

TELEDYNE TECHNOLOGIES INC

Form 10-Q

November 05, 2009

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

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

**For the quarterly period ended September 27, 2009**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-15295**

**TELEDYNE TECHNOLOGIES INCORPORATED**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**25-1843385**

(I.R.S. Employer  
Identification Number)

**1049 Camino Dos Rios**

**Thousand Oaks, California**

(Address of principal executive offices)

**91360-2362**

(Zip Code)

**(805) 373-4545**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☐

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

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated  
filer ☐

Accelerated filer ☐

Non-accelerated filer ☐  
(Do not check if a smaller reporting  
company)

Smaller reporting  
company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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Class  
Common Stock, \$.01 par value per share

Outstanding at October 30, 2009  
36,031,102 shares

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER, 27, 2009 AND SEPTEMBER 28, 2008  
 (Unaudited    Amounts in millions, except per-share amounts)

	Three Months		Nine Months	
	2009	2008	2009	2008
<b>Net sales</b>	<b>\$ 429.4</b>	\$ 497.6	<b>\$ 1,310.8</b>	\$ 1,428.2
<b>Costs and expenses</b>				
Cost of sales	<b>304.2</b>	348.5	<b>931.8</b>	994.7
Selling, general and administrative expenses	<b>81.5</b>	97.2	<b>256.3</b>	278.1
Total costs and expenses	<b>385.7</b>	445.7	<b>1,188.1</b>	1,272.8
<b>Income before other income and expense and income taxes</b>	<b>43.7</b>	51.9	<b>122.7</b>	155.4
Other income (expense), net		(0.1)	<b>(0.2)</b>	0.4
Interest and debt expense, net	<b>(1.1)</b>	(2.5)	<b>(3.7)</b>	(8.0)
<b>Income before income taxes</b>	<b>42.6</b>	49.3	<b>118.8</b>	147.8
Provision for income taxes	<b>7.4</b>	18.2	<b>37.2</b>	54.5
<b>Net income before noncontrolling interest</b>	<b>35.2</b>	31.1	<b>81.6</b>	93.3
Less: Noncontrolling interest in subsidiaries' earnings	<b>(0.1)</b>	(0.2)	<b>(0.5)</b>	(1.9)
<b>Net income attributable to common stockholders</b>	<b>\$ 35.1</b>	\$ 30.9	<b>\$ 81.1</b>	\$ 91.4
<b>Basic earnings per common share</b>	<b>\$ 0.98</b>	\$ 0.87	<b>\$ 2.25</b>	\$ 2.58
<b>Weighted average common shares outstanding</b>	<b>36.0</b>	35.6	<b>36.0</b>	35.4
<b>Diluted earnings per common share</b>	<b>\$ 0.96</b>	\$ 0.84	<b>\$ 2.22</b>	\$ 2.50
<b>Weighted average diluted common shares outstanding</b>	<b>36.6</b>	36.7	<b>36.5</b>	36.5

The accompanying notes are an integral part of these financial statements.

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited    Amounts in millions, except share amounts)

	September 27, 2009	December 28, 2008
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$     21.6	\$     20.4
Accounts receivable, net	261.7	281.4
Inventories, net	192.0	207.0
Deferred income taxes, net	33.9	42.6
Prepaid expenses and other current assets	32.4	41.6
<b>Total current assets</b>	<b>541.6</b>	<b>593.0</b>
Property, plant and equipment, at cost, net of accumulated depreciation and amortization of \$268.5 at September 27, 2009 and \$244.8 at December 28, 2008	206.2	202.6
Deferred income taxes, net	59.5	89.2
Goodwill, net	510.5	502.5
Acquired intangibles, net	107.8	117.0
Other assets, net	34.5	30.2
<b>Total Assets</b>	<b>\$    1,460.1</b>	<b>\$    1,534.5</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$     102.0	\$     108.2
Accrued liabilities	182.1	202.4
Current portion of long-term debt and capital leases	0.5	1.1
<b>Total current liabilities</b>	<b>284.6</b>	<b>311.7</b>
Long-term debt and capital leases	313.1	332.1
Accrued pension obligation	126.8	227.9
Accrued postretirement benefits	15.1	16.7
Other long-term liabilities	116.0	110.9
<b>Total Liabilities</b>	<b>855.6</b>	<b>999.3</b>
<b>Redeemable Noncontrolling Interest (Note 1)</b>		28.3
<b>Stockholders' Equity</b>		
Preferred stock, \$0.01 par value; outstanding shares-none		
Common stock, \$0.01 par value; outstanding shares 36,022,711 at September 27, 2009 and 35,926,224 at December 28, 2008	0.4	0.4
Additional paid-in capital	252.3	240.0

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Treasury stock	(0.8)	
Retained earnings	551.0	471.2
Accumulated other comprehensive loss	(199.4)	(205.8)
<b>Total Stockholders' Equity</b>	<b>603.5</b>	505.8
Noncontrolling interest	1.0	1.1
<b>Total Equity</b>	<b>604.5</b>	506.9
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,460.1</b>	<b>\$ 1,534.5</b>

The accompanying notes are an integral part of these financial statements.

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 27, 2009 AND SEPTEMBER 28, 2008  
(Unaudited    Amounts in millions)

	Nine Months	
	2009	2008
<b>Operating Activities</b>		
Net income attributable to common stockholders	\$ 81.1	\$ 91.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33.2	36.4
Deferred income taxes	38.4	22.8
Stock option expense	4.1	5.6
Minority interest	0.5	1.9
Excess income tax benefits from stock options exercised	(0.3)	(9.9)
Loss on sale of fixed assets	0.2	
Changes in operating assets and liabilities, excluding the effect of business acquired:		
Decrease (increase) in accounts receivable	19.7	(32.3)
Decrease (increase) in inventories	14.0	(16.9)
Decrease in prepaid expenses and other assets	3.2	
Increase (decrease) in accounts payable	(6.3)	15.8
Increase (decrease) in accrued liabilities	(18.9)	32.1
Increase in income taxes payable, net	6.1	2.1
Increase in long-term assets	(4.4)	(0.2)
Increase (decrease) in other long-term liabilities	5.7	(10.9)
Decrease in accrued pension obligation	(101.1)	(22.2)
Decrease in accrued postretirement benefits	(1.5)	(1.5)
Other operating, net	1.4	(1.3)
Net cash provided by operating activities	75.1	112.9
<b>Investing Activities</b>		
Purchases of property, plant and equipment	(26.8)	(28.4)
Proceeds from sale of business and other assets	0.1	
Purchase of businesses and other investments, net of cash acquired	(26.9)	(250.1)
Net cash used by investing activities	(53.6)	(278.5)
<b>Financing Activities</b>		
Net proceeds from (repayments of) debt	(20.3)	145.0
Repurchase of Teledyne common stock	(0.8)	
Proceeds from exercise of stock options	0.5	12.1
Tax benefits from stock options exercised	0.3	9.9
Net cash provided (used) by financing activities	(20.3)	167.0



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Increase in cash and cash equivalents	<b>1.2</b>	1.4
Cash and cash equivalents beginning of period	<b>20.4</b>	13.4
Cash and cash equivalents end of period	<b>\$ 21.6</b>	<b>\$ 14.8</b>

The accompanying notes are an integral part of these financial statements.

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 27, 2009

**Note 1. General**

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared by Teledyne Technologies Incorporated (Teledyne Technologies or the Company) pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in notes to consolidated financial statements have been condensed or omitted pursuant to such rules and regulations, but resultant disclosures are in accordance with accounting principles generally accepted in the United States as they apply to interim reporting. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in Teledyne Technologies Annual Report on Form 10-K for the fiscal year ended December 28, 2008 (2008 Form 10-K).

In the opinion of Teledyne Technologies management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, Teledyne Technologies consolidated financial position as of September 27, 2009, and the consolidated results of operations for the three and nine months then ended and cash flows for the nine months then ended. The results of operations and cash flows for the period ended September 27, 2009 are not necessarily indicative of the results of operations or cash flows to be expected for any subsequent quarter or the full fiscal year.

In the third quarter of 2009, we adopted the Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ). The ASC does not alter current U.S. GAAP, but rather integrates existing accounting standards with other authoritative guidance. The ASC provides a single source of authoritative U.S. GAAP for nongovernmental entities and supersedes all other previously issued non-SEC accounting and reporting guidance. The adoption of the ASC did not have any effect on our results of operations or financial position. All prior references to U.S. GAAP have been revised to conform to the ASC. Updates to the ASC are issued in the form of Accounting Standards Updates ( ASU ).

Certain reclassifications have been made to the financial statements and notes for the prior year to conform to the 2009 presentation as well as to implement ASC 810-10-65, (formerly Statement of Financial Accounting Standards ( SFAS ) No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 ) as described below.

**Other Recent Accounting Pronouncements**

In May 2009, we adopted ASC 855, (formerly Statement of Financial Accounting Standards ( SFAS ) No. 165, Subsequent Events), which establishes general standards of accounting for and disclosure of subsequent events that occur after the balance sheet date. Entities are also required to disclose the date through which subsequent events have been evaluated and the basis for that date. ASC 855 was effective for interim and annual periods ending after June 15, 2009. The Company has adopted the provisions effective with the second quarter 2009 and has evaluated subsequent events through November 4, 2009, which is the issuance date of these consolidated financial statements.

In April 2009, ASC 820-10-65, (formerly SFAS 157-4, Determining Fair Value When Market Activity Has Decreased, ), ASC 320-10-65 (formerly FSP 115-2 and FSP 124-2, Other-Than-Temporary Impairment ) and ASC 825-10-65, (formerly FSP 107-1/APB 28-1, Interim Fair Value Disclosures for Financial Instruments. ) were issued. These topics impact certain aspects of fair value measurement and related disclosures. The provisions of these topics were effective beginning in the second quarter of 2009. The impact of adopting these topics in the second quarter of 2009 did not have a material effect on our consolidated financial position or results of operations.

Effective December 29, 2008 Teledyne adopted the provisions of ASC 80, (formerly SFAS No. 141R, Business Combinations ). This revised guidance establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. It provides guidance for recognizing and

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measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. It applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, with an exception related to the accounting for valuation allowances on deferred taxes and acquired tax contingencies related to acquisitions completed before the effective date. The revised guidance also requires adjustments, made after the effective date, to valuation allowances for acquired deferred tax assets and income tax positions to be recognized as income tax expense. The adoption of the revised guidance, effective December 29, 2008, did not have a material effect on the Company's consolidated results of operations or financial position for the acquisitions made prior to its adoption. For any acquisitions completed after our 2008 fiscal year, we expect the revised guidance will have an impact on our consolidated financial statements, however the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions, if any, we consummate. In 2009, Teledyne acquired assets of a marine sensor product line for an initial payment of \$1.4 million. Due to the size of the purchase, the revised guidance did not have an impact on the consolidated financial statements.

Effective December 29, 2008, the Company adopted the provisions of ASC 810-10-65 (formerly SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* an amendment of ARB No. 51 ). The revised guidance new accounting, reporting and disclosure standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary and requires the recognition of a noncontrolling interest as equity in the condensed consolidated financial statements and separate from the parents' equity. The revised guidance was applied prospectively as of the beginning of fiscal year 2009, except for the presentation and disclosure requirements which were applied retrospectively for the prior period presented. In connection with the adoption, and in compliance with ASC 480 (formerly Emerging Issues Task Force Abstracts Topic No. D-98, *Classification and Measurement of Redeemable Securities* ), the Company restated the prior year balance sheet to reflect the fair value of the obligation to purchase the remaining shares of ODI of \$24.2 million at fiscal year end 2008 as redeemable noncontrolling interest and classified the amount as mezzanine equity (temporary equity) on the balance sheet. The Company also restated the year end 2008 balance in retained earnings to reflect a corresponding \$24.2 million decrease. Additionally, the Company reclassified noncontrolling interests of \$4.1 million, related to ODI, from long-term liabilities at year end 2008 to redeemable noncontrolling interest on the balance sheet. The Company also reclassified noncontrolling interests of \$1.1 million, related to Teledyne Energy Systems, Inc., from long-term liabilities at year end 2008 to the noncontrolling interest component of the equity section of the balance sheet. In 2009, Teledyne purchased all of the remaining 14.1% minority interest in Ocean Design, Inc. ( ODI ) for \$25.5 million and now owns 100% of ODI. See Footnote 2, *Business Combinations* for a discussion of the ODI acquisition.

In September 2006 and in February 2009, the FASB issued guidelines, under ASC 820, (formerly SFAS No. 157, *Fair Value Measurements* and related FASB Staff Positions) related to fair value measurements that, defines fair value, establishes a framework in generally accepted accounting principles for measuring fair value and expands disclosures about fair value measurements. The guidelines do not increase the use of fair value measurement and only apply when other guidelines require or permit the fair value measurement of assets and liabilities. The implementation of the guidelines for financial assets and financial liabilities, effective December 31, 2007, and the implementation the guidelines for nonfinancial assets and nonfinancial liabilities, effective December 29, 2008, did not have a material impact on our consolidated financial position or results of operations.

ASC 820 also establishes a valuation hierarchy for disclosure of the inputs to the valuations used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are inputs that are observable for an asset or liability, either directly or indirectly, through corroboration with observable market data; and Level 3 inputs are unobservable inputs based on a reporting entity's own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The reduction in redeemable noncontrolling interest from year end 2008, primarily reflects the purchase of all of the remaining minority interest in ODI for \$25.5 million.



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The table below summarizes the acquisitions made during fiscal year 2008. Other than the purchase of the assets of a marine sensor product line for \$1.4 million and all of the remaining 14.1% minority interest in ODI for \$25.5 million, no other acquisitions have been made in fiscal year 2009.

<b>Name and Description(1)(2)</b>	<b>Date Acquired</b>	<b>Primary Location</b>	<b>Pre-acquisition Sales Volume</b>	<b>Transaction Type</b>	<b>Purchase Price(3) (in millions)</b>
<b>Fiscal Year 2008</b>					
<b>Impulse Enterprise ( Impulse )</b> Manufactures under water electrical interconnection systems for harsh environments.	December 31, 2007	San Diego, CA	\$16.8 million for its fiscal year ended December 31, 2006	Asset	\$35.0
<b>Storm Products Co. ( Storm )</b> Supplies custom, high-reliability bulk wire and cable assemblies to a number of markets, including energy exploration, environmental monitoring and industrial equipment. Also provides coax microwave cable and interconnect products primarily to defense customers for radar, electronic warfare and communications applications.	December 31, 2007	Dallas, TX Woodridge, IL	\$45.7 million for its fiscal year ended March 31, 2007	Stock	47.7
<b>SG Brown Limited and its wholly owned subsidiary TSS International Limited ( TSS )</b> Designs and manufactures inertial sensing, gyrocompass navigation and subsea pipe and cable detection systems for offshore energy, oceanographic and military marine markets.	January 31, 2008	Watford, United Kingdom	£12.0 million for its fiscal year ended March 31, 2007	Stock	54.8
<b>Judson Technologies, LLC ( Judson )</b> Manufactures high performance infrared detectors utilizing a wide variety of materials such as Mercury Cadmium Telluride (HgCdTe), Indium Antimonide (InSb), and Indium Gallium Arsenide (InGaAs), as well as tactical dew ar and cooler assemblies and other specialized standard products for military, space, industrial and scientific	February 1, 2008	Montgomeryville, PA	\$13.8 million for its fiscal year ended December 31, 2006	Asset	27.0

applications.

**Webb Research Corp. ( Webb )** July 7, 2008

East Falmouth,  
MA

\$12.2 million  
for its fiscal  
year ended  
December 31,  
2007

Asset

24.3

Manufacturer of autonomous  
under water gliding vehicles and  
autonomous profiling drifters and  
floats.

See footnotes on following page.

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<b>Name and Description (1)(2)</b>	<b>Date Acquired</b>	<b>Primary Location</b>	<b>Pre-acquisition Sales Volume</b>	<b>Transaction Type</b>	<b>Purchase Price(3) (in millions)</b>
<b>Fiscal Year 2008 (continued)</b>					
<b>Defense business of Filtronic PLC ( Filtronic )</b> Provides customized microw ave subassemblies and integrated subsystems to the global defense industry.	August 15, 2008	Shipley, United Kingdom	£14.5 million for its fiscal year ended May 31, 2008	Stock	24.1
<b>Cormon Limited and Cormon Technology Limited ( Cormon )</b> Designs and manufactures subsea and surface sand and corrosion sensors, as well as flow integrity monitoring systems, used in oil and gas production systems.	October 16, 2008	Lancing, United Kingdom	£6.8 million for its fiscal year ended March 31, 2008	Stock	20.6(4)
<b>Odom Hydrographic Systems, Inc. ( Odom )</b> Designs and manufactures hydrographic survey instrumentation used in port survey, dredging, offshore energy and other applications.	December 19, 2008	Baton Rouge, LA	\$10.9 million for its fiscal year ended September 30, 2008	Stock	7.0(5)
<b>Demo Systems LLC ( Demo )</b> Designs and manufactures aircraft data loading equipment, flight line maintenance terminals, and data distribution software used by commercial airlines, the U.S. military and aircraft manufacturers.	December 24, 2008	Moorpark, CA	\$7.3 million for its fiscal year ended December 31, 2007	Asset	5.3

(1) Each of the acquisitions is part of the Electronics and Communications segment.

(2) We increased our ownership interest in Aerosance, Inc. to 100% for \$0.2 million in the first quarter of 2008. We

purchased the remaining minority ownership in ODI for \$25.5 million in 2009. In the second quarter of 2009, we purchased the assets of a marine sensor product line for an initial payment of \$1.4 million. We also made a scheduled payment of \$0.3 million related to a prior acquisition.

(3) The purchase price represents the contractual consideration for the acquired business, net of cash acquired, including adjustments for certain paid acquisition transactions costs.

(4) Reflects a purchase price adjustment of \$0.3 million in the first quarter of 2009 based on the final closing date net working capital.

(5) The final purchase price is subject to adjustment based on the final



closing date net  
working capital  
of the acquired  
business.

The unaudited pro forma information for the periods set forth below gives effect to the nine acquisitions made in fiscal year 2008 as if they had been acquired at the beginning of the 2008 fiscal year and includes the effect of estimated amortization of acquired identifiable intangible assets, increased depreciation expense for fixed assets, as well as increased interest expense on acquisition debt. This pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have resulted had the acquisitions been in effect at the beginning of the 2008 fiscal year. In addition, the pro forma results are not intended to be a projection of future results and do not reflect any operating efficiencies or cost savings that might be achievable. The following table provides the unaudited pro forma information for the third quarter and first nine months of 2008:

(unaudited in millions, except per share amounts)	Third Quarter	First Nine Months
Sales	\$ 507.7	\$ 1,473.5
Net income attributable to common stockholders	\$ 30.9	\$ 91.1
Basic earnings per common share	\$ 0.86	\$ 2.57
Diluted earnings per common share	\$ 0.84	\$ 2.50

On August 16, 2006, Teledyne Technologies through its subsidiary, Teledyne Instruments, Inc., acquired an initial majority interest in ODI for approximately \$30 million in cash. Pursuant to agreements made in connection with our acquisition of a majority interest in ODI, Teledyne Instruments made subsequent share purchases at a formula-determined price based principally on ODI's earnings before interest, taxes, depreciation and amortization (EBITDA) for the twelve months preceding each applicable quarter end. In the third quarter of 2009, Teledyne Instruments purchased all the remaining minority shares for \$19.6 million and now owns 100% of ODI. Ownership purchases in ODI were as follows, including the initial purchase in 2006 and the final purchase in 2009: 2006 60.9% for \$35.8 million, 2007 0.9% for \$0.9 million, 2008 24.1% for \$38.5 million and 2009 14.1% for \$25.5 million.

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The primary reason for the above acquisitions was to strengthen and expand our core businesses by adding complementary product and service offerings, allowing greater integration of products and services, enhancing our technical capabilities and/or increasing our addressable markets. The significant factors that resulted in recognition of goodwill were: (a) the purchase price was based on cash flow and return on capital projections assuming integration with our businesses; and (b) the calculation of the fair value of tangible and intangible assets acquired that qualified for recognition.

Teledyne Technologies funded the acquisitions primarily from borrowings under its credit facility and cash on hand. Teledyne Technologies' goodwill was \$510.5 million at September 27, 2009 and \$502.5 million at December 28, 2008. Teledyne Technologies' net acquired intangible assets were \$107.8 million at September 27, 2009 and \$117.0 million at December 28, 2008. The increase in the balance of goodwill in 2009 primarily resulted from foreign currency changes, the acquisition of the assets of a marine sensor product line and an adjustment to reflect the finalization of the Webb and the Filtronic intangible asset valuations. The change in the balance of acquired intangible assets in 2009 resulted from the amortization of acquired intangible assets, partially offset by foreign currency changes, intangible assets acquired in connection with the acquisition of the assets of a marine sensor product line and an adjustment to reflect the finalization of the Webb and the Filtronic intangible asset valuations. The Company completed the purchase price valuation for the Webb acquisition, and as a result, goodwill was decreased by \$1.1 million and other acquired intangible assets were increased by \$1.1 million. The Company also completed the purchase price valuation for the Filtronic acquisition, and as a result, goodwill was increased by \$3.3 million and other acquired intangible assets were decreased by \$3.3 million. The Company is in the process of specifically identifying the amount to be assigned to intangible assets, as well as certain assets and liabilities for the Cormon, Odom and Demo acquisitions made in 2008. The Company made preliminary estimates as of September 27, 2009, since there was insufficient time between the acquisition dates and the end of the period to finalize the valuations. There were no significant adjustments to the estimated amounts during the first nine months of 2009.

**Note 3. Comprehensive Income**

Teledyne Technologies' comprehensive income is comprised of net income attributable to common stockholders and foreign currency translation adjustments. Teledyne Technologies' total comprehensive income for the third quarter and first nine months of 2009 and 2008 consists of the following (in millions):

	Three Months		Nine Months	
	2009	2008	2009	2008
Net income before noncontrolling interest	\$ 35.2	\$ 31.1	\$ 81.6	\$ 93.3
Other comprehensive gain (loss), net of tax:				
Foreign currency translation gains (losses)	0.8	(7.0)	6.3	(8.0)
Total other comprehensive gain (loss)	0.8	(7.0)	6.3	(8.0)
Total comprehensive income	36.0	24.1	87.9	85.3
Less: Amounts attributable to noncontrolling interests:				
Net income	(0.1)	(0.2)	(0.5)	(1.9)
Foreign currency translation gains (losses)			0.1	(0.1)
Comprehensive income attributable to common stockholders	\$ 35.9	\$ 23.9	\$ 87.5	\$ 83.3

**Table of Contents****Note 4. Earnings Per Share**

Basic and diluted earnings per share were computed based on net earnings. The weighted average number of common shares outstanding during the period was used in the calculation of basic earnings per share. This number of shares was increased by contingent shares that could be issued under various compensation plans as well as by the dilutive effect of stock options based on the treasury stock method in the calculation of diluted earnings per share.

The following table sets forth the computations of basic and diluted earnings per share (amounts in millions, except per share data):

	Three Months		Nine Months	
	2009	2008	2009	2008
<b>Basic earnings per share</b>				
Net income attributable to common stockholders	\$ 35.1	\$ 30.9	\$ 81.1	\$ 91.4
Weighted average common shares outstanding	36.0	35.6	36.0	35.4
Basic earnings per common share	\$ 0.98	\$ 0.87	\$ 2.25	\$ 2.58
<b>Diluted earnings per share</b>				
Net income attributable to common stockholders	\$ 35.1	\$ 30.9	\$ 81.1	\$ 91.4
Weighted average common shares outstanding	36.0	35.6	36.0	35.4
Dilutive effect of exercise of options outstanding	0.6	1.1	0.5	1.1
Weighted average diluted common shares outstanding	36.6	36.7	36.5	36.5
Diluted earnings per common share	\$ 0.96	\$ 0.84	\$ 2.22	\$ 2.50

**Note 5. Stock-Based Compensation Plans**

Teledyne Technologies has long-term incentive plans pursuant to which it has granted non-qualified stock options, restricted stock and performance shares to certain employees. The Company also has non-employee director stock compensation plans, pursuant to which non-qualified stock options and common stock have been issued to its directors.

The following disclosures are based on stock options granted to Teledyne Technologies employees and directors. The Company recorded a total of \$1.3 million and \$4.1 million in stock option compensation expense for the third quarter and first nine months of 2009, respectively. For the third quarter and nine months of 2008, the Company recorded a total of \$1.9 million and \$5.6 million, respectively in stock option expense. The lower 2009 amount reflects the decision to eliminate the annual employee stock option grant for 2009. In 2009, the Company currently expects approximately \$5.5 million in stock option compensation expense based on stock options already granted and current assumptions regarding the estimated fair value of stock option grants expected to be issued during the remainder of the year. However, our assessment of the estimated compensation expense will be affected by our stock price and actual stock option grants during the remainder of the year as well as assumptions regarding a number of complex and subjective variables and the related tax impact. These variables include, but are not limited to, the volatility of our stock price and employee stock option exercise behaviors. The Company issues shares of common stock upon the exercise of stock options.



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The Company used a combination of its historical stock price volatility and the volatility of exchange traded options on the Company stock to compute the expected volatility for purposes of valuing stock options issued. The period used for the historical stock price corresponded to the expected term of the options and was between five and six years. The period used for the exchange traded options included the longest-dated options publicly available, generally six to nine months. The expected dividend yield is based on Teledyne's practice of not paying dividends. The risk-free rate of return is based on the yield of U. S. Treasury Strips with terms equal to the expected life of the options as of the grant date. The expected life in years is based on historical actual stock option exercise experience. The following assumptions were used in the valuation of stock options granted in 2009 and 2008:

	2009	2008
Expected dividend yield		
Expected volatility	<b>38.8%</b>	34.7%
Risk-free interest rate	<b>2.1%</b>	3.3%
Expected life in years	<b>5.6</b>	5.6

Based on the assumptions in the table above, the grant date fair value of stock options granted in 2009 and 2008 was \$10.02 and \$19.35, respectively.

Stock option transactions for Teledyne Technologies' employee stock option plans for the third quarter and nine months ended September 27, 2009 are summarized as follows:

	2009			
	Third quarter		Nine Months	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning balance	2,317,474	\$ 30.00	2,339,970	\$ 30.39
Granted		\$		\$
Exercised	(15,784)	\$ 15.59	(32,784)	\$ 14.47
Cancelled or expired	(4,078)	\$ 44.04	(9,574)	\$ 42.19
Ending balance	2,297,612	\$ 30.07	2,297,612	\$ 30.07
Options exercisable at end of period	1,924,565	\$ 26.94	1,924,565	\$ 26.94

Stock option transactions for Teledyne Technologies' non-employee director stock option plan for the third quarter and nine months ended September 27, 2009 are summarized as follows:

	2009			
	Third quarter		Nine Months	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning balance	429,363	\$ 26.07	392,002	\$ 25.53
Granted	3,924	\$ 22.43	41,285	\$ 30.83
Exercised	(4,000)	\$ 9.94	(4,000)	\$ 9.94
Ending balance	429,287	\$ 26.19	429,287	\$ 26.19

Options exercisable at end of period	386,877	\$	25.68	386,877	\$	25.68
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**Note 6. Cash Equivalents**

Cash equivalents consist of highly liquid money-market mutual funds and bank deposits with maturities of three months or less when purchased. Cash equivalents totaled \$5.4 million at September 27, 2009 and \$0.6 million at December 28, 2008.

**Table of Contents****Note 7. Inventories**

Inventories are stated at the lower of cost or market, less progress payments. Inventories are valued under the LIFO method, FIFO method and average cost method. Interim LIFO calculations are based on the Company's estimates of expected year-end inventory levels and costs since an actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Because these are subject to many factors beyond the Company's control, interim results are subject to the final year-end LIFO inventory valuation. Inventories consist of the following (in millions):

	September 27, 2009	December 28, 2008
Balance at		
Raw materials and supplies	\$ 110.0	\$ 89.8
Work in process	99.5	125.8
Finished goods	17.8	22.2
	227.3	237.8
Progress payments	(10.0)	(4.3)
LIFO reserve	(25.3)	(26.5)
Total inventories, net	\$ 192.0	\$ 207.0

Inventories at cost determined on the LIFO method were \$116.7 million at September 27, 2009 and \$126.2 million at December 28, 2008. The remainder of the inventories using average cost or the FIFO methods, were \$110.6 million at September 27, 2009 and \$111.6 million at December 28, 2008.

**Note 8. Supplemental Balance Sheet Information**

Other long-term assets included amounts related to a deferred compensation plan of \$25.2 million and \$18.6 million at September 27, 2009 and December 28, 2008, respectively. Accrued liabilities included salaries and wages and other related compensation liabilities of \$79.5 million and \$77.8 million at September 27, 2009 and December 28, 2008, respectively. Accrued liabilities also included customer related deposits and credits of \$30.4 million and \$42.4 million at September 27, 2009 and December 28, 2008, respectively. Other long-term liabilities included aircraft product liability reserves of \$40.1 million and \$37.1 million at September 27, 2009 and December 28, 2008, respectively. Other long-term liabilities also included liabilities of \$25.6 million and \$19.2 million at September 27, 2009 and December 28, 2008, respectively, related to a deferred compensation plan. Other long-term liabilities also included reserves for workers' compensation, environmental liabilities and the long-term portion of compensation liabilities. Some of the Company's products are subject to specified warranties and the Company provides for the estimated cost of product warranties. The adequacy of the pre-existing warranty liabilities is assessed regularly and the reserve is adjusted as necessary based on a review of historic warranty experience with respect to the applicable business or products, as well as the length and actual terms of the warranties, which are typically one year. The product warranty reserve is included in current accrued liabilities on the balance sheet. Changes in the Company's product warranty reserve during the first nine months of 2009 and 2008 are as follows (in millions):

	First Nine Months 2009	2008
Balance at beginning of year	\$ 14.0	\$ 11.4
Accruals for product warranties charged to expense	5.7	6.9
Cost of product warranty claims	(5.2)	(6.0)
Acquisitions		2.2
Balance at end of period	\$ 14.5	\$ 14.5





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The Company establishes reserves for product returns and replacements on a product-specific basis when circumstances giving rise to the return become known. Facts and circumstances related to a return, including where the product affected by the return is located (e.g., the end user, customers' inventory, or in Teledyne's inventory) and cost estimates to return, repair and/or replace the product are considered when establishing a product return reserve. The reserve is reevaluated each period and is adjusted when the reserve is either not sufficient to cover or exceeds the estimated product return expenses. In the fourth quarter of 2008, in connection with a voluntary product recall of certain aircraft piston engine cylinders, the Company recorded an \$18.0 million charge, of which \$15.8 million was related to the costs associated with the return and replacement of product and \$1.4 million was related to the disposal and write-off of inventory which were recorded as cost of sales; \$0.8 million was related to estimated customer returns and was recorded as a reduction to sales. The Company had reserves related to the costs associated with the return and replacement of product, of \$5.5 million and \$15.6 million at September 27, 2009 and December 28, 2008, respectively, which is included in current accrued liabilities. At September 27, 2009, the Company also has \$2.9 million in inventory reserves associated with the return and replacement of product and a \$0.2 million reduction of accounts receivable.

**Note 9. Income Taxes**

The Company's effective tax rates for the third quarter and first nine months of 2009 were 17.3% and 31.3%, respectively, compared with 36.9% for both the third quarter and first nine months of 2008. The first nine months of 2009 includes research and development tax credits of \$8.2 million recorded in the third quarter, following a formal communication from the Internal Revenue Service of a more favorable tax position than the Company's original measurement in connection with an ongoing audit of the research and development tax credit for prior years. The first nine months also included the reversal of \$1.1 million recorded in the third quarter in income tax contingency reserves which were determined to be no longer needed due to the expiration of applicable statutes of limitations and additional income tax expense of \$0.3 million recorded in the first quarter, primarily related to the impact of California income tax law changes. Excluding these amounts, the Company's effective tax rate for the first nine months of 2009 would have been 38.8%. Excluding the amounts recorded in the third quarter, the Company's effective tax rate for the third quarter of 2009 would have been 39.1%. The effective tax rate for the first nine months of 2008 reflected the impact of a research and development income tax credit of \$1.3 million for the 2007 tax year which was recorded in the first quarter of 2008 and also reflects the third quarter reversal of \$0.8 million in income tax contingency reserves which were determined to be no longer needed due to the expiration of applicable statutes of limitations. Excluding these items, the Company's effective tax rate for the first nine months of 2008 would have been 38.3%. Excluding the amount recorded in the third quarter, the Company's effective tax rate for the third quarter of 2008 would have been 38.6%.

Except for claims for refunds related to credits for research and development activities, the Company has concluded all U.S. federal and California income tax matters for all years through 2004. Substantially all other material state, local and foreign income tax matters have been concluded for years through 2003. The Company believes appropriate provisions for all outstanding issues have been made for all jurisdictions and all open years.

In the normal course of its business the Company provides for uncertain tax positions, and the related interest and penalties, and adjusts its unrecognized tax benefits, accrued interest and penalties accordingly. During the third quarter of 2009, unrecognized tax benefits related to the measurement of research credits and other federal issues, and the expiration of statute of limitations for various state tax issues decreased by \$9.1 million. For the first nine months of 2009, unrecognized tax benefits related to the measurement of a refund claim for research credits and other federal issues, and the expiration of statute of limitations for various state tax issues decreased by \$9.1 million. As of September 27, 2009 the Company's unrecognized tax benefits relating were \$27.7 million, of which the entire balance would, if recognized, positively affect the Company's effective tax rate.

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During the next twelve months, it is reasonably possible that tax audit resolutions and expirations of the statute of limitations could reduce unrecognized tax benefits by \$1.1 million to \$12.1 million, either because our tax positions are sustained on audit, because the Company agrees to their disallowance, or the expiration of the statute of limitations.

### **Note 10. Long-Term Debt and Capital Leases**

At September 27, 2009, Teledyne Technologies had \$301.0 million of outstanding indebtedness under its \$590.0 million credit facility. Excluding interest and fees, no payments are due under the credit facility until it matures in July 2011. Available borrowing capacity under the \$590.0 million credit facility, which is reduced by borrowings and outstanding letters of credit, was \$275.0 million at September 27, 2009. The credit agreement requires the Company to comply with various financial and operating covenants, including maintaining certain consolidated leverage and interest coverage ratios, as well as minimum net worth levels and limits on acquired debt. At September 27, 2009, the Company was in compliance with these covenants. The Company also has a \$5.0 million uncommitted credit line available. This credit line is utilized, as needed, for periodic cash needs. Total debt at September 27, 2009, includes \$301.0 million outstanding under the \$590.0 million credit facility at a weighted average interest rate of 1.01%. The Company also has \$12.6 million in capital leases, of which \$0.5 million is current. At September 27, 2009, Teledyne Technologies had \$14.0 million in outstanding letters of credit.

### **Note 11. Lawsuits, Claims, Commitments, Contingencies and Related Matters**

The Company is subject to federal, state and local environmental laws and regulations which require that it investigate and remediate the effects of the release or disposal of materials at sites associated with past and present operations, including sites at which the Company has been identified as a potentially responsible party under the federal Superfund laws and comparable state laws.

In accordance with the Company's accounting policy disclosed in Note 2 to the consolidated financial statements in the 2008 Form 10-K, environmental liabilities are recorded when the Company's liability is probable and the costs are reasonably estimable. In many cases, however, investigations are not yet at a stage where the Company has been able to determine whether it is liable or, if liability is probable, to reasonably estimate the loss or range of loss, or certain components thereof. Estimates of the Company's liability are subject to uncertainties as described in Note 15 to the consolidated financial statements in the 2008 Form 10-K. As investigation and remediation of these sites proceeds, it is likely that adjustments in the Company's accruals will be necessary to reflect new information. The amounts of any such adjustments could have a material adverse effect on the Company's results of operations in a given period, but the amounts, and the possible range of loss in excess of the amounts accrued, are not reasonably estimable. Based on currently available information, management does not believe that future environmental costs in excess of those accrued, with respect to sites with which the Company has been identified, are likely to have a material adverse effect on the Company's financial condition or results of operations. The Company cannot provide assurance that additional future developments, administrative actions or liabilities relating to environmental matters will not have a material adverse effect on the Company's financial condition or results of operations.

At September 27, 2009, the Company's reserves for environmental remediation obligations totaled \$3.3 million, of which \$1.0 million is included in current accrued liabilities. The Company periodically evaluates whether it may be able to recover a portion of future costs for environmental liabilities from its insurance carriers and from third parties. The timing of expenditures depends on a number of factors that vary by site, including the nature and extent of contamination, the number of potentially responsible parties, the timing of regulatory approvals, the complexity of the investigation and remediation, and the standards for remediation. The Company expects that it will expend present accruals over many years, and will complete remediation of all sites with which it has been identified in up to 30 years.

Various claims (whether based on U.S. Government or Company audits and investigations or otherwise) may be asserted against the Company related to its U.S. Government contract work, including claims based on business practices and cost classifications and actions under the False Claims Act. Although such claims are generally resolved by detailed fact-finding and negotiation, on those occasions when they are not so resolved, civil or criminal legal or administrative proceedings may ensue. Depending on the circumstances and the



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outcome, such proceedings could result in fines, penalties, compensatory and treble damages or the cancellation or suspension of payments under one or more U.S. Government contracts. Under government regulations, a company, or one or more of its operating divisions or units, can also be suspended or debarred from government contracts based on the results of investigations. Although the outcome of these matters cannot be predicted with certainty, management does not believe there is any audit, review or investigation currently pending against the Company, of which management is aware, that is likely to result in suspension or debarment of the Company, or that is otherwise likely to have a material adverse effect on the Company's financial condition. The resolution in any reporting period of one or more of these matters could, however, have a material adverse effect on the Company's results of operations for that period.

A number of other lawsuits, claims and proceedings have been or may be asserted against the Company, including those pertaining to product liability, patent infringement, commercial contracts, employment and employee benefits. While the outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may be determined adversely to the Company, management does not believe that the disposition of any such pending matters is likely to have a material adverse effect on the Company's financial condition. The resolution in any reporting period of one or more of these matters could have a material adverse effect on the Company's results of operations for that period. Teledyne Technologies has aircraft and product liability insurance with an annual self-insured retention for general aviation aircraft liabilities incurred in connection with products manufactured by Teledyne Continental Motors of \$17.2 million for its current aircraft product liability insurance policies which expire on May 31, 2010. At September 27, 2009, the Company's reserves for aircraft product liabilities totaled \$42.1 million, of which \$2.0 million is included in current liabilities. The reserve is developed based on several factors, including the number and nature of claims, the level of annual self-insurance retentions, historic payments and consultations with our insurers and outside counsel, all of which are used as a basis for estimating future losses.

**Note 12. Pension Plans and Postretirement Benefits**

Teledyne Technologies has a defined benefit pension plan covering substantially all employees hired before January 1, 2004. The Company's assumed discount rate on plan liabilities is 6.25% for 2009 and was 6.0% for 2008. The Company's assumed long-term rate of return on plan assets is 8.25% for 2009 and was 8.5% for 2008. Teledyne Technologies' net periodic pension expense was \$5.7 million and \$16.9 million for the third quarter and first nine months of 2009, respectively, compared with net periodic pension expense of \$2.4 million and \$7.2 million for the third quarter and first nine months of 2008, respectively. Pension expense allocated to contracts pursuant to U.S. Government Cost Accounting Standards (CAS) was \$3.1 million and \$9.3 million for the third quarter and first nine months of 2009, respectively, compared with \$2.4 million and \$7.1 million for the third quarter and first nine months of 2008, respectively. Pension expense determined under CAS can generally be recovered through the pricing of products and services sold to the U.S. Government. The Company made an \$80.0 million voluntary contribution to its pension plan in the first quarter of 2009 and a \$37.0 million voluntary contribution to its pension plan in the third quarter of 2009, compared with a \$2.2 million required contribution for the first quarter of 2008, a \$2.5 million required contribution for the second quarter of 2008 and a \$24.0 million contribution for the third quarter of 2008, of which \$2.0 million was required.

The Company sponsors several postretirement defined benefit plans that provide health care and life insurance benefits for certain eligible retirees.

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The following tables set forth the components of net periodic pension benefit expense for Teledyne Technologies defined benefit pension plans and postretirement benefit plans for the third quarter and first nine months of 2009 and 2008 (in millions):

	Three Months		Nine Months	
	2009	2008	2009	2008
Pension Benefits				
Service cost – benefits earned during the period	\$ 3.7	\$ 4.3	\$ 11.1	\$ 12.9
Interest cost on benefit obligation	10.1	9.6	30.1	28.8
Expected return on plan assets	(12.1)	(12.4)	(36.4)	(37.3)
Amortization of prior service cost	0.1	0.1	0.3	0.5
Recognized actuarial loss	3.9	0.8	11.8	2.3
Net periodic benefit expense	\$ 5.7	\$ 2.4	\$ 16.9	\$ 7.2

	Three Months		Nine Months	
	2009	2008	2009	2008
Postretirement Benefits				
Service cost – benefits earned during the period	\$	\$	\$	\$
Interest cost on benefit obligation	0.4	0.4	1.1	1.1
Amortization of prior service cost	(0.2)	(0.2)	(0.4)	(0.4)
Recognized actuarial gain	(0.2)	(0.2)	(0.6)	(0.6)
Net periodic benefit expense	\$	\$	\$ 0.1	\$ 0.1

**Note 13. Industry Segments**

Teledyne is a leading provider of sophisticated electronic components and subsystems, instrumentation and communications products, engineered systems and information technology services, general aviation engines and components, and energy generation, energy storage and small propulsion products. Its customers include government agencies, aerospace prime contractors, energy exploration and production companies, major industrial companies, and airlines and general aviation companies.

Teledyne operates in four business segments: Electronics and Communications, Engineered Systems, Aerospace Engines and Components and Energy and Power Systems. The factors for determining the reportable segments were based on the distinct nature of their operations. They are managed as separate business units because each requires and is responsible for executing a unique business strategy.

Segment operating profit includes other income and expense directly related to the segment, but excludes minority interest, interest income and expense, gains and losses on the disposition of assets, sublease rental income and non-revenue licensing and royalty income, domestic and foreign income taxes and corporate office expenses.

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The following table presents Teledyne Technologies' interim industry segment disclosures for net sales and operating profit including other segment income. The table also provides a reconciliation of segment operating profit and other segment income to total net income attributable to common stockholders (amounts in millions):

	Three Months 2009	Three Months 2008	% Change	Nine Months 2009	Nine Months 2008	% Change
Net sales:						
Electronics and Communications	\$ 295.2	\$ 330.3	(10.6)%	\$ 910.3	\$ 947.9	(4.0)%
Engineered Systems	82.0	97.9	(16.2)%	260.5	277.1	(6.0)%
Aerospace Engines and Components	30.5	46.3	(34.1)%	86.2	140.7	(38.7)%
Energy and Power Systems	21.7	23.1	(6.1)%	53.8	62.5	(13.9)%
Total net sales	\$ 429.4	\$ 497.6	(13.7)%	\$ 1,310.8	\$ 1,428.2	(8.2)%
Operating profit (loss) and other segment income:						
Electronics and Communications	\$ 39.7	\$ 46.0	(13.7)%	\$ 117.9	\$ 133.3	(11.6)%
Engineered Systems	6.8	9.9	(31.3)%	23.6	27.4	(13.9)%
Aerospace Engines and Components	1.2	1.5	(20.0)%	(2.4)	11.1	*
Energy and Power Systems	2.3	2.2	4.5%	2.6	7.2	(63.9)%
Segment operating profit and other segment income	\$ 50.0	\$ 59.6	(16.1)%	\$ 141.7	\$ 179.0	(20.8)%
Corporate expense	(6.3)	(7.7)	(18.2)%	(19.0)	(23.6)	(19.5)%
Other income (expense), net		(0.1)	*	(0.2)	0.4	*
Interest expense, net	(1.1)	(2.5)	(56.0)%	(3.7)	(8.0)	(53.8)%
Income before income taxes	42.6	49.3	(13.6)%	118.8	147.8	(19.6)%
Provision for income taxes (a)	7.4	18.2	(59.3)%	37.2	54.5	(31.7)%
Net income before noncontrolling interest	35.2	31.1	13.2%	81.6	93.3	(12.5)%
Less: Noncontrolling interest in subsidiaries earnings	(0.1)	(0.2)	(50.0)%	(0.5)	(1.9)	(73.7)%
Net income attributable to common stockholders	\$ 35.1	\$ 30.9	13.6%	\$ 81.1	\$ 91.4	(11.3)%

- (a) The first nine months of 2009 includes research and development tax credits of \$8.2 million recorded in the third quarter following a formal communication from the Internal Revenue Service of a more favorable tax position than the Company's original measurement in connection with an ongoing audit of the research and development tax credit for prior years. The first nine months also included the reversal in the third quarter of 2009 of \$1.1 million in income tax contingency reserves which were determined to be no longer needed due to the expiration of applicable statutes of limitations and additional income tax expense of \$0.3 million primarily related to the impact of

California  
income tax law  
changes  
recorded in the  
first quarter.  
The first nine  
months of 2008  
includes income  
tax credits of  
\$1.3 million  
recorded in the  
first quarter of  
2008 and also  
reflects the  
reversal in the  
third quarter of  
2008 of  
\$0.8 million in  
income tax  
contingency  
reserves which  
were determined  
to be no longer  
needed due to  
the expiration of  
applicable  
statutes of  
limitations.

\* percentage  
change not  
meaningful

**Note 14. Stock Repurchase Program**

In February 2009, Teledyne Technologies commenced a stock repurchase program. Under the stock repurchase program, Teledyne can purchase up to 1,500,000 shares of its common stock. Shares may be repurchased from time to time in open market transactions at prevailing market prices or in privately negotiated transactions through February 28, 2010. The timing and actual number of shares repurchased will depend on a variety of factors, such as price, corporate and regulatory requirements, alternative investment opportunities, and other market and economic conditions. Repurchases will be funded with cash on hand and borrowings under the Company's credit facility. In the first nine months of 2009, Teledyne repurchased 36,239 shares of Teledyne common stock for \$0.8 million. The last repurchase was made in March 2009.



**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations  
Strategy**

Our strategy continues to emphasize growth in our core markets of instrumentation, defense electronics and government engineered systems. Our core markets are characterized by high barriers to entry and include specialized products and services not likely to be commoditized. We intend to strengthen and expand our core businesses with targeted acquisitions. We intend to aggressively pursue operational excellence to continually improve our margins and earnings. At Teledyne, operational excellence includes the rapid integration of the businesses we acquire. Over time, our goal is to create a set of businesses that are truly superior in their niches. We intend to continue to evaluate our product lines to ensure that they are aligned with our strategy.

The table below summarizes the acquisitions made during fiscal year 2008. Other than the purchase of the assets of a marine sensor product line for \$1.4 million and all of the remaining 14.1% minority interest in Ocean Design, Inc. ( ODI ) for \$25.5 million, no other acquisitions have been made in fiscal year 2009.

<b>Name and Description(1)(2)</b>	<b>Date Acquired</b>	<b>Primary Location</b>	<b>Pre-acquisition Sales Volume</b>	<b>Transaction Type</b>	<b>Purchase Price(3) (in millions)</b>
<b>Fiscal Year 2008</b>					
<b>Impulse Enterprise ( Impulse )</b> Manufactures underwater electrical interconnection systems for harsh environments.	December 31, 2007	San Diego, CA	\$16.8 million for its fiscal year ended December 31, 2006	Asset	\$35.0
<b>Storm Products Co. ( Storm )</b> Supplies custom, high-reliability bulk wire and cable assemblies to a number of markets, including energy exploration, environmental monitoring and industrial equipment. Also provides coax microwave cable and interconnect products primarily to defense customers for radar, electronic warfare and communications applications.	December 31, 2007	Dallas, TX Woodridge, IL	\$45.7 million for its fiscal year ended March 31, 2007	Stock	47.7
<b>SG Brown Limited and its wholly owned subsidiary TSS International Limited ( TSS )</b> Designs and manufactures inertial sensing, gyrocompass navigation and subseapipe and cable detection systems for offshore energy, oceanographic and military marine markets.	January 31, 2008	Watford, United Kingdom	£12.0 million for its fiscal year ended March 31, 2007	Stock	54.8
<b>Judson Technologies, LLC ( Judson )</b> Manufactures high performance infrared detectors utilizing a wide variety of materials such as	February 1, 2008	Montgomeryville, PA	\$13.8 million for its fiscal year ended December 31, 2006	Asset	27.0

Mercury Cadmium Telluride (HgCdTe), Indium Antimonide (InSb), and Indium Gallium Arsenide (InGaAs), as well as tactical dewar and cooler assemblies and other specialized standard products for military, space, industrial and scientific applications.

**Webb Research Corp. ( Webb )** July 7, 2008

East Falmouth,  
MA

\$12.2 million  
for its fiscal  
year ended  
December 31,  
2007

Asset

24.3

Manufacturer of autonomous underwater gliding vehicles and autonomous profiling drifters and floats.

See footnotes on following page.

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<b>Name and Description(1)(2)</b>	<b>Date Acquired</b>	<b>Primary Location</b>	<b>Pre-acquisition Sales Volume</b>	<b>Transaction Type</b>	<b>Purchase Price(3) (in millions)</b>
<b>Fiscal Year 2008 (continued)</b>					
<b>Defense business of Filtronic PLC ( Filtronic )</b> Provides customized microwave subassemblies and integrated subsystems to the global defense industry.	August 15, 2008	Shipley, United Kingdom	£14.5 million for its fiscal year ended May 31, 2008	Stock	24.1
<b>Cormon Limited and Cormon Technology Limited ( Cormon )</b> Designs and manufactures subsea and surface sand and corrosion sensors, as well as flow integrity monitoring systems, used in oil and gas production systems.	October 16, 2008	Lancing, United Kingdom	£6.8 million for its fiscal year ended March 31, 2008	Stock	20.6(4)
<b>Odom Hydrographic Systems, Inc. ( Odom )</b> Designs and manufactures hydrographic survey instrumentation used in port survey, dredging, offshore energy and other applications.	December 19, 2008	Baton Rouge, LA	\$10.9 million for its fiscal year ended September 30, 2008	Stock	7.0(5)
<b>Demo Systems LLC ( Demo )</b> Designs and manufactures aircraft data loading equipment, flight line maintenance terminals, and data distribution software used by commercial airlines, the U.S. military and aircraft manufacturers.	December 24, 2008	Moorpark, CA	\$7.3 million for its fiscal year ended December 31, 2007	Asset	5.3

(1) Each of the acquisitions is part of the Electronics and Communications segment.

(2) We increased our ownership interest in Aerosance, Inc. to 100% for \$0.2 million in the first quarter of 2008. We

purchased the remaining minority ownership in ODI for \$25.5 million in 2009. In the second quarter of 2009, we purchased the assets of a marine sensor product line for an initial payment of \$1.4 million. We also made a scheduled payment of \$0.3 million related to a prior acquisition.

(3) The purchase price represents the contractual consideration for the acquired business, net of cash acquired, including adjustments for certain paid acquisition transactions costs.

(4) Reflects a purchase price adjustment of \$0.3 million in the first quarter of 2009 based on the final closing date net working capital.

(5) The final purchase price is subject to adjustment based on the final

closing date net  
working capital  
of the acquired  
business.

## Results of Operations

### Third quarter of 2009 compared with the third quarter of 2008

Teledyne Technologies' third quarter 2009 sales were \$429.4 million, compared with sales of \$497.6 million for the same period of 2008, a decrease of 13.7%. Net income attributable to common stockholders for the third quarter of 2009 was \$35.1 million (\$0.96 per diluted share) compared with net income attributable to common stockholders of \$30.9 million (\$0.84 per diluted share) for the third quarter of 2008, an increase of 13.6%. The decrease in sales for the 2009 period, compared with the same 2008 period, reflected the impact of the general economic downturn, partially offset by revenue from acquisitions. Net income in the third quarter of 2009 includes research and development tax credits of \$8.2 million.

The third quarter of 2009, compared with the same period in 2008, reflected lower sales in each operating segment. The Electronics and Communications segment sales included revenue from strategic acquisitions made in 2008 which were more than offset by lower organic sales. Incremental revenue in the third quarter of 2009 from businesses acquired in 2008 was \$6.4 million.

The increase in earnings for the third quarter of 2009, compared with the same period of 2008, reflected the impact of research and development tax credits of \$8.2 million, partially offset by lower operating profit in each operating segment except the Energy and Power Systems segment. Segment operating profit reflected the impact of lower sales as well as higher pension costs, partially offset by cost reductions implemented during the year. The incremental operating profit in the third quarter of 2009 from businesses acquired in 2008, including synergies, was \$0.1 million. The third quarter of 2009 included pension expense of \$5.7 million, compared with pension expense of \$2.4 million in the third quarter of 2008. The increase in 2009 pension expense primarily reflects the impact of the reduction in pension assets in 2008 due to negative market returns. Pension expense allocated to contracts pursuant to U.S. Government Cost Accounting Standards (CAS) was \$3.1 million in the third quarter of 2009, compared with pension expense of \$2.4 million in the third quarter of 2008.

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For the third quarter of 2009 and 2008, we recorded a total of \$1.3 million and \$1.9 million, respectively, in stock option compensation expense. The lower 2009 amount reflects the decision to eliminate the annual employee stock option grant for 2009.

Cost of sales in total dollars was lower in the third quarter of 2009, compared with the third quarter of 2008, primarily due to lower sales as well as recent cost reductions, partially offset by the impact from acquisitions made in 2008.

Cost of sales as a percentage of sales for the third quarter of 2009 increased to 70.8% from 70.0% for the third quarter of 2008 and reflected the impact of lower sales while pension expense increased and certain fixed costs remained flat, partially offset by recent cost reductions. Cost of sales for the third quarter of 2009 also reflected lower LIFO expense of \$1.1 million.

Selling, general and administrative expenses, including research and development and bid and proposal expense, in total dollars were lower in the third quarter of 2009, compared with the third quarter of 2008, primarily due to lower sales and lower corporate expense, partially offset by the impact from acquisitions made in 2008. Selling, general and administrative expenses for the third quarter of 2009, as a percentage of sales, decreased to 19.0%, compared with 19.5% in the third quarter of 2008 and reflected the impact of lower corporate expense and lower stock option compensation expense. Corporate expense was \$6.3 million for the third quarter of 2009, compared with \$7.7 million for the same period in 2008 and reflected lower professional fees and lower compensation accruals.

Interest expense, net of interest income, was \$1.1 million in the third quarter of 2009, compared with \$2.5 million for the third quarter of 2008. The decrease in net interest expense reflected the impact of lower average interest rates, partially offset by higher outstanding debt levels.

The Company's effective tax rate for the third quarter of 2009 was 17.3% compared with 36.9% for the third quarter of 2008. The third quarter of 2009 includes research and development tax credits of \$8.2 million following a formal communication from the Internal Revenue Service of a more favorable tax position than the Company's original measurement in connection with an ongoing audit of the research and development tax credit for prior years. The first nine months also included the reversal of \$1.1 million in income tax contingency reserves which were determined to be no longer needed due to the expiration of applicable statutes of limitations. Excluding these amounts the effective tax rate for the third quarter of 2009 would have been 39.1%. The third quarter of 2008 reflects the reversal of \$0.8 million in income tax contingency reserves which were determined to be no longer needed due to the expiration of applicable statutes of limitations. Excluding this item the effective tax rate for the third quarter of 2008 would have been 38.6%.

During the next twelve months, it is reasonably possible that tax audit resolutions and expirations of the statute of limitations could reduce unrecognized tax benefits by \$1.1 million to \$12.1 million, either because our tax positions are sustained on audit, because the Company agrees to their disallowance, or the expiration of the statute of limitations.

Noncontrolling interest in subsidiaries' earnings reflects the minority ownership interest in ODI and Teledyne Energy Systems, Inc. The lower amount in 2009, primarily reflects the decrease in minority ownership interest in ODI due to share purchases by Teledyne in 2008 and 2009.

### **First nine months of 2009 compared with the first nine months of 2008**

Teledyne Technologies' sales for the first nine months of 2009 were \$1,310.8 million, compared with sales of \$1,428.2 million for the same period of 2008, a decrease of 8.2%. Net income attributable to common stockholders for the first nine months of 2009 was \$81.1 million (\$2.22 per diluted share) compared with net income attributable to common stockholders of \$91.4 million (\$2.50 per diluted share) for the first nine months of 2008, a decrease of 11.3%. The decrease in sales for the 2009 period, compared with the same 2008 period, reflected the impact of the general economic downturn, partially offset by revenue from acquisitions. Net income in the first nine months of 2009 includes research and development tax credits of \$8.2 million, recorded in the third quarter.

The first nine months of 2009, compared with the same period in 2008, reflected lower sales in each operating segment. The Electronics and Communications segment sales included revenue from strategic acquisitions made in 2008 which were more than offset by lower organic sales. Incremental revenue in the first nine months of 2009 from businesses acquired in 2008 was \$35.5 million.

The decrease in earnings for the first nine months of 2009, compared with the same period of 2008, reflected lower operating profit in each operating segment. The decrease in earnings reflected the impact of lower sales as well as

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higher pension costs, partially offset by the impact of research and development tax credits of \$8.2 million and by cost reductions implemented during the year. Incremental operating profit in the first nine months of 2009 from businesses acquired in 2008, including synergies, was \$0.7 million.

The first nine months of 2009 included pension expense of \$16.9 million, compared with pension expense of \$7.2 million in the first nine months of 2008. The increase in 2009 pension expense primarily reflects the impact of the reduction in pension assets in 2008 due to negative market returns. Pension expense allocated to contracts pursuant to CAS was \$9.3 million in the first nine months of 2009, compared with pension expense of \$7.1 million in the first nine months of 2008. For the first nine months of 2009 and 2008, we recorded a total of \$4.1 million and \$5.6 million respectively in stock option compensation expense.

Cost of sales in total dollars was lower in the first nine months of 2009, compared with the first nine months of 2008, primarily due to lower sales as well as recent cost reductions, partially offset by the impact from acquisitions made in 2008. Cost of sales as a percentage of sales for the first nine months of 2009 increased to 71.1% from 69.6% for the first nine months of 2008 and reflected the impact of lower sales while pension expense increased and certain fixed costs remained flat, partially offset by recent cost reductions. Cost of sales for the first nine months of 2009 also reflected lower LIFO expense of \$2.4 million.

Selling, general and administrative expenses, including research and development and bid and proposal expense, in total dollars were lower in the first nine months of 2009, compared with the first nine months of 2008, primarily due to lower sales and lower corporate expense, partially offset by the impact from acquisitions made in 2008. Corporate expense was \$19.0 million for the first nine months of 2009, compared with \$23.6 million for the same period in 2008 and reflected lower professional fees and lower compensation accruals. Selling, general and administrative expenses for the first nine months of 2009, as a percentage of sales, increased slightly to 19.6%, compared with 19.5% in the first nine months of 2008.

Interest expense, net of interest income, was \$3.7 million in the first nine months of 2009, compared with \$8.0 million for the first nine months of 2008. The decrease in net interest expense reflected the impact of lower average interest rates, partially offset by higher outstanding debt levels. The Company's effective tax rate for the first nine months of 2009 was 31.3% compared with 36.9% for the first nine months of 2008. The first nine months of 2009 includes research and development tax credits of \$8.2 million following a formal communication from the Internal Revenue Service of a more favorable tax position than the Company's original measurement in connection with an ongoing audit of the research and development tax credit for prior years. The first nine months also included the reversal of \$1.1 million in income tax contingency reserves which were determined to be no longer needed due to the expiration of applicable statutes of limitations and additional income tax expense of \$0.3 million, primarily related to the impact of California income tax law changes. Excluding these amounts, the Company's effective tax rate for the first nine months of 2009 would have been 38.8%. The effective tax rate for the first nine months of 2008 reflects a research and development income tax refund of \$1.3 million for the 2007 tax year which was recorded in the first quarter of 2008 and also reflects the third quarter reversal of \$0.8 million in income tax contingency reserves which were determined to be no longer needed due to the expiration of applicable statutes of limitations. Excluding these items, the Company's effective tax rate for the first nine months of 2008 would have been 38.3%.

Noncontrolling interest in subsidiaries' earnings reflects the minority ownership interest in ODI and Teledyne Energy Systems, Inc. The lower amount in 2009, primarily reflects the decrease in minority ownership interest in ODI due to share purchases by Teledyne in 2008 and 2009.



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**Review of Operations:**

The following table sets forth the sales and operating profit for each segment (amounts in millions):

Three Months	Three Months		Nine Months	Nine Months
2009	2008	% Change	2009	2008