is achieved by designing and delivering superior branded products/services at relevant price points to consumers across the globe. Failure to provide sufficient funding to develop new products, lack of technical capability in the R&D function, lack of prioritisation of projects and/or failure by operating management to successfully and quickly roll out the products may adversely impact our cash flow, turnover, profit and/or profit margins and may impact our reputation.

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Customer	
Increasing competitive pressure from and consolidation of customers could adversely impact our cashflow, turnover, profits and/or profit margins.	Maintaining successful relationships with our customers is key to ensuring our brands are successfully presented to our consumers and are available for purchase at all times. Any breakdown in the relationships with customers could reduce the availability to our consumers of existing products and new product launches and therefore impact our cash flow, turnover, profits and/or profit margins. The retail industry continues to consolidate in many of our markets. Further consolidation and the continuing growth of discounters could increase the competitive retail environment by increasing customers purchasing power, increasing the demand for competitive promotions and price discounts, increase cross-border sourcing to take advantage of pricing arbitrage and thus adversely impact our cash flow, turnover, profits and/or profit margins. Increased competition between retailers could place pressure on retailer margins and increase the counterparty risk to Unilever.
Financial/Treasury	
Our global operations expose us to changes in liquidity, interest rates, currency exchange rates, pensions and taxation, which may have a negative impact on our business.	As a global organisation Unilever s asset values, earnings and cashflows are influenced by a wide variety of currencies, interest rates, tax jurisdictions and differing taxes. If we are unable to manage our exposures to any one, or a combination, of these factors, this could adversely impact our cash flow, profits and/or profit margins. A material and significant shortfall in net cash flow could undermine Unilever s credit rating, impair investor confidence and hinder our ability to raise funds, whether through access to credit markets, commercial paper programmes, long-term bond issuances or otherwise. In times of financial market volatility, we are also potentially exposed to counterparty risks with banks. We are exposed to market interest rate fluctuations on our floating rate debt. Increases in benchmark interest rates could increase the interest cost of our floating rate debt and increase the cost of future borrowings. Our inability to manage the interest cost effectively could have an adverse impact on our cash flow, profits and/or profit margins. Because of the breadth of our international operations we are subject to risks from changes to the relative value of currencies which can fluctuate widely and could have a significant impact on our assets, cash flow, turnover, profits and/or profit margins. Further, because Unilever consolidates its financial statements in euros it is subject to exchange risks associated with the translation of the underlying net assets of its foreign subsidiaries. We are also

	subject to the imposition of exchange controls by individual countries which could limit our ability to import materials paid by foreign currency or to remit dividends to the parent company. Certain businesses have defined benefit pension plans, most now closed to new employees, which are exposed to movements in interest rates, fluctuating values of underlying investments and increased life expectancy. Changes in any or all of these inputs could potentially increase the cost to Unilever of funding the schemes and therefore have an adverse impact on profitability and cash flow. In view of the current economic climate and deteriorating government deficit positions, tax legislation in the countries in which we operate may be subject to change, which may have an adverse impact on our profits.

Principal risks	Description of risk
Consumer and environmental safety Our industry is subject to focus on social and environmental issues, including sustainable development, product safety and renewable sources. If we fail to meet applicable standards or expectations with respect to these issues, our reputation could be damaged and our business adversely affected.	Unilever has developed a strong corporate reputation over many years for its focus on social and environmental issues, including promoting sustainable development and utilisation of renewable resources. The Unilever brand logo, now displayed on all our products and advertising, increases our external exposure. Should we fail to meet high product safety, social, environmental and ethical standards across all our products and in all our operations and activities it could impact our reputation, leading to the rejection of products by consumers, damage to our brands including growth and profitability, and diversion of management time into rebuilding our reputation. We aim to grow our business while reducing our environmental impact. The environmental measures that we regard as most significant are those relating to the amounts of CO_2 from energy that we use, the water we consume as part of our production processes and the amount of waste that we generate for disposal. Failure to design products with a lower environmental footprint could damage our reputation and hence long-term cash flow, turnover, profits and/or profit margins.

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Operations	
Our input costs are subject to fluctuation and we are reliant on efficient suppliers and regional/global supply chains to produce and deliver our products to our customers.	Our ability to make products is dependent on securing timely and cost-effective supplies of production materials, some of which are globally traded commodities. The price of commodities and other key materials, labour, warehousing and distribution fluctuates according to global economic conditions, which can have a significant impact on our product costs. For example, in 2008 we saw unprecedented increases in many of our commodity costs, including edible oils and crude oil. If we are unable to increase prices to compensate for higher input costs, this could reduce our cash flow, profits and/or profit margins. If we increase prices more than our competitors, this could undermine our competitiveness and hence market shares. Further, two-thirds of the raw materials that we buy come from agriculture. Changing weather patterns, water scarcity and unsustainable farming practices threaten the long-term viability of agricultural production. A reduction in agricultural production may limit our ability to manufacture products in the long term. We are dependent on regional and global supply chains for the supply of raw materials and services and for the manufacture, distribution and delivery of our products. We may be unable to respond to adverse events occurring in any part of this supply chain such as changes in local legal and regulatory schemes, labour shortages and disruptions, environmental and industrial accidents, bankruptcy of a key supplier or failure to deliver supplies on time and in full, which could impact our ability to deliver orders to our customers. Any of the foregoing could adversely impact our cash flow, turnover, profits and/or profit margins and harm our reputation and our brands.
People and talent	
Our success depends on attracting, developing and retaining talented people within our business. Any shortfall in recruitment or retention could adversely affect our ability to deliver our strategy and compete in our markets.	Attracting, developing and retaining talented employees is essential to the delivery of our strategy. If we fail to determine the appropriate mix of skills required to implement our strategy and subsequently fail to recruit or develop the right number of appropriately qualified people, or if there are high levels of staff turnover, this could adversely affect our ability to operate successfully, and hence grow our business and effectively compete in the marketplace.
Legal and regulatory	

Unilever is subject to many local, regional and global jurisdictions. Failure to comply with local laws and regulatory regimes could expose Unilever to litigation, penalties, fines and/or imprisonment of its executives.	Unilever is subject to local, regional and global rules, laws and regulations, covering such diverse areas as product safety, product claims, trademarks, copyright, patents, employee health and safety, the environment, corporate governance, listing and disclosure, employment and taxes. Important regulatory bodies in respect of our business include the European Commission and the US Food and Drug Administration. Failure to comply with laws and regulations could leave Unilever open to civil and/or criminal legal challenge and, if upheld, fines or imprisonment imposed on us or our employees. Further, our reputation could be significantly damaged by adverse publicity relating to such a breach of laws or regulations and such damage could extend beyond a single geography.

Principal risks	**Description of risk**
Restructuring and change management Ongoing restructuring initiatives involve significant changes to our organisation. If we are unable to successfully implement these changes in a timely manner, we may not realise the expected benefits from the restructuring.	In recent years Unilever has launched global and regional restructuring programmes to help simplify our organisational structure, leverage common platforms, realise benefits from our regional and global scale and outsource business processes. Implementation of such programmes requires significant effort and attention from management and employees to complete to the agreed timescale and realise the anticipated benefits. In the event that we are unable to successfully implement these changes in a timely manner or at all, or effectively manage third-party relationships and/or outsourced processes, we may not be able to realise some or all of the anticipated expense reductions. In addition, because some of the restructuring changes involve important functions, any disruption could harm the operations of our business, our reputation and/or relationship with our employees.
Other risks (Four)	Unilever is exposed to varying degrees of risk and uncertainty related to other factors including physical risks, legislative, environmental, fiscal, tax and regulatory developments, legal matters, insurance and resolution of such pending matters within current estimates, our ability to integrate acquisitions and complete planned divestitures, terrorism and economic, political and social conditions in the environments where we operate and new or changed priorities of the Boards. All these risks could materially affect the Group s business, our turnover, operating profits, net profits, net assets and liquidity. There may be risks which are unknown to Unilever or which are currently believed to be immaterial.

Item 4 Information on the Company

A. History and development of the Company

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

The Unilever Group on page 2;

Our business on pages 25 to 29;

Financial Review 2009 on pages 37 to 46;

Financial Review 2008 on pages 47 to 49;

The Unilever Group on page 50;

Note 26 Acquisitions and disposals on pages 123 and 124; and

Shareholder information on pages 144 to 147.

B. Business overview

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Our business on page 25;

Our brands on pages 27 and 28;

Operating environment (paragraphs 4, 5 and 6 only) on page 27;

Intellectual property and Laws and regulation on page 29; and

Note 2 Segment information on pages 87 to 88.

C. Organisational structure

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

The Unilever Group on page 2;

Organisation on page 26 and 27; and

Principal group companies and non-current investments on page 131 and 132.

D. Property, plant and equipment

We have interests in properties in most of the countries where there are Unilever operations. However, none is material in the context of the Group as a whole. The properties are used predominantly to house production and distribution activities and as offices. There is a mixture of leased and owned property throughout the Group. There are no environmental issues affecting the properties which would have a material impact upon the Group, and there are no material encumbrances on our properties. Any difference between the market value of properties held by the Group and the amount at which they are included in the balance sheet is not significant. We believe our existing facilities are satisfactory for our current business and we currently have no plans to construct new facilities or expand or improve our current facilities in a manner that is material to the Group.

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Note 10 Property, plant and equipment on pages 95 and 96; and

Principal group companies and non-current investments on pages 131 and 132.

Item 4A Unresolved Staff Comments

Not applicable.

Item 5 Operating and Financial Review and Prospects

A. Operating results

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Key indicators 2009 Performance and portfolio (first table and first second and third paragraphs) on page 25;

Outlook on page 30;

Financial Review 2009 and Financial Review 2008 on pages 37 to 49; and

Currency risks on page 104.

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B. Liquidity and capital resources

(i) Information regarding the Group s liquidity

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Finance and liquidity and Treasury on pages 39 and 40;

Liquidity management on page 104;

Liquidity risk on pages 105 and 106;

Capital management on pages 109 and 110;

Going concern on page 76;

Cash flow on page 41;

Consolidated cash flow statement on page 82;

Note 28 Reconciliation of net profit to cash flow from operating activities on page 126; and

Note 14 Financial assets and liabilities on pages 99 to 103.

(ii) Information regarding the type of financial instruments used, the maturity profile of debt, currency and interest rate structure

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Note 14 Financial assets and liabilities on pages 99 to 103; and

Note 15 Financial instruments and treasury risk management on pages 104 to 110.

(iii) Information regarding the Group s material commitments for capital expenditure

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Note 25 Commitments and contingent liabilities on pages 121 to 122; and

Note 10 Property, plant and equipment on pages 95 and 96.

C. Research and development, patent and licences, etc

The information set forth under the heading Bigger better faster innovations on page 9 and Note 3 Gross profit and operating cost (first table) on page 89 of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.

D. Trend information

Please refer also to Item 3D Risk Factors on pages 4 to 6 of this report

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Outlook on page 30;

Financial Review 2009 on pages 37 to 46; and

Financial Review 2008 on pages 47 to 49.

E. Off-balance sheet arrangements

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Off-balance sheet arrangements on page 41;

Note 15 Financial instruments and treasury risk management on pages 104 to 110; and

Note 25 Commitments and Contingent liabilities (last two paragraphs only) on page 121.

F. Tabular disclosure of contractual obligations

The information set forth under the heading Contractual obligations at 31 December 2009 on page 41 of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.

G. Safe harbour

This document may contain forward-looking statements, including forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as expects , anticipates , intends , believes or the negative of these terms and other similar expressions of future performance or results, including any financial objectives, and their negatives are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including, among others, competitive pricing and activities, economic slowdown, industry consolidation, access to credit markets, recruitment levels, reputational risks, commodity prices, continued availability of raw materials, prioritisation of projects, consumption levels, costs, the ability to maintain and manage key customer relationships and supply chain sources, consumer demands, currency values, interest rates, the ability to integrate acquisitions and complete planned divestitures, the ability to complete planned restructuring activities, physical risks, environmental risks, the ability to manage regulatory, tax and legal matters and resolve pending matters within current estimates, legislative, fiscal and regulatory developments, political, economic and social conditions in the geographic markets where the Group operates and new or changed priorities of the Boards. Further details of potential risks and uncertainties affecting the Group are described in the Group s filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including the 20-F Report and the Annual Report and Accounts 2009. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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Item 6 Directors, Senior Management and Employees

A. Directors and senior management

(i) Name, experience and functions

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Unilever Executive on page 24, Board of Directors on pages 22 and 23; and Chairman and Chief Executive Officer , Executive Directors , Non-Executive Directors and Committees on pages 52 to 54.

(ii) Activities outside the issuing company

The information set forth under the headings Board of Directors on pages 22 and 23, Unilever Executive on page 24 and Executive Directors Outside Appointments on page 52 of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.

(iii) Age

The information set forth under the headings Board of Directors on pages 22 and 23 and Unilever Executive on page 24 of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.

(iv) Family relationship

The information set forth under the heading Executive Directors (paragraph 5) on page 52 of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.

(v) Other arrangements

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Executive Directors (paragraph 5) on page 52; and

Non-Executive Directors Independence (paragraph 6) on page 53.

B. Compensation

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Executive Directors on page 67;

The supporting policies on page 68;

Our remuneration practices on pages 69 and 70;

Directors Remuneration Report on page 70;

Executive Directors remuneration in 2009 on pages 71 to 72;

Non-Executive Director s on page 73;

Note 29 Share-based compensation plans on pages 126 to 127;

Note 4 Staff and management costs Key management compensation on page 90; and

Note 19 Pension and similar obligations on pages 113 to 117.

C. Board practices

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Board of Directors on pages 22 to 23;

Appointment of Directors on page 50;

Executive Directors (paragraphs 2 and 3) on page 52;

Non-Executive Directors on pages 52 and 53;

Committees on pages 53 and 54;

Report of the Audit Committee on page 63; and

Directors Remuneration Report on pages 67 to 70.

D. Employees

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Note 4 Staff and management costs Average number of employees during the year on page 90; and

Our employees on page 28.

We believe our relationship with our employees and any labour unions of which they may be part is satisfactory in all material respects.

E. Share ownership

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Directors Remuneration Report on page 70;

Executive Directors remuneration in 2009 on pages 71 to 72;

Non-Executive Directors on page 73; and

Note 29 Share-based compensation plans on pages 126 and 127.

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Form 20-F

Item 7 Major Shareholders and Related Party Transactions

A. Major shareholders

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Foundation Unilever NV Trust office and Margarine Union (1930) Limited on pages 58 and 59; and

Analysis of shareholding on pages 144 and 145.

The principal trading markets upon which Unilever shares are listed are Euronext Amsterdam for NV depositary receipts of ordinary and preference shares and the London Stock Exchange for PLC ordinary shares. NV ordinary shares mainly trade in the form of depositary receipts for shares.

In the United States, NV New York Registry Shares and PLC American Depositary Receipts are traded on the New York Stock Exchange. Citibank, N.A. acts for NV and PLC as issuer, transfer agent and, in respect of the PLC American Depositary Receipts, depositary.

There have not been any significant trading suspensions in the past three years.

At 1 March 2010 there were 5,844 registered holders of NV New York Registry Shares and 879 registered holders of PLC American Depositary Receipts in the United States. We estimate that approximately 15% of NV s ordinary shares were held in the United States (approximately 17% in 2008), while most holders of PLC ordinary shares are registered in the United Kingdom approximately 99% in 2009 and in 2008.

NV and PLC are separate companies with separate stock exchange listings and different shareholders. Shareholders cannot convert or exchange the shares of one for shares of the other and the relative share prices on the various markets can, and do, fluctuate. Each NV ordinary share represents the same underlying economic interest in the Unilever Group as each PLC ordinary share (save for exchange rate fluctuations).

If you are a shareholder of NV, you have an interest in a Dutch legal entity, your dividends will be paid in euros (converted into US dollars if you have shares registered in the United States) and you may be subject to tax in the Netherlands. If you are a shareholder of PLC, your interest is in a UK legal entity, your dividends will be paid in sterling (converted into US dollars if you have American Depositary Receipts) and you may be subject to UK tax. Nevertheless, the Equalisation Agreement means that as a shareholder of either company you effectively have an interest in the whole of Unilever. You have largely equal rights over our combined net profit and capital reserves as shown in the consolidated accounts.

The information set forth under the heading Equalisation Agreement on pages 56 and 57 of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.

B. Related party transactions

The information set forth under the heading Note 30 Related party transactions on page 128 of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.

Transactions with related parties are conducted in accordance with agreed transfer pricing policies and include sales to joint ventures and associates. Other than those disclosed in the Group s Annual Report and Accounts (and incorporated herein as above), there were no related party transactions that were material to the Group or to the related parties concerned that are required to be reported in 2009 or the two preceding years.

C. Interest of experts and counsel

Not applicable.

Item 8 Financial Information

A. Consolidated statements and other financial information

Please refer also to Item 18 Financial Statements on pages 17-25 of this report.

The information set forth under the following headings of the Group s Annual Report and Accounts 2009 furnished separately on 5 March 2010 under Form 6-K is incorporated by reference:

Financial statements on page 76 and pages 79 to 128 (excluding Note 31 on page 128);

Legal proceedings on pages 29 and 122; and

Dividend record on page 130 and Financial calendar on page 146.

B. Significant changes

The information set forth in note 32 on page 128 of the Group s Annual Report and Accounts furnished separately on 5 March 2010 under Form 6-K is incorporated by reference.(6) Mr. Casey served as President of Teradyne s Circuit Board Test and Inspection Division (now known as the Assembly Test Division) during 2003 and until January 8, 2004. Mr. Casey was appointed Senior Vice President of Teradyne on January 9, 2004.

The following table provides information with respect to Teradyne stock option grants to the Named Executive Officers in 2004. Teradyne did not grant any stock appreciation rights in 2004.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options Granted(1)	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise Price($/ share)	Expiration Date	Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation Over the Option Term(2) 5%	10%
George W. Chamillard	250,000	3.60%	$ 27.06	1/28/11	$ 2,754,034	$ 6,418,071
Michael A. Bradley	150,000	2.16%	27.06	1/28/11	1,652,421	3,850,843
	300,000	4.32%	21.91	5/27/11	2,675,871	6,235,917
Edward Rogas, Jr.	110,000	1.59%	27.06	1/28/11	1,211,775	2,823,951
Gregory R. Beecher	95,000	1.37%	27.06	1/28/11	1,046,533	2,438,867
Richard E. Schneider	95,000	1.37%	27.06	1/28/11	1,046,533	2,438,867
John M. Casey	76,000	1.10%	27.06	1/28/11	837,226	1,951,094

(1) Stock options were granted under Teradyne s 1991 and 1997 Employee Stock Option Plans at an exercise price equal to the fair market value of Teradyne s Common Stock on the grant date. The stock options granted to the Named Executive Officers in 2004 have a term of seven years from the grant date and become vested and exercisable as follows: 20% on the grant date and 20% on each anniversary of the grant date.

(2) Amounts reported in these columns represent amounts that may be realized upon exercise of the options immediately prior to the expiration of their term assuming the specified compounded rates of appreciation (5% and 10%) of Teradyne s Common Stock over the term of the options. These numbers are calculated based on rules promulgated by the SEC and do not reflect Teradyne s estimate of future stock price increases. Actual gains, if any, on stock option exercises and Common Stock holdings are dependent on the timing of such exercise and the future performance of Teradyne s Common Stock. There can be no assurance that the rates of appreciation assumed in this table can be achieved or that the amounts reflected will be received by the individuals.

The following table provides information on stock option exercises in 2004 by the Named Executive Officers and the value of each such officer s unexercised options at December 31, 2004.

AGGREGATED OPTION EXERCISES AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired on Option Exercises During 2004	Value Realized	Number of Securities Underlying Unexercised Options Held at December 31, 2004 Exercisable	Unexercisable	Value of Unexercised In-the-Money Options at December 31, 2004(1) Exercisable	Unexercisable
George W. Chamillard	0	$ 0	982,569	620,000	$ 649,200	$ 973,800
Michael A. Bradley	0	0	373,381	498,000	248,860	373,290

Edward Rogas, Jr.	0	0	305,381	226,000	248,860	373,290
Gregory R. Beecher	0	0	236,211	214,750	216,400	324,600
Richard E. Schneider	0	0	222,961	192,000	216,400	324,600
John M. Casey	0	0	208,771	153,300	173,120	259,680

(1) Option values are based on a stock price of $17.07, the closing price of Teradyne s Common Stock on December 31, 2004.

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Retirement Benefits

Teradyne established a Retirement Plan on January 1, 1980 for the purpose of providing a lifetime annual income upon retirement to substantially all employees who were employed by Teradyne prior to January 1, 2000, including officers of Teradyne and its United States subsidiaries. Membership in the Retirement Plan began after one year of employment with Teradyne and was closed to new members on January 1, 2000. The Retirement Plan, which is a defined benefit plan, provides for credit toward retirement income for years of employment with Teradyne prior to January 1, 2000 based upon a formula tied to average compensation from 1995 through 1999. For years of service after December 31, 1999, credit towards retirement income is determined on a yearly basis and is equal to the sum for each year of credited service under the Retirement Plan of (1) .75% of the employee s compensation for the year which is under the defined covered compensation for the year and (2) 1.5% of the amount of the employee s compensation for the year that exceeds the covered compensation for the year. The covered compensation under the Retirement Plan is based on the average of the social security wage basis in effect during the thirty-five years up to and including normal retirement age. However, federal tax law limitations on the total amount of benefits which a participant may receive under qualified retirement plans may limit some participants benefits under the Retirement Plan.

Under the Retirement Plan, accumulated annual retirement income vests partially after three years of service with Teradyne and becomes fully vested after seven years of service or upon normal, early or disability retirement. Benefits are payable in the form of a lifetime or defined period annuity commencing either at normal retirement age, upon early retirement or upon disability. In addition to receiving pension benefits, U.S. employees, including officers, who meet retirement eligibility requirements as of their termination date may also participate in Teradyne s Welfare Plan, which includes death and medical and dental benefits up to age 65. Death benefits provide a fixed sum to retirees survivors and is available to all employees.

Teradyne also maintains the Teradyne Supplemental Executive Retirement Plan (the SERP) which provides eligible employees with retirement benefits in excess of levels allowed by the ERISA and the Internal Revenue Code (IRC) and supplements the benefits payable to such eligible employees from the Retirement Plan. The SERP is unfunded and provides deferred compensation for eligible employees, including officers. Eligible executives of Teradyne who have elected to participate in the SERP are entitled to receive annual pensions upon retirement at a rate based on annual model compensation. Under the SERP, annual pensions for Messrs. Chamillard, Bradley, Rogas, Casey and Schneider and other employees are computed based on model compensation. (See discussion of model compensation under the Compensation Committee Report.)

PENSION PLAN TABLE

Five Year Average Compensation	Years of Service/Amount of Annual Benefit						
	10	15	20	25	30	35	40
500,000	66,700	100,100	133,500	166,800	200,200	233,600	267,000
600,000	80,700	121,100	161,500	201,800	242,200	282,600	323,000
700,000	94,700	142,100	189,500	236,800	284,200	331,600	379,000
800,000	108,700	163,100	217,500	271,800	326,200	380,600	435,000
900,000	122,700	184,100	245,500	306,800	368,200	429,600	491,000
1,000,000	136,700	205,100	273,500	341,800	410,200	478,600	547,000
1,100,000	150,700	226,100	301,500	376,800	452,200	527,600	603,000
1,200,000	164,700	247,100	329,500	411,800	494,200	576,600	659,000
1,300,000	178,700	268,100	357,500	446,800	536,200	625,600	715,000
1,400,000	192,700	289,100	385,500	481,800	578,200	674,600	771,000
1,500,000	206,700	310,100	413,500	516,800	620,200	723,600	827,000
1,600,000	220,700	331,100	441,500	551,800	662,200	772,600	883,000
1,700,000	234,700	352,100	469,500	586,800	704,200	821,600	939,000

The SERP pension formula is identical to that of the Retirement Plan, except an employee s annual pension is based on the employee s highest consecutive sixty (60) months of model compensation. The resulting benefit is reduced by the benefit received from the Retirement Plan. The above table shows the estimated annual benefits payable to covered participants in the United States upon retirement at age 65 under both the Retirement Plan and the SERP. The amounts shown are computed on a single life annuity basis and are not subject to deductions for Social Security benefits or other amounts. Remuneration for purposes of the table is based upon an employee s average model compensation for the five-year period preceding retirement.

The Named Executive Officers have been credited as of January 1, 2005 with the following years of service under the Retirement Plan and SERP: Mr. Chamillard, 35.8 years; Mr. Bradley, 26 years; Mr. Rogas, 28.5 years; Mr. Casey, 27.9 years and Mr. Schneider, 16.7 years (Mr. Schneider elected to discontinue Retirement Plan participation in 2000). Mr. Beecher is not a participant in the Retirement Plan or the SERP.

In 1999, Teradyne offered all eligible domestic employees participating in the Retirement Plan a choice to either continue to be eligible for and to continue to accrue benefits under the Retirement Plan or to have the Retirement Plan benefits stop accruing and instead become eligible for an increased matching contribution by Teradyne under the Teradyne Savings Plan, also known as the 401(k) savings plan. The accrued Retirement Plan benefits of those employees who elected the increased matching option were frozen on January 1, 2000. In addition, beginning in the year 2000, all newly hired Teradyne employees participate exclusively in this Savings Plan in lieu of participating in the Retirement Plan.

The Teradyne Savings Plan, originally established in 1973 and amended and restated as of January 1, 1997, is open to participation by all employees, including officers of Teradyne. Under the Savings Plan employees may elect to invest up to 20% (previously 15% in 2004) of their annual pre-tax or post tax salary in a broad and varied range of investment choices, each managed externally, and Teradyne will match at least $1 for every $1 contributed by the employee each year, up to five percent (5%) of the employee s compensation, if the employee elected to have the

Retirement Plan benefits stop accruing as of December 31, 1999 or if the employee was hired on or after November 1999. If the employee elected to have the Retirement Plan benefits continue accruing as of January 1, 2000, then Teradyne will match fifty percent (50%) of every $1 contributed by the employee each year, up to six percent (6%) of the employee s contribution. Teradyne s contribution vest 25% per year for the first four years of employment and contributions for those employees with more than four years of service vest immediately. Upon the participant s retirement, disability or death, the participants account is distributed to the participant or to the participant s beneficiary in the case of the participant s death. If the participant s employment with Teradyne terminates for any reason other than the participant s retirement, disability or death, the participant is entitled to a distribution of the full amount of the participant s account, except for the unvested portion of the employer s matching contribution.

Teradyne also maintains a Supplemental Savings Plan which allows certain eligible employees who are actively employed by Teradyne on or after December 1, 1994 to defer compensation in excess of limits under the Teradyne Savings Plan and to receive supplemental matching contributions from Teradyne. In addition, employees who participate in the variable compensation plan may defer up to 80% of each year s variable compensation payment into the Supplemental Savings Plan. The Supplemental Savings Plan is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as described in the Employment Retirement Income Security Act (ERISA). In general, under the Supplemental Savings Plan, distribution of the deferrals and the vested matching contributions are made in one lump sum upon the participant s retirement, disability, or other termination of employment. In addition to the conditions of the Supplemental Savings Plan itself, certain restrictions are imposed by the American Jobs Creation Act of 2004 regarding when participants will receive distributions under the Supplemental Savings Plan.

Change in Control Arrangements

Teradyne has Executive Officer Change in Control Agreements with certain of its executive officers, including each of the Named Executive Officers. In the event that Teradyne experiences a Change in Control (as defined in the Executive Officer Change in Control Agreements) and, within 24 months of the Change in Control a Named Executive Officer is terminated without Cause or if he or she terminates employment with Good Reason (each as defined in the Executive Officer Change in Control Agreements), such Named Executive Officer will receive the following benefits: (i) the full acceleration of the vesting of his or her options; and (ii) in the event that any payments or benefits such Named Executive Officer receives from Teradyne are subject to excise tax under Section 280G of the Internal Revenue Code, Teradyne will pay such Named Executive Officer an additional amount so that the net amount retained by such Named Executive Officer after deduction of (x) any excise tax and (y) any federal, state and local tax and excise tax imposed upon the additional amount, shall be equal to the value of such payments or benefits.

Severance Arrangements

On September 3, 2004, Teradyne entered into an Agreement Regarding Termination Benefits with Mr. Bradley, its Chief Executive Officer and President and a member of the Board of Directors. The term of the Agreement is for three years, and thereafter automatically is extended for additional one-year periods unless Teradyne gives notice to Mr. Bradley not to extend the term in accordance with the Agreement. The Agreement contains two-year post-employment customer and employee non-hire and non-solicitation provisions and a two-year post-employment non-competition provision. In consideration for these restrictions, Mr. Bradley is entitled to receive severance payments at his annual model compensation rate for two years following his termination by Teradyne for any reason other than death, disability or cause, each as defined in the Agreement. During this period, Mr. Bradley is also entitled to ongoing health, dental and vision insurance plan coverage, generally provided on the same terms as those in effect at the date of his termination. If Teradyne terminates Mr. Bradley s employment due to his disability, as defined in the Agreement, Mr. Bradley is entitled to a two-year severance payment to the extent he is not eligible to receive Teradyne disability insurance, which payment is reduced by any compensation Mr. Bradley receives from other employment.

Non-Compete, Non-Solicit and Non-Hire Arrangements

In 2004 Teradyne entered into agreements with certain executives, including the Named Executive Officers, containing one-year post-employment customer and employee non-hire and non-solicitation provisions and a one-year post-employment non-competition provision. In consideration for these restrictions, each executive, including the Named Executive Officers, received an option grant in 2004 to purchase common stock of Teradyne in addition to continuing to receive their existing annual cash compensation payments. (See the Summary Compensation Table on page 12 for the 2004 stock options granted to the Named Executive Officers).

Indemnification Arrangements

Teradyne provides an indemnification to the extent permitted to its officers, directors, employees and agents for liabilities arising from certain events or occurrences while the officer, director, employee or agent is or was serving at Teradyne s request in such capacity. Teradyne has entered into Indemnification Agreements with certain of its executive officers, including each of the Named Executive Officers.

COMPENSATION COMMITTEE REPORT

Overview and Philosophy

Teradyne s executive compensation program is administered by the Compensation Committee of the Board of Directors which is comprised entirely of independent directors. The Compensation Committee is responsible for reviewing and overseeing Teradyne s compensation plans and policies (including the administration of Teradyne s incentive, equity based and other compensatory plans) recommending changes and/or the adoption of new plans to the Board of Directors as appropriate, and reviewing and recommending to the Board of Directors compensation for non-employee Board and Committee members. In addition, the Compensation Committee, pursuant to authority delegated by the Board of Directors, determines on an annual basis the cash and equity compensation to be paid to and benefits to be provided to Teradyne s Chief Executive Officer, and reviews and approves the cash and equity compensation and benefit packages of Teradyne s other executive officers. The specific duties and responsibilities of the Compensation Committee are further described in the Compensation Committee Charter, which is available on Teradyne s website at *www.teradyne.com* under the Corporate Governance section of the Investors link. Teradyne s compensation and benefits group within the human resources department supports the Committee in its work and in some cases, acts pursuant to permissible delegated authority to fulfill various functions in administrating Teradyne s compensation plans and programs. In addition, the Committee has the authority to engage the services of outside advisors, experts and others to assist the Committee. For the past two years, the Committee has engaged an independent compensation consulting firm to assist the Committee in its review of the compensation of its executive officers during the first year and to review Teradyne s long term equity compensation programs in the second year.

Teradyne s executive compensation program is designed to provide competitive levels of compensation that (1) assist Teradyne in attracting and retaining qualified executives, (2) motivate these individuals to achieve Teradyne s strategic and financial goals, (3) link executive compensation closely to corporate performance, and (4) align the interests of the executives with our shareholders. In setting cash compensation levels for executive officers, the Compensation Committee takes into account such factors as: Teradyne s historical financial performance and its future financial goals; the general and industry-specific business environment; annual and long-term performance goals; and corporate and group performance.

Each year the Compensation Committee conducts a full review of Teradyne s executive compensation program comparing Teradyne s executive officer compensation program, including base salary, model compensation, total cash compensation, equity programs, short and long-term incentives, and benefits and perquisites, to a peer group of publicly traded companies in comparable industries and with comparable revenues and market capitalization. Some of these comparable companies are represented in the S&P Information Technology 500 Index appearing in the Performance Graph on page 29 herein. During 2004, the Compensation Committee engaged an independent compensation consulting firm to review the competitiveness of the long-term incentives of Teradyne s executive officers against a peer group of publicly traded companies comparable to Teradyne. The report included black-scholes valuation and market percentile comparisons with the peer group of companies as well as competitive practices and trends.

During 2004, the Compensation Committee continued its review and evaluation of the new rules and regulations relating to stock option expensing, closely monitored the external market for changes in equity compensation practices and evaluated the benefits and effectiveness of stock options against various other forms of equity compensation, including restricted stock. As part of this review, the Committee engaged an independent consulting firm which prepared and presented to the Committee a comprehensive report (i) analyzing Teradyne s current long-term equity plans and strategy and (ii) providing alternative long-term incentive strategies in view of the pending legislative and accounting changes and trends in the equity area. The report included a review of vesting (time versus performance based), dilution, efficiency, valuation, shareholder alignment, retentive impact and tax effectiveness of alternative equity instruments such as stock options, stock appreciation rights, and restricted stock awards and units. Based on the report of the consulting firm, the Compensation Committee intends to continue with this evaluation during 2005 and, as the rules and regulations are implemented, may consider, if appropriate, changes to Teradyne s current executive equity compensation program with a focus on performance and retention, consistent with industry norms.

Executive Officer Compensation Program

Teradyne s executive officer compensation program consists of cash compensation received pursuant to its Cash Compensation Plan and Cash Profit Sharing Plan, long-term compensation under Teradyne s equity compensation, savings and retirement plans, and various other benefits generally available to employees of Teradyne.

Cash Compensation Plan

Under Teradyne s Cash Compensation Plan, the Compensation Committee assigns to each executive officer and all other senior employees eligible to participate in the plan, at the beginning of each year, a model compensation amount. The model compensation amount is based on salary surveys of similarly sized electronics companies, and on an as-adjusted basis, larger sized companies, some of which are represented in the S&P Information Technology 500 Index appearing in the Performance Graph on page 29 herein.

Once the Compensation Committee has determined model compensation for each executive officer and senior employee, the actual cash compensation paid to each executive officer and senior employee under the Cash Compensation Plan is divided into two components: (1) a fixed monthly salary and (2) an annual variable amount based upon overall corporate and group performance (referred to herein as Variable Compensation). The fixed salary amount is set at a level which is below the particular executive officer or senior employee s model compensation, and the Variable Compensation is based upon factors which, if achieved, would entitle the executive officer or senior employee to reach or exceed model compensation.

The amount of Variable Compensation each executive officer and senior employee receives is a function of four factors:

(A) The executive officer s and employee s base annual salary as of the end of the year;

(B) Overall corporate performance versus goals;

(C) Performance of the individual business group versus goals; and

(D) The executive officer s and employee s variable compensation factor, which is determined by the Compensation Committee on the basis of the individual s responsibility and experience level.

Each executive officer s and employee s variable compensation factor is a percentage of his or her base annual salary, starting at 10% for new participants. At greater levels of responsibility and experience, the variable compensation factor may be up to 180% of base annual salary. Variable compensation factors are reviewed each July as part of Teradyne s annual salary review and in connection with the review could increase beyond 180%. A newly hired executive officer or employee who is approved for variable compensation eligibility will be eligible to receive a payment for his or her first year of employment, pro-rated from the date of hire. An individual s model compensation is set assuming a 50% payout of the variable compensation factor. Accordingly, in a given year an individual may achieve more or less than his or her model compensation, depending on corporate and business group performance.

At year-end, the Compensation Committee evaluates Teradyne s overall performance versus goals and each individual group s performance versus goals with emphasis on the vital goals. Given the dynamics of the business, Teradyne s Cash Compensation Plan relies heavily on the Compensation Committee s evaluation and assessment of performance. Based on this evaluation, the Compensation Committee determines whether any variable compensation should be paid, and if so, the amount for distribution. Variable compensation payments are only made after approval by the Compensation Committee.

Specifically for 2004, in determining Variable Compensation payouts, the Compensation Committee took the following factors into consideration in evaluating both overall corporate performance and the performance of Teradyne s individual business groups: (1) the extent to which quantitative and qualitative plans were met for the

year, with an emphasis on profitability, return on net assets and market share; (2) the extent to which process improvement results were achieved; (3) the extent to which 2004 results verified each group s strategy and improved its strategic position; and (4) the extent to which each group s 2004 mid-term plan and strategy was credible and contributed to Teradyne s ability to adapt to changes in the marketplace or environment. The Compensation Committee weighed each of the four factors approximately equally in setting Variable Compensation amounts.

In 2004, total cash compensation for all executive officers from Teradyne s Cash Compensation Plan ranged from 4.25% to 7.5% above model compensation.

Cash Profit Sharing Plan

Under Teradyne s Cash Profit Sharing Plan, Teradyne distributes 10% of its pre-tax profit to all eligible employees, including executive officers. Cash awards under the Cash Profit Sharing Plan are calculated based on the same percentage of salary for all employees and are made to employees of Teradyne on an equal basis.

All Teradyne employees, including all executive officers, received a distribution under the Cash Profit Sharing Plan in August 2004 and in February 2005 relating to profits made in 2004. (See footnotes to the Summary Compensation Section Table on page 12 for profit sharing payments to the Named Executive Officers). In 2004, the aggregate profit sharing payments to the Named Executive Officers was $231,185, representing 1.09% of the total profit sharing payment of $21,120,000 to all employees.

Long-Term Compensation

Teradyne s long-term incentive plan for employees, including executive officers, is designed to align executive compensation with shareholder return and to create and implement a program which will attract and retain talented employees and executives. The program consists of awards of stock options and of rights to purchase Teradyne stock. Stock option grants are made under one of Teradyne s two stock plans pursuant to which employees may receive such awards and have historically been granted annually to employees, including the Chief Executive Officer, based upon each employee s relative contribution, performance, and responsibility within Teradyne. The factors taken into account by the Compensation Committee in determining each executive officer s relative contribution, performance, and responsibility within Teradyne include: the executive officer s level of model compensation, the executive officer s position, the executive officer s performance, and the executive officer s current and expected responsibilities. These factors are reviewed by the Compensation Committee when determining the stock option awards for each executive officer. Teradyne, and in 2004 with the help of an independent consultant, conducts surveys of various companies, some of which are represented in the Performance Graph s S&P Information Technology 500 Index, to verify that the relative percentages of stock options granted to its employees, including its Chief Executive Officer and its other executive officers, are consistent with high technology industry practice, are within the range of stock options granted by the surveyed companies, and are competitive with the relative percentages of stock options granted by the surveyed companies. The Committee found the 2004 stock option grants to the executive officers, including the Chief Executive Officer, to be consistent with technology industry practice, within the range of options granted by the surveyed companies, and competitive with stock option grants made by the surveyed companies.

Under Teradyne s 1996 Employee Stock Purchase Plan (ESPP), which is administered by the Compensation Committee, eligible participating employees may purchase shares of Teradyne s Common Stock through regular payroll deductions up to 10% of their annual compensation. The purchase price is an amount equal to the lesser of (a) 85% of the fair market value of the Common Stock on the first business day of the payment period (or the first business day of the portion of the payment period beginning in July 1, in the case of employees who participate in the plan effective July 1 of the payment period) or (b) 85% of the fair market value of the Common Stock on the last business day of the payment period. On November 9, 2004, the Board of Directors approved an amendment to the ESPP which decreased the existing twelve (12) month purchase period to six (6) months and correspondingly decreased share limitations and frequency of payroll deduction changes by 50%, effective January 1, 2005. In an effort to reduce or eliminate the negative effects of recent accounting pronouncements regarding the accounting treatment of employee stock purchase plans generally, the Compensation Committee may consider additional amendments to the ESPP.

Stock Ownership Guidelines

The Compensation Committee, in-conjunction with Teradyne s Nominating and Corporate Governance Committee, has established stock ownership guidelines for all Teradyne officers with annual base salaries of $200,000 or more and the Board of Directors approved the stock ownership guidelines. Teradyne s stock ownership guidelines are designed to align the interests of Teradyne s officers with those of its shareholders and to ensure that the officers responsible for overseeing Teradyne s operations have a financial stake in Teradyne s success. The stock ownership guidelines provide that the Chief Executive Officer should attain and maintain an investment level in Teradyne s stock equal to three times his annual base salary. All other executive officers should attain and maintain an investment level equal to two times their annual base salary and non-executive officers with annual base salaries of $200,000 or more should attain and maintain an investment level equal to their annual base salary. In each case, such investment levels should be attained within five years from the later of the date of Teradyne s adoption of the ownership guidelines and the date upon which the officer becomes subject to the guidelines. Shares owned by an officer and shares held in trust over which the officer has or shares investment and voting power are counted towards attaining the required investment level. Options, whether vested or unvested, do not count.

Chief Executive Officer Compensation

Mr. Bradley s Compensation

General. On May 27, 2004, Mr. Bradley became the Chief Executive Officer of Teradyne, replacing Mr. Chamillard, who continued as Chairman of the Board and throughout the remainder of 2004, as an employee assisting Mr. Bradley with the transition. Mr. Bradley is eligible to participate in the same executive compensation programs available to other Teradyne executive officers. In establishing the Chief Executive Officer s compensation, the Compensation Committee performs an annual evaluation of the Chief Executive Officer s performance and discusses that evaluation with the full Board of Directors. The results of the evaluation are then considered by the Compensation Committee in reviewing and establishing the Chief Executive Officer s compensation. Mr. Bradley s total cash compensation for 2004, awarded under Teradyne s Cash Compensation Plan, was $1,025,550, which is approximately 7.5% more than Mr. Bradley s 2004 model compensation of $954,000.

Cash Compensation Plan. Mr. Bradley s 2004 cash compensation awarded pursuant to Teradyne s Cash Compensation Plan is a 70.2% increase over his 2003 cash compensation, reflecting his appointment as Chief Executive Officer on May 27, 2004 and the 2004 variable compensation plan payment tied to the Company s improved financial performance in 2004. Mr. Bradley s 2004 cash compensation as of July 1, 2004 and as Chief

Executive Officer consisted of a base salary of $530,000 which was set by the Compensation Committee, in conjunction with his model compensation amount, based upon a review of the compensation paid to the prior Chief Executive Officer and to other chief executive officers for comparable companies and companies in the same or comparable industries. Mr. Bradley s base salary through June 30, 2004 was $424,000, and was adjusted on July 1, 2004 (following his appointment as Chief Executive Officer) to $530,000, resulting in an annual base salary for 2004 of $477,000. Also included in Mr. Bradley s cash compensation was a Variable Compensation payout for 2004 of $548,550. Mr. Bradley s Variable Compensation payout was determined based upon the same factors as those used for Teradyne s other executive officers who have general responsibilities within Teradyne, rather than responsibilities for one specific business group within Teradyne. Each of such executive officer s Variable Compensation payout is based 50% upon the performance of Teradyne as a whole and 50% upon the average of the performances of each of the individual business groups within Teradyne.

Cash Profit Sharing Plan. All employees, including Mr. Bradley, received cash compensation in 2004 pursuant to Teradyne s Cash Profit Sharing Plan. Mr. Bradley s Cash Profit Sharing Plan payout for 2004 was $46,636.

Long-Term Compensation. The stock options granted to Mr. Bradley during 2004 are consistent with the design of Teradyne s overall long-term compensation program and are shown in the Summary Compensation Table herein. Mr. Bradley received a grant of an option to purchase 150,000 shares on January 28, 2004 and a subsequent grant of an option to purchase 300,000 shares on May 27, 2004, in conjunction with his appointment as Chief Executive Officer. The total grants to Mr. Bradley of options to purchase 450,000 shares represented approximately 6.5% of the total option shares awarded to all employees during 2004. The actual number of stock options granted to Mr. Bradley was based upon several factors, including (1) his individual performance, (2) his stock option position in Teradyne relative to the other executive officers who received option grants on the same date, (3) his stock option position versus CEOs of comparable companies, (4) the stock options awarded to the prior CEO and to CEOs of comparable companies; (5) Teradyne s overall performance, (6) Mr. Bradley s expected contributions to the future success of Teradyne and (7) industry practices. The Compensation Committee determined that, based on these factors, Mr. Bradley s aggregate option grants should be 450,000 shares.

Mr. Chamillard s Compensation

General. In contemplation of Mr. Chamillard s retirement as Chief Executive Officer of Teradyne on May 27, 2004, the Compensation Committee determined that Mr. Chamillard s annual model compensation would remain at $1,284,400 until May 27, 2004, at which time his annual model compensation was adjusted to $624,200 for the remainder of 2004. Until he retired as Chief Executive Officer, Mr. Chamillard was eligible to participate in the same executive compensation programs available to other Teradyne executive officers. In establishing Mr. Chamillard s compensation for 2004, the Compensation Committee considered both his role as Chief Executive Officer until May 27, 2004, and his role in the transition to Mr. Bradley as Chief Executive Officer. The Compensation Committee performed an evaluation of Mr. Chamillard s performance in these roles and discussed that evaluation with the full Board of Directors. The results of the evaluation were then considered by the Compensation Committee in establishing Mr. Chamillard s compensation for 2004.

Cash Compensation Plan. Mr. Chamillard s 2004 total cash compensation awarded under Teradyne s Cash Compensation Plan was $971,866, which is approximately 7.12% above than Mr. Chamillard s model compensation of $907,223, as a result of the Company s improved financial performance in 2004 and the 2004 variable compensation plan payments tied to the Company s improved financial performance. Mr. Chamillard s 2004 cash compensation awarded pursuant to Teradyne s Cash Compensation Plan is a 3.2% decrease from his 2003 cash compensation reflecting his retirement as Chief Executive Officer during 2004 and the resulting reduction in his model compensation. Mr. Chamillard s 2004 cash compensation consisted of a base salary amount of $476,273. Also included in Mr. Chamillard s cash compensation was Mr. Chamillard s Variable Compensation payout for 2004 of $495,593. Mr. Chamillard s Variable Compensation payout was determined based upon the same factors as those used for Teradyne s other executive officers who have general responsibilities within Teradyne, rather than responsibilities for one specific business group within Teradyne. Each of such executive officer s Variable Compensation payout is based 50% upon the performance of Teradyne as a whole and 50% upon the average of the performances of each of the individual business groups within Teradyne.

Cash Profit Sharing Plan. All employees, including Mr. Chamillard, received cash compensation in 2004 pursuant to Teradyne s Cash Profit Sharing Plan. Mr. Chamillard s Cash Profit Sharing Plan payout for 2004 was $56,691.

Long-Term Compensation. The stock options granted to Mr. Chamillard during 2004 are consistent with the design of Teradyne s overall long-term compensation program and are shown in the Summary Compensation Table herein. Mr. Chamillard received a grant of an option to purchase 250,000 shares on January 28, 2004 representing 3.60% of the total option shares awarded to all employees during 2004. The actual number of stock options granted to Mr. Chamillard was based upon several factors, including (1) his individual performance, (2) his stock option position in Teradyne relative to the other executive officers who received option grants on the same date, (3) Teradyne s overall performance, (4) Mr. Chamillard s expected contributions to the transition to Mr. Bradley as CEO and to the future success of Teradyne and (5) industry practices. The Compensation Committee determined that, based on these factors, Mr. Chamillard s option grant should be 250,000 shares.

Deductibility of Executive Compensation

In general, under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), Teradyne cannot deduct, for federal income tax purposes, compensation in excess of $1 million paid to certain executive officers. This deduction limitation does not apply, however, to compensation that constitutes qualified performance-based compensation within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder. Teradyne has considered the limitations on deductions imposed by Section 162(m) of the Code, and it is Teradyne s present intention that, for so long as it is consistent with its overall compensation objectives, substantially all tax deductions attributable to executive compensation will not be subject to the deduction limitations of Section 162(m) of the Code.

COMPENSATION COMMITTEE

Patricia S. Wolpert (Chair)

James W. Bagley

Roy A. Vallee

The information contained in the report above shall not be deemed to be soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act, except to the extent that Teradyne specifically incorporates it by reference in any such filing.

Compensation Committee Interlock and Insider Participation

Messrs. Bagley and Vallee and Ms. Wolpert comprised the Compensation Committee for 2004. There are no members of the Compensation Committee who were officers or employees of Teradyne or any of its subsidiaries during 2004, formerly officers of Teradyne, or had any relationship otherwise requiring disclosure hereunder.

AUDIT COMMITTEE REPORT

The Board of Directors has an Audit Committee with oversight responsibilities that include matters relating to Teradyne s financial disclosure and reporting process, including the system of internal controls, the performance of Teradyne s internal audit function, compliance with legal and regulatory requirements, and the appointment and activities of Teradyne s independent auditors. The Audit Committee regularly discusses with Teradyne s management, internal audit, and the independent auditors the financial information developed by Teradyne, Teradyne s systems of internal controls and its internal audit process. Each year the Audit Committee engages the independent auditors and reviews periodically the auditors performance and independence. The Audit Committee meets with the independent auditors (both with and without the presence of Teradyne s management) to review and discuss the matters required to be discussed by Statement on Auditing Standards Nos. 61 and 90, as amended (Communications with Audit Committees), including various matters pertaining to the audit, such as Teradyne s financial statements, the report of the independent auditors on the results, scope and terms of their work, and their recommendations concerning the financial practices, controls, procedures and policies employed by Teradyne, and Teradyne s compliance with legal and regulatory requirements that were effective in 2004.

The Board of Directors adopted a written charter for the Audit Committee setting out the Audit Committee s responsibilities. A copy of the Audit Committee Charter is available on Teradyne s website at *www.teradyne.com* under the Corporate Governance section of the Investors link. Shareholders also may request a copy of the charter by writing to Teradyne, Inc., 321 Harrison Avenue, Boston, Massachusetts 02118, Attention: Investor Relations. The Audit Committee reviews the Audit Committee Charter annually and will amend its charter, as it and the Board deem necessary or appropriate.

Management has primary responsibility for Teradyne s consolidated financial statements and the overall reporting process, including Teradyne s system of internal controls. The independent auditors are responsible for planning and carrying out an audit of Teradyne s financial statements, expressing an opinion as to their conformity with generally accepted accounting principles and auditing management s assessment of the effectiveness of internal control over financial reporting. The independent auditors discuss with the Audit Committee any issues they believe should be raised with the Audit Committee.

In 2005, the Audit Committee reviewed Teradyne s audited financial statements for the fiscal year ended December 31, 2004 and met with both management and PricewaterhouseCoopers LLP (PricewaterhouseCoopers), Teradyne s independent auditors, to discuss those financial statements. Management has represented to us that the financial statements were prepared in accordance with generally accepted accounting principles. In addition, during the course of the fiscal year ended December 31, 2004, management completed the documentation, testing and evaluation of Teradyne s system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act and related regulations. The Audit Committee was kept apprised of the progress of the evaluation and provided oversight and advice to management during the process. In connection with this oversight, the Audit Committee received periodic updates provided by management and the independent auditors at Audit Committee meetings held throughout the year. At the conclusion of the process, management provided the Committee with and the Committee reviewed a report on the effectiveness of Teradyne s internal control over financial reporting. The Committee also reviewed the report of management contained in Teradyne s annual report on Form 10-K for the fiscal year ended December 31, 2004 filed with the SEC, as well as PricewaterhouseCoopers Report included in Teradyne s annual report on Form 10-K related to its audit of (i) the consolidated financial statements and financial statement schedule, (ii) management s assessment of the effectiveness of internal control over financial reporting and (iii) the effectiveness of internal control over financial reporting. The Committee continues to oversee Teradyne s efforts related to its internal control over financial reporting and management s preparations for the evaluation in the fiscal year ending December 31, 2005.

The Audit Committee has received from and discussed with PricewaterhouseCoopers the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with PricewaterhouseCoopers, PricewaterhouseCoopers independence. The Audit Committee also discussed with PricewaterhouseCoopers the matters required to be discussed by Statement on Auditing Standards Nos. 61 and 90, as amended (Communications with Audit Committee).

Based on these reviews and discussions with management and PricewaterhouseCoopers, the Audit Committee recommended to the Board of Directors that Teradyne s audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2004. The Audit Committee also engaged PricewaterhouseCoopers to act as Teradyne s independent auditors for the 2005 fiscal year.

Messrs. Mulroney, Carnesale and O Reilly comprised the Audit Committee for fiscal year 2004. Mr. Mulroney served on the Audit Committee and as its Chair until his death in September 2004. Following Mr. Mulroney s death, the Board appointed Mr. Bagley as a member and the Chair of the Audit Committee. Since September 2004, the Audit Committee has and continues to consist of Messrs. Bagley, Carnesale and O Reilly, each of whom meet the independence requirements promulgated by the SEC, including Rule 10A-3(b)(1) pursuant to the Exchange Act and Section 303A.02 of the NYSE corporate governance rules. Each member of the Audit Committee is able to read and understand fundamental financial statements. The Board of Directors has determined that Vincent M. O Reilly is an audit committee financial expert as defined in the rules and regulations of the Exchange Act.

AUDIT COMMITTEE

James W. Bagley (Chair)

Albert Carnesale

Vincent M. O Reilly

The information contained in the report above shall not be deemed to be soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that Teradyne specifically incorporates it by reference in any such filing.

Fees Billed by PricewaterhouseCoopers LLP

The following table sets forth the aggregate fees billed for services provided by PricewaterhouseCoopers for the fiscal years ended December 31, 2004 and December 31, 2003.

	2004	2003
Audit Fees(1)	$ 2,267,000	$ 1,036,000
Audit-Related Fees	43,000	109,000
Tax Fees	689,000	448,000
All Other Fees	5,000	
Total:	$ 3,004,000	$ 1,593,000

(1) Includes for 2004, aggregate fees of $1,142,100 for testing under Section 404 of the Sarbanes-Oxley Act of 2002.

Audit Fees

These are fees related to professional services rendered for the audit of Teradyne s annual financial statements and internal control over financial reporting for fiscal 2004 and the annual financial statements for fiscal 2003. The fees include the reviews of Teradyne s interim financial statements included in Teradyne s quarterly reports on Forms 10-Q and services that are normally provided by PricewaterhouseCoopers in connection with other statutory and regulatory filings or engagements.

Audit-Related Fees

These are fees for assurance and related services that are reasonably related to the performance of the audit or review of Teradyne s consolidated financial statements and are not reported under Audit Fees. These services include employee benefit plan audits, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards.

Tax Fees

These are fees for professional services rendered that are related to tax planning, federal, state and international tax compliance, assistance with tax audits and appeals, assistance with customs and duties audits, expatriate tax services, assistance related to the impact of mergers, acquisitions, and divestitures on tax return preparation, and due diligence services related to domestic and foreign subsidiaries.

All Other Fees

These are fees for services other than the services reported above. In 2004 the other fees related to technical accounting software licenses, and in 2003, there were no fees paid for other services.

Teradyne s Audit Committee has determined that the non-audit services provided by PricewaterhouseCoopers as set forth herein are compatible with maintaining PricewaterhouseCoopers independence.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

During 2004 and 2003, the Audit Committee pre-approved all audit-related, tax and other services performed by PricewaterhouseCoopers.

The Audit Committee s policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors in order to ensure that the provision of such services does not impair the auditors independence. These services may include audit services, audit-related services, tax services and other services.

In addition to generally pre-approving, on a case-by-case basis, services provided by the independent auditors, the Audit Committee has adopted a policy for the pre-approval of certain specified services which may be provided by the independent auditors. Under this policy, which was modified in 2004, the Audit Committee has pre-approved the auditors engagement for the provision of certain services set forth in a detailed list subject to a dollar limit of either $50,000 or $100,000, depending on the service. The services set forth on the list have been identified in a sufficient level of detail so that management will not be called upon to make a judgment as to whether a proposed service fits within the pre-approved service list. Pursuant to the policy, the Audit Committee is informed of the auditors provision, if any, of a pre-approved service and the fees incurred for such services at least annually or more frequently upon the request of the Audit Committee.

PERFORMANCE GRAPH (1)(2)

The following graph compares the change in Teradyne s cumulative total shareholder return in its Common Stock with the Standard & Poor s 500 Index and the S&P Information Technology 500 Index. The comparison assumes $100.00 was invested on December 31, 1999 in Teradyne s Common Stock and in each of the foregoing indices and assumes reinvestment of dividends, if any.

	1999	2000	2001	2002	2003	2004
Teradyne, Inc.	$ 100.00	$ 56.44	$ 45.67	$ 19.71	$ 38.56	$ 25.86
S&P 500 Index	$ 100.00	$ 90.89	$ 80.14	$ 62.47	$ 80.35	$ 89.07
S&P Information Technology 500 Index	$ 100.00	$ 59.10	$ 43.83	$ 27.44	$ 40.39	$ 41.39

(1) This graph is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any Teradyne filing under the Securities Act or the Exchange Act whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

(2) The stock price performance shown on the graph is not necessarily indicative of future price performance. Information used on the graph was obtained from Hewitt Associates, a source believed to be reliable, but Teradyne is not responsible for any errors or omissions in such information.

RATIFICATION OF SELECTION OF AUDITORS

The Audit Committee has selected PricewaterhouseCoopers LLP to serve as Teradyne s independent auditors for the fiscal year ending December 31, 2005. PricewaterhouseCoopers LLP, or its predecessor Coopers & Lybrand L.L.P., have served as Teradyne s auditors since 1968. Teradyne expects that a representative from PricewaterhouseCoopers LLP will be at the Annual Meeting of Shareholders, will have the opportunity to make a statement if so desired and will be available to respond to appropriate questions. The ratification of this selection is not required by the laws of the Commonwealth of Massachusetts, where Teradyne is incorporated, but the results of this vote will be considered by the Audit Committee in selecting auditors for future fiscal years.

The Board of Directors recommends a vote FOR ratification of this selection.

SHAREHOLDER PROPOSALS AND BOARD CANDIDATES

Shareholders wishing to suggest a candidate to the Nominating and Corporate Governance Committee for consideration as potential director nominees may submit the candidate s name, experience, and other relevant information to the Teradyne Nominating and Corporate Governance Committee, 321 Harrison Avenue, Boston, Massachusetts 02118. Teradyne shareholders also have the right to nominate director candidates by submitting a written notice to Teradyne s Secretary. The written notice, as well as any proposals of shareholders intended for inclusion in Teradyne s proxy materials to be furnished to all shareholders entitled to vote at the next annual meeting of shareholders pursuant to SEC Rule 14a-8 must be received at Teradyne s principal executive offices not later than December 19, 2005.

Teradyne s By-Laws set forth the procedures a shareholder must follow to nominate a director or to bring other business before a shareholder meeting. For shareholders who wish to nominate a candidate for director at the 2006 annual meeting of shareholders, notice of the nomination must be received by Teradyne not less than 50 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 65 days notice or prior public disclosure of the date of the meeting is given or made to shareholders, to be timely, notice by the shareholder must be so received not later than the close of business on the fifteenth day following the day on which notice of the date of the meeting was mailed or public disclosure was made, whichever occurs first. The notice must provide information regarding the nominee, including name, address, occupation and shares held by the shareholder making the proposal. The Nominating and Corporate Governance Committee will consider any nominee properly presented by a shareholder and will make a recommendation to the Board. After full consideration by the Board, the shareholder presenting the nomination will be notified of the Board s conclusion.

If a shareholder wishes to bring other matters before the 2006 annual meeting other than proposals that will be included in Teradyne s proxy materials the notice must be received by Teradyne in the time limits described above. If a shareholder who wishes to present a proposal fails to timely notify Teradyne, the shareholder will not be entitled to present the proposal at the meeting. If, however, notwithstanding the requirements of Teradyne s By-Laws, the proposal is brought before the meeting, then under the SEC s proxy rules, the proxies solicited by Teradyne with respect to the 2006 annual meeting will confer discretionary voting authority with respect to the shareholder s proposal on the persons selected by Teradyne to vote the proxies. If a shareholder makes a timely notification, the proxies may still exercise discretionary voting authority under circumstances consistent with the SEC s proxy rules.

It is suggested that proponents submit their proposals by Certified Mail Return Receipt Requested.

EXPENSES AND SOLICITATION

The cost of solicitation of proxies will be borne by Teradyne, and in addition to soliciting shareholders by mail through its regular employees, Teradyne may request banks and brokers to solicit their customers who have Teradyne stock registered in the name of a nominee and, if so, will reimburse such banks and brokers for their reasonable out-of-pocket costs. Solicitation by Teradyne officers and employees, as well as certain outside proxy-solicitation services may also be made of some shareholders in person or by mail, telephone or telegraph following the original solicitation. Teradyne has retained Georgeson Shareholder to assist with the solicitation of proxies for a fee not to exceed $9,000, plus reimbursement for out of pocket expenses, all of which will be borne by Teradyne.

INCORPORATION BY REFERENCE

To the extent that this proxy statement has been or will be specifically incorporated by reference into any filing by Teradyne under the Securities Act or the Exchange Act, the sections of the proxy statement entitled Compensation Committee Report , Audit Committee Report and Performance Graph shall not be deemed to be so incorporated, unless specifically otherwise provided in any such filing.

SHAREHOLDERS SHARING THE SAME ADDRESS

Teradyne has adopted a procedure called householding, which has been approved by the Securities and Exchange Commission. Under this procedure, Teradyne is delivering only one copy of the annual report and proxy statement to multiple shareholders who share the same address and have the same last name, unless Teradyne has received contrary instructions from an affected shareholder. This procedure reduces Teradyne s printing costs, mailing costs and fees. Shareholders who participate in householding will continue to receive separate proxy cards.

Teradyne will deliver promptly upon written or oral request a separate copy of the annual report and the proxy statement to any shareholder at a shared address to which a single copy of either of those documents was delivered. To receive a separate copy of the annual report or proxy statement, you may write or call Teradyne, Inc., 321 Harrison Avenue, Boston, MA 02118, Attention: Investor Relations, telephone number 617-482-2700. You may also access Teradyne s annual report and proxy statement on Teradyne s website at *www.teradyne.com* under the SEC Filings section of the Investors link.

If you are a holder of record and would like to revoke your householding consent and receive a separate copy of the annual report or proxy statement in the future, please contact Automatic Data Processing, Inc. (ADP), either by calling toll free at (800) 542-1061 or by writing to ADP, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. You will be removed from the householding program within 30 days of receipt of the revocation of your consent.

Any shareholders of record who share the same address and currently receive multiple copies of Teradyne s annual report and proxy statement who wish to receive only one copy of these materials per household in the future, please write or call Teradyne, Inc., 321 Harrison Avenue, Boston, MA 02118, Attention: Investor Relations, telephone number 617-482-2700 to participate in the householding program. A number of brokerage firms have instituted householding. If you hold your shares in street name, please contact your bank, broker or other holder of record to request information about householding.

APPENDIX A

CATEGORICAL STANDARDS FOR DETERMINING INDEPENDENCE

In order for Directors to qualify as independent, the Board of Directors of Teradyne shall affirmatively determine that the Directors each do not have any material relationship with Teradyne (either directly or as a partner, stockholder, or officer of an organization that has a relationship with Teradyne). This determination shall be disclosed in Teradyne s proxy statement for each annual meeting of Teradyne. In this regard, the Board shall broadly consider all relevant facts and circumstances. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others.

The Board may adopt and disclose categorical standards to assist it in making determinations of independence and can make a general disclosure if a director meets these standards, rather than disclosing particular aspects of immaterial relationships.

In addition to a Director meeting the independence tests pursuant to the corporate governance listing requirements of the New York Stock Exchange, as in effect from time to time, a Director must also meet the following standards in order to be considered independent:

1) If a Director is an executive officer of a charitable organization, Teradyne s contributions to the organization during the last fiscal year do not exceed the greater of $1 million or 2% of such charitable organization s consolidated gross receipts.

2) If a Director is an executive officer, general partner, or significant equity holder (in excess of 10%) of another company that makes payments to, or receives payments from, Teradyne for property or services, the amount of such payments, during the last fiscal year, does not exceed the greater of $1 million or 2% of the other company s consolidated gross revenues.

2) If a Director is an executive officer, general partner or significant equity holder (in excess of 10%) of another company which is indebted to Teradyne, or to which Teradyne is indebted the total amount of either company s indebtedness to the other during the last fiscal year does not exceed 5% of the total consolidated assets of the other company.

PROXY

TERADYNE, INC.

Proxy for Annual Meeting of Shareholders

May 26, 2005

SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby appoints MICHAEL A. BRADLEY and EILEEN CASAL and each or both of them, proxies, with full power of substitution to vote all shares of stock of Teradyne which the undersigned is entitled to vote at the Annual Meeting of Shareholders of Teradyne, Inc. to be held on Thursday, May 26, 2005, at 10:00 A.M., at 100 Federal Street (Auditorium), Boston, Massachusetts, and at any adjournments thereof, upon matters set forth in the Notice of Annual Meeting of Shareholders and Proxy Statement, dated on or about April 18, 2005, a copy of which has been received by the undersigned. The proxies are further authorized to vote, in their discretion, upon such other business as may properly come before the meeting or any adjournments thereof.

SEE REVERSE SIDE CONTINUED AND TO BE SIGNED ON REVERSE SIDE SEE REVERSE SIDE

TERADYNE, INC.

c/o EquiServe Trust Company, N.A.

P.O. Box 8694

Edison, NJ 08818-8694

x Please mark

votes as in

this example.

Vote by the Internet Log onto the internet and go to http://www.eproxyvote.com/ter

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

Vote by Telephone Call toll free 1-800-PRX-VOTE (1-877-779-8683)

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you all and then follow the instructions.

Vote by Mail

Mark, sign and date your proxy card and return it in the postage-prepaid envelope provided, or return it to Teradyne, Inc., 321 Harrison Avenue, Boston, MA, 02118, Attention: Secretary.

DO NOT RETURN YOUR PROXY CARD IF YOU ARE VOTING BY TELEPHONE OR THE INTERNET.

THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR THE ELECTION OF CLASS I DIRECTORS AND FOR THE PROPOSAL IN ITEM 2.

1. Director Proposal To elect three members to the Board of Directors to serve for a three-year term as Class I Directors.

Nominees: (01) James W. Bagley, (02) Michael A. Bradley and (03) Vincent M. O Reilly

¨ FOR ¨ WITHHELD

¨ For all nominees except as noted above

2. Director Proposal To ratify the selection of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 31, 2005.

¨ FOR ¨ AGAINST ¨ ABSTAIN

MARK HERE IF YOU PLAN TO ATTEND THE MEETING ¨

MARK HERE FOR ADDRESS CHANGE AND NOTE AT LEFT ¨

In his or her discretion, the proxy is authorized to vote upon such other business as properly may come before the Annual Meeting and any and all adjournments thereof. If any other business is presented at the Annual Meeting, this proxy card will be voted by the proxy in his or her best judgment. At the present time, the Board of Directors knows of no other business to be presented at the Annual Meeting.

(Please sign exactly as your name appears hereon. If signing as attorney, executor, trustee or guardian, please give your full title as such. If stock is held jointly, each owner should sign. Please read reverse side before signing.)

Signature: ____________________ Date: ____________________

Signature: ____________________ Date: ____________________