Universal Robots A/S

Energivej 25, DK-5260 Odense S

Annual Report for 1 January - 31 December 2017

CVR No 29 13 80 60

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 1 / 3 2018

Ole Nørgaard
Chairman

Contents

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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 2017.

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 2017 of the Company and the Group and of the results of the Company and Group operations for 2017.

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

Odense, 1 March 2018

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 Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group’s and the Parent Company’s operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Universal Robots A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company (”the 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 Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements 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 consolidated financial statements and parent company

financial 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 Group's and the Company'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 Group or the Company 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 judgement and maintain professional scepticism 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 Group's and the Company'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 Group and the Company 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, 1 March 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mikael Johansen	Henrik Trangeled Kristensen
statsautoriseret revisor	statsautoriseret revisor
mne23318	mne23333

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 DK-5000 Odense C

Financial Highlights

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

	Group				
	2017	2016	2015	2014	2013
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	1.125.376	662.466	409.706	212.837	126.538
Operating profit/loss	231.473	80.296	54.957	22.486	13.265
Net financials	-6.749	-2.780	5.333	3.996	-564
Net profit/loss for the year	174.825	74.163	44.472	19.294	8.626
Balance sheet					
Balance sheet total	536.185	329.914	207.496	106.385	55.878
Equity	246.995	142.673	68.477	38.233	22.401
Investment in property, plant and equipment	41.448	43.780	13.289	16.020	4.369
Number of employees	315	236	154	92	62
Ratios					
Profit margin	20,5%	14,2%	13,4%	10,6%	12,7%
Return on assets	43,1%	28,5%	26,5%	21,1%	28,7%
Solvency ratio	46,1%	43,2%	33,0%	35,9%	40,1%
Return on equity	89,7%	70,2%	83,4%	63,6%	48,9%

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.

Management's Review

Key activities

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 2017 of DKK 174,825k, and equity amounts to DKK 246,995k at 31 December 2017. The results are consistent with previously announced expectations.

Revenue increased by 70% compared to the prior year and was better than 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 countries: USA, Spain, Germany, Italy, Czech Republic, China, Singapore, India, Japan, Taiwan, South Korea and France.

Management considers the net income to be satisfactory and expects a revenue growth of 50% or greater in the Group during 2018.

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.

Subsequent events

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

Management's Review

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 behavior 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 behavior. 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 behavior.

Health and safety

The health and safety of our employees remain a focus area of Universal Robots, and we aim to develop Universal Robots, also in this area. Our ambition is to improve the work environment, and to reduce injuries and absence. We maintain records of all accidents and near misses.
On a high level, the activities within this area for 2017 have been:
• In February we conducted a work place assessment related to health, safety, and work environment. The result of this assessment provided us with focus areas for 2017, and action plans was initiated.
• we have expanded the health and safety committee to include a health and safety group representing evening shift employees.
• to ensure an improved physical work environment, valuable improvements have been made to the building.
• to ensure better information to all employees, Health and Safety Committee is now a mandatory part of the onboarding program. Also a new site on the employees info-portal includes all relevant info regarding health and safety.
• to ensure an evacuation process matching the rising number of employees, we have implemented a new evacuation process. All employees have received introduction in this and in spring 2018 we will conduct an evacuation drill, to evaluate the efficiency of the process.
• to evaluate the progress in this area, we will conduct the work place assessment again in 2018.

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. In all new projects the environmental impact is being assessed and is a part of the decision factors. 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 minimize this.

During 2017, we have continued our energy efficiency project at the production site in Odense that will reduce electricity consumption relatively. We have as well initiated "Energisyn" according to EU

Management’s Review

legislation.The earlier initiated project of optimize waste sorting and reduce non-recyclable waste has been fully implemented and has had a positive effect. As an example all organic waste is now being sorted and is being recycled.

Because of the activities that were completed during 2017, 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 2017, Management has focused on ensuring compliance related to foreign travelling and anti-bribery behavior. We have trained employees in the right behavior, and a number of meetings have been held with all employees to raise awareness.

We also expect the high standards that we set for ourselves from our suppliers. During 2017, we have continued entering into agreements with suppliers who have signed our Code of Conduct. As a result of the activities that were completed during 2017, 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 behavior. 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 2017, we have continued the training of 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.

During 2017, we have registered no cases of anti-corruption nor anti-competitive behavior.

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 35 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, 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. We will maintain our focus on increasing the share of the underrepresented gender in management going forward. The following initiatives have been taken in 2017:

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.

Gender composition at other management levels

During 2017, 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 2017 continued to encourage all employees with the desire and competences to advance within the Company. By the end of 2017, the female representation on the Senior Management Team (SMT) has remained at two. Taking into account that the gender composition across all employees is approx. 75/25% (m/f) in Universal Robots, the gender composition on the SMT reflects the general distribution in the Company.

Income Statement 1 January - 31 December

	Note	Group 2017	Group 2016	Parent company 2017	Parent company 2016
		TDKK	TDKK	TDKK	TDKK
Revenue	1	**1.125.376**	**662.466**	**1.089.803**	**650.133**
Cost of sales	2	-546.088	-361.875	-540.929	-363.547
Gross profit/loss		**579.288**	**300.591**	**548.874**	**286.586**
Distribution expenses	2	-235.137	-157.127	-215.537	-144.931
Administrative expenses	2	-112.678	-63.168	-112.678	-63.168
Operating profit/loss		**231.473**	**80.296**	**220.659**	**78.487**
Other operating income		0	13.856	0	0
Other operating expenses		-251	-193	-251	-193
Profit/loss before financial income and expenses		**231.222**	**93.959**	**220.408**	**78.294**
Income from investments in subsidiaries		0	0	0	14.700
Financial income	3	260	88	136	31
Financial expenses	4	-7.009	-2.868	-7.325	-2.719
Profit/loss before tax		**224.473**	**91.179**	**213.219**	**90.306**
Tax on profit/loss for the year	5	-49.648	-17.016	-47.200	-16.868
Net profit/loss for the year		**174.825**	**74.163**	**166.019**	**73.438**

Distribution of profit

Proposed distribution of profit

	2017	2016
Extraordinary dividend paid	70.000	0
Retained earnings	96.019	73.438
	166.019	**73.438**

Balance Sheet 31 December

Assets

	Note	Group 2017	Group 2016	Parent company 2017	Parent company 2016
		TDKK	TDKK	TDKK	TDKK
Completed development projects		15.725	17.269	15.725	17.269
Acquired patents		1.110	1.833	1.110	1.833
Acquired licenses		5.467	3.235	5.467	3.235
Goodwill		1.512	1.718	0	0
Development projects in progress		77.205	42.520	77.205	42.520
Intangible assets	6	**101.019**	**66.575**	**99.507**	**64.857**
Other fixtures and fittings, tools and equipment		46.955	35.718	42.584	31.436
Leasehold improvements		23.086	19.007	22.512	18.333
Property, plant and equipment in progress		7.571	170	7.571	170
Prepayments for property, plant and equipment		0	769	0	769
Property, plant and equipment	7	**77.612**	**55.664**	**72.667**	**50.708**
Investments in subsidiaries	8	0	0	5.399	5.399
Deposits	9	2.285	1.103	821	559
Fixed asset investments		**2.285**	**1.103**	**6.220**	**5.958**
Fixed assets		**180.916**	**123.342**	**178.394**	**121.523**
Raw materials and consumables		73.321	22.584	73.321	22.584
Work in progress		1.845	2.817	1.845	2.817
Finished goods and goods for resale		54.483	17.838	52.665	13.275
Inventories		**129.649**	**43.239**	**127.831**	**38.676**

Balance 31. december

Assets

	Note	Group 2017 TDKK	Group 2016 TDKK	Parent company 2017 TDKK	Parent company 2016 TDKK
Trade receivables		92.513	59.492	84.221	57.525
Receivables from group enterprises		0	0	22.446	14.401
Other receivables		8.466	9.054	7.509	6.236
Corporation tax		0	6.174	0	6.174
Prepayments	10	5.134	3.479	3.976	3.479
Receivables		**106.113**	**78.199**	**118.152**	**87.815**
Cash at bank and in hand		**119.507**	**85.134**	**88.559**	**73.598**
Currents assets		**355.269**	**206.572**	**334.542**	**200.089**
Assets		**536.185**	**329.914**	**512.936**	**321.612**

Balance Sheet 31 December

Liabilities and equity

	Note	Group		Parent company	
		2017	2016	2017	2016
		TDKK	TDKK	TDKK	TDKK
Share capital		546	546	546	546
Reserve for development costs		57.380	27.270	57.380	27.270
Retained earnings		189.067	114.855	181.446	115.554
Equity attributable to shareholders of the Parent Company		**246.993**	**142.671**	**239.372**	**143.370**
Minority interests		2	2	0	0
Equity		**246.995**	**142.673**	**239.372**	**143.370**
Provision for deferred tax	11	10.314	10.027	13.266	10.370
Other provisions	12	4.700	4.400	4.700	4.400
Provisions		**15.014**	**14.427**	**17.966**	**14.770**
Payables to group enterprises		0	21.605	0	21.605
Other payables		0	600	0	600
Long-term debt	13	**0**	**22.205**	**0**	**22.205**
Credit institutions		1.064	640	1.064	640
Prepayments received from customers		9.669	9.492	9.669	4.460
Trade payables		112.926	76.759	109.279	72.802
Payables to group enterprises	13	8.950	15.260	15.965	17.349
Corporation tax		10.732	682	7.751	165
Other payables	13	78.003	25.824	68.707	23.899
Deferred income	14	52.832	21.952	43.163	21.952
Short-term debt		**274.176**	**150.609**	**255.598**	**141.267**
Debt		**274.176**	**172.814**	**255.598**	**163.472**
Liabilities and equity		**536.185**	**329.914**	**512.936**	**321.612**

Contingent assets, liabilities and other financial obligations	15
Related parties	16
Fee to auditors appointed at the general meeting	17
Accounting Policies	18

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	27.270	114.855	142.671	2	142.673
Exchange adjustments	0	0	-503	-503	0	-503
Extraordinary dividend paid	0	0	-70.000	-70.000	0	-70.000
Development costs for the year	0	30.749	-30.749	0	0	0
Depreciation, amortisation and impairment for the year	0	-639	639	0	0	0
Net profit/loss for the year	0	0	174.825	174.825	0	174.825
Equity at 31 December	**546**	**57.380**	**189.067**	**246.993**	**2**	**246.995**

Parent company

	Share capital	Reserve for development costs	Retained earnings	Equity excl. minority interests	Minority interests	Total
Equity at 1 January	546	27.270	115.554	143.370	0	143.370
Exchange adjustments	0	0	-17	-17	0	-17
Extraordinary dividend paid	0	0	-70.000	-70.000	0	-70.000
Development costs for the year	0	30.749	-30.749	0	0	0
Depreciation, amortisation and impairment for the year	0	-639	639	0	0	0
Net profit/loss for the year	0	0	166.019	166.019	0	166.019
Equity at 31 December	**546**	**57.380**	**181.446**	**239.372**	**0**	**239.372**

Notes to the Financial Statements

		Group		Parent company	
		2017	2016	2017	2016
		TDKK	TDKK	TDKK	TDKK
1	**Revenue**				
	Geographical segments				
	America	310.253	199.139	310.253	199.143
	Asia	311.412	172.818	275.839	160.481
	Europe	503.711	290.509	503.711	290.509
		1.125.376	**662.466**	**1.089.803**	**650.133**

		Group		Parent company	
		2017	2016	2017	2016
2	**Staff**				
	Wages and Salaries	203.875	129.877	173.928	109.470
	Pensions	10.673	7.371	9.284	6.861
	Other social security expenses	5.899	4.274	3.355	2.457
		220.447	**141.522**	**186.567**	**118.788**
	Wages and Salaries, pensions and other social security expenses are recognised in the following items:				
	Cost of sales	103.674	79.938	103.674	79.938
	Distribution expenses	67.902	46.489	34.022	23.755
	Administrative expenses	48.871	15.095	48.871	15.095
		220.447	**141.522**	**186.567**	**118.788**
	Including remuneration to the Executive Board of Directors	7.100	5.678	7.100	5.678
		7.100	**5.678**	**7.100**	**5.678**
	Average number of employees	**315**	**236**	**254**	**194**

Notes to the Financial Statements

	Group		Parent company	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
3 Financial income				
Interest received from group enterprises	0	0	56	2
Other financial income	260	88	80	29
	260	**88**	**136**	**31**
4 Financial expenses				
Interest paid to group enterprises	216	647	216	647
Other financial expenses	753	785	678	636
Exchange loss	6.040	1.436	6.431	1.436
	7.009	**2.868**	**7.325**	**2.719**
5 Tax on profit/loss for the year				
Current tax for the year	49.419	11.782	44.328	11.291
Deferred tax for the year	229	5.223	2.872	5.566
Adjustment of tax concerning previous years	0	11	0	11
	49.648	**17.016**	**47.200**	**16.868**

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	37.061	4.528	8.242	1.718	42.520	94.069
Additions for the year	4.637	0	4.591	0	34.685	43.913
Disposals for the year	0	0	-516	0	0	-516
Cost at 31 December	41.698	4.528	12.317	1.718	77.205	137.466
Impairment losses and amortisation at 1 January	19.791	2.695	5.006	0	0	27.492
Amortisation for the year	6.182	723	2.313	206	0	9.424
Reversal of amortisation of disposals for the year	0	0	-469	0	0	-469
Impairment losses and amortisation at 31 December	25.973	3.418	6.850	206	0	36.447
Carrying amount at 31 December	**15.725**	**1.110**	**5.467**	**1.512**	**77.205**	**101.019**

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	37.061	4.528	8.242	42.520	92.351
Additions for the year	4.637	0	4.591	34.685	43.913
Disposals for the year	0	0	-516	0	-516
Cost at 31 December	41.698	4.528	12.317	77.205	135.748
Impairment losses and amortisation at 1 January	19.791	2.695	5.006	0	27.492
Amortisation for the year	6.182	723	2.313	0	9.218
Reversal of amortisation of disposals for the year	0	0	-469	0	-469
Impairment losses and amortisation at 31 December	25.973	3.418	6.850	0	36.241
Carrying amount at 31 December	**15.725**	**1.110**	**5.467**	**77.205**	**99.507**

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	53.046	24.633	170	769	78.618
Exchange adjustment	-323	-40	12	0	-351
Additions for the year	27.307	7.351	6.790	0	41.448
Disposals for the year	-439	-49	-170	0	-658
Transfers for the year	0	0	769	-769	0
Cost at 31 December	79.591	31.895	7.571	0	119.057
Impairment losses and depreciation at 1 January	17.328	5.626	0	0	22.954
Exchange adjustment	-86	-18	0	0	-104
Depreciation for the year	15.668	3.210	0	0	18.878
Reversal of impairment and depreciation of sold assets	-274	-9	0	0	-283
Impairment losses and depreciation at 31 December	32.636	8.809	0	0	41.445
Carrying amount at 31 December	**46.955**	**23.086**	**7.571**	**0**	**77.612**

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	47.537	23.597	170	769	72.073
Exchange adjustment	-15	0	12	0	-3
Additions for the year	25.777	7.238	6.790	0	39.805
Disposals for the year	-438	-49	-170	0	-657
Transfers for the year	0	0	769	-769	0
Kostpris at 31 December	72.861	30.786	7.571	0	111.218
Impairment losses and depreciation at 1 January	16.101	5.264	0	0	21.365
Exchange adjustment	-13	-9	0	0	-22
Depreciation for the year	14.463	3.019	0	0	17.482
Reversal of impairment and depreciation of sold assets	-274	0	0	0	-274
Impairment losses and depreciation at 31 December	30.277	8.274	0	0	38.551
Carrying amount at 31 December	**42.584**	**22.512**	**7.571**	**0**	**72.667**

Notes to the Financial Statements

8 Investments in subsidiaries

	Parent company 2017	Parent company 2016
	TDKK	TDKK
Cost at 1 January	5.399	5.273
Additions for the year	0	186
Disposals for the year	0	-60
Carrying amount at 31 December	**5.399**	**5.399**

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%	8.502	5.571
Universal Robots (India) Private Limited	Bangalore, India	99%	903	271
Universal Robots Spain S.L.	Barcelona, Spain	100%	915	416
Universal Robots (Singapore) Pte. Ltd.	Singapore, Singapore	100%	1.940	731
Universal Robots Germany	Hamburg, Germany	100%	891	618
			13.151	7.607

9 Other fixed asset investments

	Group	Parent company
	Deposits	Deposits
	TDKK	TDKK
Cost at 1 January	1.104	560
Additions for the year	1.181	261
Cost at 31 December	2.285	821
Carrying amount at 31 December	**2.285**	**821**

Notes to the Financial Statements

10 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums, marketing materials, subscriptions and other costs.

11 Provision for deferred tax

	Group		Parent company	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
Provision for deferred tax at 1 January	10.027	4.852	10.370	4.793
Amounts recognised in the income statement for the year	287	5.175	2.896	5.577
Provision for deferred tax at 31 December	**10.314**	**10.027**	**13.266**	**10.370**

12 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	4.700	4.400	4.700	4.400
	4.700	**4.400**	**4.700**	**4.400**

Notes to the Financial Statements

13 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:

	Group		Parent company	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
Payables to group enterprises				
Between 1 and 5 years	0	21.605	0	21.605
Long-term part	0	21.605	0	21.605
Within 1 year	0	10.708	0	10.708
Other short-term debt to group enterprises	8.950	4.552	15.965	6.641
Short-term part	8.950	15.260	15.965	17.349
	8.950	**36.865**	**15.965**	**38.954**
Other payables				
Between 1 and 5 years	0	600	0	600
Long-term part	0	600	0	600
Within 1 year	600	600	600	600
Other short-term payables	77.402	25.224	68.107	23.299
Short-term part	78.002	25.824	68.707	23.899
	78.002	**26.424**	**68.707**	**24.499**

14 Deferred income

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

Notes to the Financial Statements

	Group		Parent company	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
15 Contingent assets, liabilities and other financial obligations				
Rental and lease obligations				
Rent and lease liabilities	58.779	61.704	43.450	45.384
Guarantee obligations				
The company has issued guarentee commiments covering bankfacilities of group companies at a maximum of	0	0	5.400	0

Other contingent liabilities

Parent company

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Danish 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.

Including to group enterprises

Guarantee obligations	0	0	5.400	0

Notes to the Financial Statements

16 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

	Group		Parent company	
	2017	2016	2017	2016
	TDKK	TDKK	TDKK	TDKK
17 Fee to auditors appointed at the general meeting				
PricewaterhouseCoopers				
Audit fee	236	250	236	250
Other assurance engagements	57	0	57	0
Tax advisory services	11	7	11	7
Other services	625	40	625	40
	929	**297**	**929**	**297**
EY				
Audit fee	0	60	0	60
Other assurance engagements	0	26	0	26
Tax advisory services	0	30	0	30
Other services	8	119	8	119
	8	**235**	**8**	**235**
KPMG				
Audit fee	195	122	0	0
Tax advisory services	0	15	0	0
Other services	6	15	0	0
	201	**152**	**0**	**0**
	1.138	**684**	**937**	**532**

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Universal Robots A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2017 are presented in TDKK.

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.

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 Compa-

Notes to the Financial Statements

18 Accounting Policies (continued)

ny's share of the net asset value of subsidiaries stated at the time of consolidation.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

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 to the Financial Statements

18 Accounting Policies (continued)

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.

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 5 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 5 years. Software licences are amortised over the period of the agreement, which is 3 years.

Notes to the Financial Statements

18 Accounting Policies (continued)

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 10 years. determined on the basis of Management's experience with the individual business areas.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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 management.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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.

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

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

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	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$