Universal Robots A/S

Energivej 25, DK-5260 Odense S

Annual Report for 1 January - 31 December 2016

CVR No 29 13 80 60

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 3 /3 2017

Ole Nørgaard
Chairman

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Universal Robots A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and the Group and of the results of the Company and Group operations for 2016.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Odense, 3 March 2017

Executive Board

Jürgen Peter von Hollen CEO	Klaus Michael Vestergaard CFO

Board of Directors

Gregory Robert Beecher Chairman	Michael Dennis Callahan	Charles Jeffrey Gray
Jürgen Peter von Hollen		

Independent Auditor's Report

To the Shareholder of Universal Robots A/S

Opinion
In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position of the Company and the Group at 31 December 2016 and of the results of the Company and the Group operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements and the Consolidated Financial Statements of Universal Robots A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Parent Company and the Group ("financial statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and the Consolidated Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation of Financial Statements and the Consolidated Financial

Independent Auditor's Report

Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Odense, 3 March 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mikael Johansen statsautoriseret revisor	Henrik Trangeled Kristensen statsautoriseret revisor

Company Information

The Company	Universal Robots A/S Energivej 25 DK-5260 Odense S E-mail: info@universal-robots.dk CVR No: 29 13 80 60 Financial period: 1 January - 31 December Municipality of reg. office: Odense
Board of Directors	Gregory Robert Beecher , Chairman Michael Dennis Callahan Charles Jeffrey Gray Jürgen Peter von Hollen
Executive Board	Jürgen Peter von Hollen Klaus Michael Vestergaard
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Rytterkasernen 21 Postboks 370 DK-5100 Odense C

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	662.466	409.706	212.837	126.538	75.469
Operating profit/loss	81.096	54.957	22.486	13.265	3.583
Net financials	-2.780	5.333	3.996	-564	-5.347
Net profit/loss for the year	74.163	44.472	19.294	8.626	2.090
Balance sheet					
Balance sheet total	331.286	207.496	106.385	55.878	35.939
Equity	142.673	68.477	38.233	22.401	12.862
Investment in property, plant and equipment	43.780	13.289	16.020	4.369	2.579
Number of employees	236	154	92	62	35
Ratios					
Profit margin	14,3%	13,4%	10,6%	12,7%	4,7%
Return on assets	28,6%	26,5%	21,1%	28,7%	10,0%
Solvency ratio	43,1%	33,0%	35,9%	40,1%	35,8%
Return on equity	70,2%	83,4%	63,6%	48,9%	17,2%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

2013-2016 shows key figures for the Group. 2012 shows key figures for the parent company. From 2013 production overhead are included in the cost inventories. The key figures are not restated to reflect the policy change.

Management's Review

Main activity

As in prior years, the Group's main activity is the development, manufacturing and sale of flexible, easily programmable and collaborative industrial robots.

Development in the year

The Group reported a profit for 2016 of DKK 74,167k, and equity amounts to DKK 142,677k at 31 December 2016. The results are consistent with previously announced expectations.

The revenue and operations profit is negatively influenced by DKK 9.1 million due to change in accounting practice related to future services delivered as a part of the company's product.

Revenue increased by 62% compared to the prior year and was consistent with our forecast. The increasing activity level is partly due to the increasing knowledge of robots on existing markets and partly due to market penetration on upcoming markets.

The Group has distribution channels in approximately 50 countries around the world and has subsidiaries, branches or group-related companies in 11 countries: USA, Spain, Germany, Italy, Czech Republic, China, Singapore, India, Japan, Taiwan and South Korea.

Due to the corporate structure, the subsidiary in the USA (Universal Robots USA, Inc.) was acquired by the ultimate Parent Company (Teradyne Inc.) at 1 January 2016. This transaction resulted in a gain of DKK 14,700k in Universal Robots A/S's income statement in 2016.

Management considers the net income to be satisfactory and expects a revenue growth of 50% or greater in the Group during 2017.

Research and development

Universal Robots A/S continues to invest many resources in the continuous development of the Company's products and markets. Consequently, the Company is dependent on being able to attract and retain the right human resources and skills.

Foreign exchange risks

The Group has a natural currency exposure, primarily in EUR but also in USD and CNY (Renminbi), and the Group is therefore to some extent exposed to variations in exchange rates. It is the Group's foreign exchange policy not to hedge such exposures.

External environment

The activities of the Group do not to a high degree impact the external environment; however, the Company is working on reducing the level of energy on a continuous basis.

Management's Review

Subsequent events

No material events have occurred after the end of the financial year.

Report on corporate social responsibility, cf. section 99 a of the Danish Financial Statements Act

Universal Robots is owned by Teradyne, a leading supplier of automation equipment for test and industrial applications, and subject to Teradyne's Code of Conduct. The Code of Conduct outlines the ethical business practices that are expected from the Company and all its employees and business partners. To Teradyne and Universal Robots, an important aspect of ethical behaviour is to act as a responsible business in relation to our employees, our stakeholders, the surrounding environment and the climate, human rights as well as anti-corruption and anti-competitive behaviour. Hence, Universal Robots has implemented policies aimed at:

• improving health and safety conditions for our employees;
• protecting the environment and the climate;
• respecting human rights;
• avoiding anti-corruption and anti-competitive behaviour.

Health and safety

The health and safety of our employees remain a focus area of Universal Robots, and we work actively to create a motivating and developing workplace. Our ambition is to improve the work environment to reduce injuries and absence, and we maintain records of health and safety incidents to keep track of progress in the area.
In 2016 the activities within this area has i.e. been:

• we have conducted an employee satisfaction survey
• we have expanded the organization within the health and safety area.
• we have completed a series of workshops to raise awareness of health and safety issues to prevent injuries and absence by bringing safety to the top of our employees' minds.
• we have offered a first aid course to employees.
• we have in autumn 2016 implemented a programme aimed at improving the health of our employees to reduce long-term illness.
• we have invested money and resource in improving working conditions

As a result of the activities that were completed during 2016, we have registered good progress in the area of health and safety.

Environment and climate

We strive to act environmentally responsibly in all our business activities to reduce the negative environmental impacts that we may have on our surroundings and on the climate. Our most significant impacts as a production company relate to the energy and water consumption from our production and the waste we produce. As part of our environmental management system, we systematically measure and

monitor our consumption and continuously work to minimise this.
During 2016, we have completed an energy efficiency project at the production site in Odense that will reduce electricity consumption.
In 2016, we have initiated a project to optimise waste sorting and to reduce our non-recyclable waste. We have yet to see the full effect of the project, but we expect that the volume of non-recyclable waste per produced unit will decrease going forward.
Because of the activities that were completed during 2016, we have made further progress on limiting our negative impacts on the environment and the climate.

Human rights

Respecting human rights is important to Universal Robots as we wish to conduct business with a high level of integrity. We strive to respect human rights both when employees engage with each other internally and when we engage with stakeholders in our supply chain, our customers and other parties.
Our Code of Conduct states that we should refrain from discrimination towards and among employees, and that we do not permit child labour, prison or forced labour and physical punishment in any operation of Universal Robots or our business partners or suppliers.
In 2016, Management has focused on ensuring that no employees should feel discriminated at work. We have trained employees in detecting discriminating behaviour, and a number of meetings have been held with all employees to raise awareness of intentional or unintentional discriminating behaviour.
We also expect the high standards that we set for ourselves from our suppliers. During 2016, we have entered into agreements with a number of suppliers who have all signed our Code of Conduct.

As a result of the activities that were completed during 2016, we have raised awareness of potential negative human rights issues that we may have.

Anti-corruption and anti-competitive behaviour

We will not accept corruption in any form when we conduct business, nor will we engage in activities that can be challenged as anti-competitive behaviour. Therefore, our Code of Conduct sets out, among other things, guidelines for hosting and attending dinners and entertainment with customers and stakeholders as well as not giving or receiving gifts that are anything but symbolic. Teradyne operates a whistle-blower hotline that employees and external parties can use to report any suspected non-conformity activities by Teradyne and Universal Robots' employees.
During 2016, we have trained all employees, but with a special focus on functions such as procurement and sales who may be placed in situations where they need to consider whether or not to accept a gift or attend an event.
In 2016, we have distributed material on the whistle-blower hotline to all Universal Robots' employees to raise awareness.
During 2016, we have registered no cases of anti-corruption nor anti-competitive behaviour.

Management's Review

Report on gender composition in management, cf. section 99 b of the Danish Financial Statements Act

For Universal Robots, diversity goes beyond gender composition in management. We believe that a truly diverse workforce that consists of employees with different ethnic origins, age and competences is needed to continue to be a successful company. That is also the reason why Universal Robots currently employs people with more than 30 different ethnic origins.

As stated in our Code of Conduct, we believe in equal employment opportunities for all and that nobody should be discriminated in the employment or promotion of any person due to race, religion, colour, gender, national origin, sexual orientation, etc.

Even though we act in accordance with our non-discrimination belief, we have registered that women are currently underrepresented both on our Board of Directors and at other management levels. Therefore, Management has in 2016 maintained its focus on increasing diversity in the workforce, also in relation to gender. The following initiatives have been taken:

Gender composition of the Board of Directors

We have set a target for the underrepresented gender on the Board of Directors of one woman by 2020. Currently, the Board of Directors consists of four members who are all men. During the year, the Board of Directors was expanded from three to four members. Teradyne is responsible for the composition of the Board of Directors of Universal Robots, and the expansion this year did not lead to a female candidate being elected.

Gender composition at other management levels

During 2016, we have strived to invite qualified candidates of both genders to interviews for job positions at management level. When we have made use of external recruiting agencies, we have asked that they provide a list of qualified candidates of both genders. Furthermore, we have during 2016 continued to encourage all employees with the desire and competences to advance within the Company.

By the end of 2016, the female representation on the Senior Management Team (SMT) has increased from one to two. Taking into account that the gender composition across all employees is 75/25% (m/f) in Universal Robots, the gender composition on the SMT reflects the general distribution in the Company. We will, however, maintain our focus on further increasing the share of the underrepresented gender in management going forward.

Income Statement 1 January - 31 December

	Note	Group		Parent company	
		2016	2015	2016	2015
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**662.466**	**409.706**	**650.133**	**395.535**
Cost of sales	2	-361.075	-221.184	-362.747	-220.690
Gross profit/loss		**301.391**	**188.522**	**287.386**	**174.845**
Distribution expenses	2	-157.127	-77.960	-144.931	-68.401
Administrative expenses	2	-63.168	-55.605	-63.168	-55.605
Operating profit/loss		**81.096**	**54.957**	**79.287**	**50.839**
Other operating income		13.856	0	0	0
Other operating expenses		-193	-66	-193	-66
Profit/loss before financial income and expenses		**94.759**	**54.891**	**79.094**	**50.773**
Income from investments in subsidiaries		0	0	14.700	0
Financial income	3	88	7.070	31	7.184
Financial expenses	4	-2.868	-1.737	-2.719	-1.684
Profit/loss before tax		**91.979**	**60.224**	**91.106**	**56.273**
Tax on profit/loss for the year	5	-17.816	-15.752	-17.668	-15.397
Net profit/loss for the year		**74.163**	**44.472**	**73.438**	**40.876**

Distribution of profit

Proposed distribution of profit

Retained earnings	73.438	40.876
	73.438	**40.876**

Balance Sheet 31 December

Assets

		Group		Parent company	
	Note	2016	2015	2016	2015
		TDKK	TDKK	TDKK	TDKK
Completed development projects		17.269	20.320	17.269	20.320
Acquired patents		1.833	1.902	1.833	1.902
Acquired licenses		3.235	2.738	3.235	2.738
Goodwill		1.718	1.924	0	0
Development projects in progress		42.520	10.162	42.520	10.162
Intangible assets	6	**66.575**	**37.046**	**64.857**	**35.122**
Other fixtures and fittings, tools and equipment		35.718	16.814	31.436	15.184
Leasehold improvements		19.007	7.190	18.333	6.415
Property, plant and equipment in progress		170	923	170	923
Prepayments for property, plant and equipment		769	0	769	0
Property, plant and equipment	7	**55.664**	**24.927**	**50.708**	**22.522**
Investments in subsidiaries	8	0	0	5.399	5.273
Deposits		1.103	1.641	559	0
Fixed asset investments		**1.103**	**1.641**	**5.958**	**5.273**
Fixed assets		**123.342**	**63.614**	**121.523**	**62.917**
Raw materials and consumables		22.200	19.573	22.200	19.573
Work in progress		2.817	0	2.817	0
Finished goods and goods for resale		17.197	8.619	12.634	6.862
Prepayments for goods		383	0	383	0
Inventories		**42.597**	**28.192**	**38.034**	**26.435**

Balance 31. december

Assets

		Group		Parent company	
	Note	2016	2015	2016	2015
		TDKK	TDKK	TDKK	TDKK
Trade receivables		61.506	40.840	59.539	40.909
Receivables from group enterprises		0	0	14.401	8.323
Other receivables		9.033	6.920	6.215	5.767
Corporation tax		6.174	0	6.174	0
Prepayments		3.500	2.072	3.500	1.412
Receivables		**80.213**	**49.832**	**89.829**	**56.411**
Cash at bank and in hand		**85.134**	**65.858**	**73.598**	**56.335**
Currents assets		**207.944**	**143.882**	**201.461**	**139.181**
Assets		**331.286**	**207.496**	**322.984**	**202.098**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2016 TDKK	Group 2015 TDKK	Parent company 2016 TDKK	Parent company 2015 TDKK
Share capital		546	546	546	546
Reserve for development costs		27.270	0	27.270	0
Retained earnings		114.855	67.926	115.554	69.386
Equity attributable to shareholders of the Parent Company		**142.671**	**68.472**	**143.370**	**69.932**
Minority interests		2	5	0	0
Equity	9	**142.673**	**68.477**	**143.370**	**69.932**
Provision for deferred tax	10	10.027	4.852	10.370	4.793
Other provisions	11	4.400	3.000	4.400	3.000
Provisions		**14.427**	**7.852**	**14.770**	**7.793**
Payables to group enterprises		21.605	34.266	21.605	34.266
Other payables		600	1.200	600	1.200
Long-term debt	12	**22.205**	**35.466**	**22.205**	**35.466**
Credit institutions		640	688	640	643
Prepayments received from customers		9.492	4.174	4.460	2.254
Trade payables		76.759	54.211	72.802	52.904
Payables to group enterprises	12	15.260	0	17.349	0
Corporation tax		682	1.147	165	547
Other payables	12	27.196	22.629	25.271	19.707
Deferred income	13	21.952	12.852	21.952	12.852
Short-term debt		**151.981**	**95.701**	**142.639**	**88.907**
Debt		**174.186**	**131.167**	**164.844**	**124.373**
Liabilities and equity		**331.286**	**207.496**	**322.984**	**202.098**
Contingent assets, liabilities and other financial obligations	14				
Related parties	15				
Fee to auditors appointed at the general meeting	16				

Statement of Changes in Equity

Group

	Share capital	Reserve for development costs	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	546	0	77.565	78.111	2	78.113
Net effect of adjustments to prior years	0	0	-9.638	-9.638	0	-9.638
Adjusted equity at 1 January	546	0	67.927	68.473	2	68.475
Exchange adjustments relating to foreign entities	0	0	35	35	0	35
Development costs for the year	0	27.674	-27.674	0	0	0
Depreciation, amortisation and impairment for the year	0	-404	404	0	0	0
Net profit/loss for the year	0	0	74.163	74.163	0	74.163
Equity at 31 December	**546**	**27.270**	**114.855**	**142.671**	**2**	**142.673**

Parent company

	Share capital	Reserve for development costs	Retained earnings	Equity excl. minority interests	Minority interests	Total
Equity at 1 January	546	0	79.024	79.570	0	79.570
Net effect of adjustments to prior years	0	0	-9.638	-9.638	0	-9.638
Adjusted equity at 1 January	546	0	69.386	69.932	0	69.932
Development costs for the year	0	27.674	-27.674	0	0	0
Depreciation, amortisation and impairment for the year	0	-404	404	0	0	0
Net profit/loss for the year	0	0	73.438	73.438	0	73.438
Equity at 31 December	**546**	**27.270**	**115.554**	**143.370**	**0**	**143.370**

Notes to the Financial Statements

		Group		Parent company	
		2016	2015	2016	2015
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	America	199.139	124.677	199.143	123.048
	Asia	172.818	105.215	160.481	92.673
	Europe	290.509	179.814	290.509	179.814
		662.466	**409.706**	**650.133**	**395.535**
2	**Staff**				
	Wages and Salaries	129.877	97.698	109.470	81.976
	Pensions	7.371	4.179	6.861	4.179
	Other social security expenses	4.274	2.742	2.457	1.143
		141.522	**104.619**	**118.788**	**87.298**
	Wages and Salaries, pensions and other social security expenses are recognised in the following items:				
	Cost of sales	79.938	50.785	79.938	50.785
	Distribution expenses	46.489	33.712	23.755	16.391
	Administrative expenses	15.095	20.122	15.095	20.122
		141.522	**104.619**	**118.788**	**87.298**
	Including remuneration to the Executive Board of	5.678	4.479	5.678	4.479
		5.678	**4.479**	**5.678**	**4.479**
	Average number of employees	**236**	**154**	**194**	**125**

Notes to the Financial Statements

	Group		Parent company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK

3 Financial income

	2016	2015	2016	2015
Interest received from group enterprises	0	0	2	114
Other financial income	88	17	29	17
Exchange gains	0	7.053	0	7.053
	88	**7.070**	**31**	**7.184**

4 Financial expenses

	2016	2015	2016	2015
Interest paid to group enterprises	647	561	647	561
Other financial expenses	785	1.176	636	1.123
Exchange loss	1.436	0	1.436	0
	2.868	**1.737**	**2.719**	**1.684**

5 Tax on profit/loss for the year

	2016	2015	2016	2015
Current tax for the year	12.582	13.809	12.091	13.454
Deferred tax for the year	5.223	2.268	5.566	2.268
Adjustment of tax concerning previous years	11	6	11	6
Adjustment of deferred tax concerning previous years	0	-331	0	-331
	17.816	**15.752**	**17.668**	**15.397**

Notes to the Financial Statements

6 Intangible assets

Group

	Completed development projects	Acquired patents	Acquired licenses	Goodwill	Development projects in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	34.325	3.812	5.701	0	9.775	53.613
Additions for the year	0	716	2.770	1.718	35.480	40.684
Disposals for the year	0	0	-230	0	0	-230
Transfers for the year	2.735	0	0	0	-2.735	0
Cost at 31 December	37.060	4.528	8.241	1.718	42.520	94.067
Impairment losses and amortisation at 1 January	14.004	1.910	2.964	0	0	18.878
Amortisation for the year	5.787	785	2.166	0	0	8.738
Reversal of amortisation of disposals for the year	0	0	-124	0	0	-124
Impairment losses and amortisation at 31 December	19.791	2.695	5.006	0	0	27.492
Carrying amount at 31 December	**17.269**	**1.833**	**3.235**	**1.718**	**42.520**	**66.575**

Development projects relating to the further development of the company's product portfolio. The majority of the projects are expected to be finalized in the coming years and the projects are progressing as planned using the resources allocated by Management to the development.

Prior to the launching of the projects the company has studied the market and assessed that there is a need for the products.

Notes to the Financial Statements

6 Intangible assets (continued)

Parent company

	Completed development projects	Acquired patents	Acquired licenses	Development projects in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	34.325	3.812	5.701	9.775	53.613
Additions for the year	0	716	2.770	35.480	38.966
Disposals for the year	0	0	-230	0	-230
Transfers for the year	2.735	0	0	-2.735	0
Cost at 31 December	37.060	4.528	8.241	42.520	92.349
Impairment losses and amortisation at 1 January	14.004	1.910	2.964	0	18.878
Amortisation for the year	5.787	785	2.166	0	8.738
Reversal of amortisation of disposals for the year	0	0	-124	0	-124
Impairment losses and amortisation at 31 December	19.791	2.695	5.006	0	27.492
Carrying amount at 31 December	**17.269**	**1.833**	**3.235**	**42.520**	**64.857**

Development projects relating to the further development of the company's product portfolio. The majority of the projects are expected to be finalized in the coming years and the projects are progressing as planned using the resources allocated by Management to the development.

Prior to the launching of the projects the company has studied the market and assessed that there is a need for the products.

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Prepayments for property, plant and equipment	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	25.609	10.621	923	0	37.153
Exchange adjustment	-21	27	0	0	6
Additions for the year	28.565	14.276	170	769	43.780
Disposals for the year	-1.107	-291	-923	0	-2.321
Cost at 31 December	53.046	24.633	170	769	78.618
Impairment losses and depreciation at 1 January	8.796	3.431	0	0	12.227
Exchange adjustment	0	9	0	0	9
Depreciation for the year	9.496	2.318	0	0	11.814
Reversal of impairment and depreciation of sold assets	-964	-132	0	0	-1.096
Impairment losses and depreciation at 31 December	17.328	5.626	0	0	22.954
Carrying amount at 31 December	**35.718**	**19.007**	**170**	**769**	**55.664**

Notes to the Financial Statements

7 **Property, plant and equipment** (continued)

Parent company

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Prepayments for property, plant and equipment	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	23.531	9.546	923	0	34.000
Additions for the year	24.808	14.051	170	769	39.798
Disposals for the year	-803	0	-923	0	-1.726
Kostpris at 31 December	47.536	23.597	170	769	72.072
Impairment losses and depreciation at 1 January	8.348	3.131	0	0	11.479
Depreciation for the year	8.602	2.133	0	0	10.735
Reversal of impairment and depreciation of sold assets	-850	0	0	0	-850
Impairment losses and depreciation at 31 December	16.100	5.264	0	0	21.364
Carrying amount at 31 December	**31.436**	**18.333**	**170**	**769**	**50.708**

Notes to the Financial Statements

	Parent company	
	2016	2015
	TDKK	TDKK

8 Investments in subsidiaries

	2016 TDKK	2015 TDKK
Cost at 1 January	5.273	3.430
Additions for the year	186	1.843
Disposals for the year	-60	0
Carrying amount at 31 December	**5.399**	**5.273**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Universal Robots (Shanghai) Co. Ltd.	Shanghai, China	100%	3.280	2.475
Universal Robots (India) Private Limited	Bangalore, India	99%	687	111
Universal Robots Spain S.L.	Barcelona, Spain	100%	498	313
Universal Robots (Singapore) Pte. Ltd.	Singapore, Singapore	100%	1.290	648
Universal Robots Germany	Hamburg, Germany	100%	272	86
			6.027	3.633

9 Equity

The share capital consists of 546,115 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January	546	507	500	500	435
Capital increase	0	39	7	0	65
Capital decrease	0	0	0	0	0
Share capital at 31 December	**546**	**546**	**507**	**500**	**500**

Notes to the Financial Statements

	Group		Parent company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK

10 Provision for deferred tax

Provision for deferred tax at 1 January	4.852	3.111	4.793	3.090
Amounts recognised in the income statement for the year	5.175	1.741	5.577	1.703
Provision for deferred tax at 31 December	**10.027**	**4.852**	**10.370**	**4.793**

11 Other provisions

The Company provides warranties of up to 15 months on its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, the following have been recognised for expected warranty claims.

Warranty provisions	4.400	3.000	4.400	3.000
	4.400	**3.000**	**4.400**	**3.000**

12 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Payables to group enterprises

Between 1 and 5 years	21.605	34.266	21.605	34.266
Long-term part	21.605	34.266	21.605	34.266
Within 1 year	10.708	0	10.708	0
Other short-term debt to group enterprises	4.552	0	6.641	0
Short-term part	15.260	0	17.349	0
	36.865	**34.266**	**38.954**	**34.266**

Notes to the Financial Statements

12 Long-term debt (continued)

	Group		Parent company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
Other payables				
Between 1 and 5 years	600	1.200	600	1.200
Long-term part	600	1.200	600	1.200
Within 1 year	600	600	600	600
Other short-term payables	26.596	22.028	24.671	19.107
Short-term part	27.196	22.628	25.271	19.707
	27.796	**23.828**	**25.871**	**20.907**

13 Deferred income

Deferred income relates to accrual of revenue from future services relating to the company's delivered products.

Notes to the Financial Statements

14 Contingent assets, liabilities and other financial obligations

	Group		Parent company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
Rental and lease obligations				
Rent and lease liabilities	61.704	48.851	45.384	39.245

Other contingent liabilities

Consolidated

Through Danske Bank, the Group has provided payment guarantees to third parties totalling DKK 2.882 thousand.

Parent company

Through Danske Bank, the Company has provided payment guarantees to third parties totalling DKK 2.882 thousand.

Universal Robots A/S has issued a letter of support to Universal Robots (Shanghai) Co. Ltd.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Teradyne Holdings Denmark ApS, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

15 Related parties

	Basis
Controlling interest	
Teradyne Inc.	Ultimate Parent

Transactions

There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company:

Name	Place of registered office
Teradyne Inc.	North Reading, MA, USA

The Group Annual Report of Teradyne Inc. may be obtained by contacting Universal Robots A/S.

Notes to the Financial Statements

16 Fee to auditors appointed at the general meeting

	Group		Parent company	
	2016	2015	2016	2015
	TDKK	TDKK	TDKK	TDKK
PricewaterhouseCoopers				
Audit fee	250	0	250	0
Tax advisory services	7	0	7	0
Other services	40	0	40	0
	297	**0**	**297**	**0**
EY				
Audit fee	60	270	60	270
Other assurance engagements	26	6	26	6
Tax advisory services	30	0	30	0
Other services	119	82	119	82
	235	**358**	**235**	**358**
KPMG				
Audit fee	122	129	0	0
Tax advisory services	15	16	0	0
Other services	15	16	0	0
	152	**161**	**0**	**0**
Other auditors				
Audit fee	31	30	0	0
Tax advisory services	4	4	0	0
Other services	4	4	0	0
	39	**38**	**0**	**0**
	723	**557**	**532**	**358**

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Universal Robots A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Consolidated and Parent Company Financial Statements for 2016 are presented in TDKK.

Net effect of adjustments to prior years

The net effect of the adjustments to prior years mainly relates to deferred revenue related to future services delivered as a part of company's products. The adjustment is recognised with TDKK 9.638 after tax in equity at 1 January 2016 and TDKK 4.178 after tax in the net profit of 2015. The comparative figures have been restated.

Changes in accounting policies

This year, the Company and the Group have changed the format of the income statement from being classified by nature to being classified by function. This is done in consideration of the true and fair view. The comparable figures have been restated in order to ensure comparability.

Apart from the above, the accounting policies applied remain unchanged from last year.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Teradyne Inc., the Company and the Group have not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes, Accounting Policies

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Universal Robots A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Revenue

Information on business segments and geographical segments based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes, Accounting Policies

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes, Accounting Policies

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Group can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is years.

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is years. Software licences are amortised over the period of the agreement, which is years.

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of years. determined on the basis of Management's experience with the individual business areas. interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the onaccount taxation scheme.

Notes, Accounting Policies

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	2-10 years
Leasehold improvements	5-8 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and manage-

Notes, Accounting Policies

ment.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of up to 15 months. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes, Accounting Policies

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$