

TELEDYNE TECHNOLOGIES INC

Form 10-Q

November 10, 2010

**Table of Contents**

**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 October 3, 2010**

**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.

Class Outstanding at October 29, 2010

Edgar Filing: TELEDYNE TECHNOLOGIES INC - Form 10-Q

Common Stock, \$.01 par value per share

36,299,810 shares

---

**TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
TABLE OF CONTENTS**

	PAGE
<b><u>Part I Financial Information</u></b>	2
<u>Item 1. Financial Statements</u>	2
<u>Condensed Consolidated Statements of Income</u>	2
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Cash Flows</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	25
<u>Item 4. Controls and Procedures</u>	25
<b><u>Part II Other Information</u></b>	26
<u>Item 1A. Risk Factors</u>	26
<u>Item 6. Exhibits</u>	26
<b><u>Signatures</u></b>	27
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	

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

## TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE THIRD QUARTER AND NINE MONTHS ENDED OCTOBER 3, 2010 AND SEPTEMBER 27, 2009

(Unaudited Amounts in millions, except per-share amounts)

	Third Quarter		Nine Months	
	2010	2009	2010	2009
<b>Net Sales</b>	<b>\$ 443.9</b>	\$ 429.4	<b>\$ 1,325.6</b>	\$ 1,310.8
<b>Costs and expenses</b>				
Cost of sales	<b>307.6</b>	304.2	<b>929.7</b>	931.8
Selling, general and administrative expenses	<b>89.4</b>	81.5	<b>263.4</b>	256.3
Total costs and expenses	<b>397.0</b>	385.7	<b>1,193.1</b>	1,188.1
<b>Income before other income and expense and income taxes</b>	<b>46.9</b>	43.7	<b>132.5</b>	122.7
Other income (expense), net	<b>(0.3)</b>		<b>0.9</b>	(0.2)
Interest and debt expense, net	<b>(1.4)</b>	(1.1)	<b>(3.1)</b>	(3.7)
<b>Income before income taxes</b>	<b>45.2</b>	42.6	<b>130.3</b>	118.8
Provision for income taxes	<b>14.8</b>	7.4	<b>46.3</b>	37.2
<b>Net income before noncontrolling interest</b>	<b>30.4</b>	35.2	<b>84.0</b>	81.6
Less: Net income attributable to noncontrolling interest	<b>(0.1)</b>	(0.1)	<b>(0.1)</b>	(0.5)
<b>Net income attributable to Teledyne Technologies</b>	<b>\$ 30.3</b>	\$ 35.1	<b>\$ 83.9</b>	\$ 81.1
<b>Basic earnings per common share</b>	<b>\$ 0.84</b>	\$ 0.98	<b>\$ 2.32</b>	\$ 2.25
<b>Weighted average common shares outstanding</b>	<b>36.2</b>	36.0	<b>36.2</b>	36.0
<b>Diluted earnings per common share</b>	<b>\$ 0.82</b>	\$ 0.96	<b>\$ 2.28</b>	\$ 2.22
<b>Weighted average diluted common shares outstanding</b>	<b>36.8</b>	36.6	<b>36.8</b>	36.5

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

**Table of Contents**

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

	October 3, 2010	January 3, 2010
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 27.1	\$ 26.1
Accounts receivable, net	277.5	245.8
Inventories, net	208.5	189.6
Deferred income taxes, net	35.5	37.4
Prepaid expenses and other current assets	18.6	32.8
<b>Total current assets</b>	<b>567.2</b>	<b>531.7</b>
Property, plant and equipment, at cost, net of accumulated depreciation and amortization of \$298.4 at October 3, 2010 and \$275.9 at January 3, 2010	215.4	206.6
Deferred income taxes, net	27.9	29.9
Goodwill, net	547.5	502.4
Acquired intangibles, net	119.9	109.6
Other assets, net	50.0	41.3
<b>Total Assets</b>	<b>\$ 1,527.9</b>	<b>\$ 1,421.5</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 122.5	\$ 103.8
Accrued liabilities	173.1	176.8
Current portion of long-term debt and capital leases	3.1	0.5
<b>Total current liabilities</b>	<b>298.7</b>	<b>281.1</b>
Long-term debt and capital leases	266.0	251.6
Accrued pension obligation	55.4	79.8
Accrued postretirement benefits	14.1	15.7
Other long-term liabilities	134.3	125.9
<b>Total Liabilities</b>	<b>768.5</b>	<b>754.1</b>
<b>Stockholders' Equity</b>		
Preferred stock, \$0.01 par value; outstanding shares-none		
Common stock, \$0.01 par value; outstanding shares 36,288,891 at October 3, 2010 and 36,078,269 at January 3, 2010	0.4	0.4
Additional paid-in capital	263.9	254.7

Edgar Filing: TELEDYNE TECHNOLOGIES INC - Form 10-Q

Retained earnings	<b>667.1</b>	583.2
Accumulated other comprehensive loss	<b>(173.0)</b>	(171.8)
<b>Total Teledyne Technologies Stockholders Equity</b>	<b>758.4</b>	666.5
Noncontrolling interest	<b>1.0</b>	0.9
<b>Total Stockholders Equity</b>	<b>759.4</b>	667.4
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 1,527.9</b>	\$ 1,421.5

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

**Table of Contents**

## TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE NINE MONTHS ENDED OCTOBER 3, 2010 AND SEPTEMBER 27, 2009  
 (Unaudited Amounts in millions)

	Nine Months	
	2010	2009
<b>Operating Activities</b>		
Net income before noncontrolling interest	\$ 84.0	\$ 81.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35.0	33.2
Deferred income taxes	(4.3)	38.4
Stock option expense	3.7	4.1
Noncontrolling interest	0.1	0.5
Excess income tax benefits from stock options exercised	(0.9)	(0.3)
Loss on sale of fixed assets	0.1	0.2
Changes in operating assets and liabilities, excluding the effect of business acquired:		
Decrease (increase) in accounts receivable	(24.3)	19.7
Decrease (increase) in inventories	(9.8)	14.0
Decrease in prepaid expenses and other assets	2.2	3.2
Increase (decrease) in accounts payable	11.1	(6.3)
Decrease in accrued liabilities	(5.4)	(18.9)
Increase in income taxes payable, net	15.3	6.1
Increase in long-term assets	(4.4)	(4.4)
Increase in other long-term liabilities	5.6	5.7
Decrease in accrued pension obligation	(34.2)	(101.1)
Decrease in accrued postretirement benefits	(1.6)	(1.5)
Other operating, net	1.6	0.9
Net cash provided by operating activities	73.8	75.1
<b>Investing Activities</b>		
Purchases of property, plant and equipment	(17.4)	(26.8)
Purchase of businesses and other investments	(63.3)	(26.9)
Proceeds from disposal of fixed assets	0.1	0.1
Net cash used by investing activities	(80.6)	(53.6)
<b>Financing Activities</b>		
Proceeds from issuance of Senior Notes	250.0	
Net repayments of debt	(244.8)	(20.3)
Purchase of treasury stock		(0.8)
Proceeds from exercise of stock options	2.3	0.5
Issuance of cash flow hedges	(0.6)	
Excess income tax benefits from stock options exercised	0.9	0.3



Net cash provided (used) by financing activities	<b>7.8</b>	(20.3)
Increase in cash and cash equivalents	<b>1.0</b>	1.2
Cash and cash equivalents beginning of period	<b>26.1</b>	20.4
Cash and cash equivalents end of period	<b>\$ 27.1</b>	<b>\$ 21.6</b>

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

4

---

**Table of Contents**TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

October 3, 2010

**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 January 3, 2010 (2009 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 October 3, 2010 and the consolidated results of operations and cash flows for the three months and nine months then ended. The results of operations and cash flows for the period ended October 3, 2010 are not necessarily indicative of the results of operations or cash flows to be expected for any subsequent quarter or the full fiscal year.

**Note 2. Business Combinations and Investments, Goodwill and Acquired Intangible Assets**

The following summarizes the acquisitions made during 2010. 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., now known as Teledyne ODI, ( ODI ) for \$25.5 million, no other acquisitions were made in 2009.

<b>Name and Description(1)</b>	<b>Date Acquired</b>	<b>Ownership Purchased</b>	<b>Primary Location(s)</b>	<b>Pre-acquisition Sales Volume</b>	<b>Transaction Type</b>	<b>Purchase Price (2)(3) (in millions)</b>
<b>Fiscal Year 2010</b>						
<b>Optimum Optical Systems, Inc (Optimum)</b> Designs and manufacturers custom optics and optomechanical assemblies	June 7, 2010	100.0%	Camarillo, CA	\$5.9 million for the fiscal year ended December 31, 2009	Stock	\$ 5.7
<b>Intelek plc (Intelek)</b> Designs and manufactures electronic systems for satellite and microwave communication and aerostructure manufacturing	July 26, 2010	100.0%	United Kingdom and State College, PA	£38 million for the fiscal year ended March 31, 2010	Stock	\$42.6
<b>Hafmynd ehf., now known as Gavia elf. (Gavia)</b>	September 20, 2010	100.0%	Reykjavik,	532.4 million	Stock	\$10.1

Designs and manufactures  
the Gavia™  
autonomous underwater  
vehicle (AUV)

Iceland

Icelandic króna  
for  
the fiscal year

ended  
December 31,  
2009

- 1) Each of the acquisitions is part of the Electronics and Communications segment, except for the CML division of Inteltek which is part of the Engineered Systems segment.
- 2) The purchase price represents the contractual consideration for the acquired business, net of cash acquired, including certain acquisition transaction costs, paid as of October 3, 2010.
- 3) On March 2, 2010, we acquired a 17% interest in Optical Alchemy, Inc., a designer and manufacturer of ultra-light electro optical gimbal system for \$4.6 million. Also in 2010, we made scheduled payments for a prior acquisition of \$0.3 million. In 2009, we paid \$0.3 million related to a prior acquisition and received a purchase price adjustment of \$0.3 million for a prior acquisition.

In June 2010, Teledyne acquired an initial 16% minority interest in Inteltek. In July 2010, Teledyne acquired the remaining interest in Inteltek. Inteltek has locations in the United Kingdom and State College, Pennsylvania. Through its Paradise Datacom division, Inteltek designs and manufactures satellite modems, transceivers, block up-converters, solid state power amplifiers, low noise amplifiers and associated equipment for the terrestrial segment of the satellite communications market. Inteltek's Labtech division is a manufacturer of microwave circuits and components primarily for the defense electronics, global telecommunications, space and satellite communications markets. Inteltek's CML division manufactures

**Table of Contents**

precision machined and composite aerostructures for military and commercial aircraft. The three divisions have changed their names to Teledyne Paradise Datacom, Teledyne Labtech and Teledyne CML Group. The Teledyne Paradise Datacom and Teledyne Labtech divisions are part of the Electronics and Communications segment and the Teledyne CML division is part of the Engineered Systems segment.

Teledyne funded the purchases primarily from borrowings and cash on hand. The primary reasons for the above acquisitions were to strengthen and expand our core businesses through adding complementary product and service offerings, allowing the ability to offer greater integrated products and services, enhancing our technical capabilities 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's goodwill was \$547.5 million at October 3, 2010 and \$502.4 million at January 3, 2010. The increase in the balance of goodwill in 2010 primarily resulted from goodwill from recent acquisitions. Teledyne's net acquired intangible assets were \$119.9 million at October 3, 2010 and \$109.6 million at January 3, 2010. The change in the balance of acquired intangible assets in 2010 resulted from recent acquisitions, partially offset by amortization. The goodwill acquired as part of the Gavia ehf and the Intelek UK business is deductible for tax purposes.

The following is a summary at the acquisition date of the estimated fair values allocated to the assets acquired and liabilities assumed for the acquisitions made during fiscal 2010 (in millions):

Current assets	\$ 17.7
Property, plant and equipment	16.5
Goodwill	46.0
Acquired intangible assets	21.3
Current liabilities	(18.0)
Long-term liabilities	(26.0)
<b>Total net assets acquired</b>	<b>\$ 57.5</b>

**Note 3. Comprehensive Income**

Teledyne's comprehensive income is comprised of net income attributable to common stockholders, minimum pension liability adjustments, unamortized cash flow hedge losses and foreign currency translation adjustments. Teledyne's total comprehensive income for the third quarter and first nine months of 2010 and 2009 consists of the following (in millions):

	Third Quarter		Nine Months	
	2010	2009	2010	2009
Net income before noncontrolling interest	<b>\$ 30.4</b>	\$ 35.2	<b>\$ 84.0</b>	\$ 81.6
Other comprehensive gain (loss), net of tax:				
Foreign currency translation gains (losses)	<b>6.5</b>	0.8	<b>(1.0)</b>	6.3
Cash flow hedge position			<b>(0.6)</b>	
Minimum pension liability adjustment			<b>0.3</b>	
Total other comprehensive gain (loss)	<b>6.5</b>	0.8	<b>(1.3)</b>	6.3
Total comprehensive income	<b>36.9</b>	36.0	<b>82.7</b>	87.9
Less: Amounts attributable to noncontrolling interests:				
Net income	(0.1)	(0.1)	(0.1)	(0.5)
Foreign currency translation gains				0.1
Total other comprehensive loss	(0.1)	(0.1)	(0.1)	(0.4)

Comprehensive income attributable to common stockholders	<b>\$ 36.8</b>	\$ 35.9	<b>\$ 82.6</b>	\$ 87.5
--	----------------	---------	----------------	---------

6

---

**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):

	Third Quarter		Nine Months	
	2010	2009	2010	2009
<b>Basic earnings per share</b>				
Net income attributable to common stockholders	\$ 30.3	\$ 35.1	\$ 83.9	\$ 81.1
Weighted average common shares outstanding	36.2	36.0	36.2	36.0
Basic earnings per common share	\$ 0.84	\$ 0.98	\$ 2.32	\$ 2.25
<b>Diluted earnings per share</b>				
Net income attributable to common stockholders	\$ 30.3	\$ 35.1	\$ 83.9	\$ 81.1
Weighted average common shares outstanding	36.2	36.0	36.2	36.0
Dilutive effect of exercise of options outstanding	0.6	0.6	0.6	0.5
Weighted average diluted common shares outstanding	36.8	36.6	36.8	36.5
Diluted earnings per common share	\$ 0.82	\$ 0.96	\$ 2.28	\$ 2.22

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

Teledyne 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's employees and directors. The Company recorded a total of \$1.2 million and \$3.7 million in stock option compensation expense for the third quarter and first nine months of 2010, respectively. For the third quarter and first nine months of 2009, the Company recorded a total of \$1.3 million and \$4.1 million, respectively in stock option expense. Employee stock option grants are expensed evenly over the three year vesting period. In 2010, the Company currently expects approximately \$5.0 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.

**Table of Contents**

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 six years. The period used for the exchange traded options included the longest-dated options publicly available, generally three 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 2010 and 2009:

	2010	2009
Expected dividend yield		
Expected volatility	<b>35.3%</b>	38.8%
Risk-free interest rate	<b>2.4%</b>	2.1%
Expected life in years	<b>6.0</b>	5.6

Based on the assumptions in the table above, the grant date fair value of stock options granted in 2010 and 2009 was \$16.44 and \$10.02, respectively.

Stock option transactions for Teledyne's employee stock option plans for the third quarter and nine months ended October 3, 2010 are summarized as follows:

	2010			
	Third Quarter		Nine Months	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning balance	2,594,529	\$ 32.70	2,249,050	\$ 30.40
Granted		\$	433,094	\$ 42.09
Exercised	(32,825)	\$ 22.49	(107,823)	\$ 19.66
Canceled or expired	(22,939)	\$ 39.14	(35,556)	\$ 36.05
Ending balance	2,538,765	\$ 32.75	2,538,765	\$ 32.75
Options exercisable at end of period	2,013,177	\$ 29.90	2,013,177	\$ 29.90

Stock option transactions for Teledyne's non-employee director stock option plan for the third quarter and nine months ended October 3, 2010 are summarized as follows:

	2010			
	Third Quarter		Nine Months	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning balance	438,644	\$ 28.38	418,817	\$ 26.66
Granted	3,551	\$ 25.61	40,314	\$ 39.81
Exercised		\$	(14,936)	\$ 13.50
Canceled		\$	(2,000)	\$ 14.75

Edgar Filing: TELEDYNE TECHNOLOGIES INC - Form 10-Q

Ending balance	442,195	\$	28.36	442,195	\$	28.36
Options exercisable at end of period	400,683	\$	27.03	400,683	\$	27.03

In February 2010, Teledyne issued 44,751 shares of common stock in connection with the second installment of the 2006 to 2008 Performance Share Plan. Also in February 2010, the restriction was removed for 31,305 shares of Teledyne common stock related to the 2007 to 2009 restricted stock performance period.



**Table of Contents****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 \$7.4 million at October 3, 2010 and \$11.2 million at January 3, 2010.

**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):

	October 3, 2010	January 3, 2010
Balance at		
Raw materials and supplies	\$ 103.1	\$ 107.5
Work in process	116.7	100.4
Finished goods	16.4	15.9
	<b>236.2</b>	223.8
Progress payments	(3.5)	(8.9)
LIFO reserve	(24.2)	(25.3)
Total inventories, net	<b>\$ 208.5</b>	\$ 189.6

Inventories at cost determined on the LIFO method were \$118.6 million at October 3, 2010 and \$117.3 million at January 3, 2010. The remainder of the inventories using average cost or the FIFO methods, were \$117.6 million at October 3, 2010 and \$106.5 million at January 3, 2010.

**Note 8. Supplemental Balance Sheet Information**

Other long-term assets included amounts related to a deferred compensation plan of \$29.4 million and \$26.7 million at October 3, 2010 and January 3, 2010, respectively. Accrued liabilities included salaries and wages and other related compensation liabilities of \$75.7 million and \$76.0 million at October 3, 2010 and January 3, 2010, respectively. Accrued liabilities also included customer related deposits and credits of \$29.4 million and \$30.8 million at October 3, 2010 and January 3, 2010, respectively. Other long-term liabilities included aircraft product liability reserves of \$44.9 million and \$42.4 million at October 3, 2010 and January 3, 2010, respectively. Other long-term liabilities also included amounts related to a deferred compensation plan of \$29.6 million and \$26.7 million at October 3, 2010 and January 3, 2010, respectively, as well as reserves for workers' compensation, environmental liabilities and the long-term portion of compensation liabilities.

**Table of Contents**

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 and long term accrued liabilities on the balance sheet. Changes in the Company's product warranty reserve during the first nine months of 2010 and 2009 are as follows (in millions):

	Nine Months	
	2010	2009
Balance at beginning of year	\$ 15.9	\$ 14.0
Accruals for product warranties charged to expense	4.3	5.7
Acquisitions	0.3	
Cost of product warranty claims	(4.9)	(5.2)
Balance at end of period	\$ 15.6	\$ 14.5

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, customer's 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.

**Note 9. Income Taxes**

The Company's effective income tax rate for the third quarter and first nine months of 2010 was 32.9% and 35.5%, respectively. The Company's effective income tax rate for the third quarter and first nine months of 2009 was 17.3% and 31.3%, respectively. The third quarter and first nine months of 2010 included tax credits of \$2.9 million and \$3.5 million, respectively. Included in these amounts are credits related to a research and development income tax credit of \$2.9 million, recorded in the third quarter and tax credits of \$0.6 million recorded in the first half of 2010. Excluding these amounts, the effective income tax rate for the third quarter and first nine months of 2010 would have been 39.3% and 38.2%, respectively. The effective tax rate for the first nine months of 2009 reflected the impact of a research and development income tax credit of \$8.2 million recorded in the third quarter, the recognition of \$1.1 million of uncertain tax benefits recorded in the third quarter, and also reflects additional income tax expense of \$0.3 million primarily related to the impact of California income tax law changes, which was recorded in the first quarter of 2009. Excluding these amounts, the Company's effective tax rate for the third quarter and first nine months of 2009 would have been 39.1% and 38.8%, respectively.

Except for claims for refunds related to credits for research and development activities, the Company has concluded all U.S. federal income tax matters for all years through 2006. Substantially all other material state, local and foreign income tax matters have been concluded for years through 2005. The Company believes appropriate provisions for all outstanding issues have been made for all jurisdictions and all open years.

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 \$2.4 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.

**Table of Contents****Note 10. Long-Term Debt and Capital Leases**

On September 15, 2010, the Company issued \$250.0 million in aggregate principal amount of private placement Senior Notes at par. The notes consist of \$75.0 million of 4.04% Senior Notes due September 15, 2015, \$100.0 million of 4.74% Senior Notes due September 15, 2017 and \$75.0 million of 5.30% Senior Notes due September 15, 2020. The interest rates for the notes were determined on April 14, 2010. The Company used the proceeds of the private placement Senior Notes to pay down amounts outstanding under the Company's existing credit facility. The credit agreements 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 October 3, 2010, the Company was in compliance with these covenants. At October 3, 2010, Teledyne had \$250.0 million of outstanding indebtedness under its Senior Notes.

At October 3, 2010, Teledyne had \$1.0 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 capacity under the \$590.0 million credit facility was \$586.9 million at October 3, 2010. 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 October 3, 2010, the Company was in compliance with these covenants. The maximum amount that could be borrowed under our credit facility as of October 3, 2010 while still remaining in compliance with our consolidated leverage ratio covenant was \$406.0 million. The Company also has a \$11.5 million uncommitted credit line of which \$9.3 million is utilized for letters of credit and \$2.2 million is available as of October 3, 2010. This credit line is utilized, as needed, for periodic cash needs and letters of credit.

Total debt at October 3, 2010, includes \$250.0 million in Senior Notes and \$1.0 million outstanding under the \$590.0 million credit facility. The Company also has \$18.1 million in capital leases, of which \$2.1 million is current. At October 3, 2010, Teledyne had \$11.4 million in outstanding letters of credit.

In the first and second quarters of 2010, Teledyne entered into cash flow hedges of forecasted interest payments associated with the then anticipated issuance of fixed rate debt. The objective of these cash flow hedges was to protect against the risk of changes in the interest payments attributable to changes in the designated benchmark, which is the LIBOR interest rate leading up to the fixed rate on the issuance of fixed rate debt being locked. The notional amount of the debt hedged was \$150.0 million. In the second quarter, concurrent with the interest rates being determined on the fixed rate debt, Teledyne terminated the cash flow hedges for a total payment of \$0.6 million. Since the cash flow hedges were considered effective, changes in the fair value of the hedge contracts as of the termination date were deferred in accumulated other comprehensive loss. Remaining amounts deferred in accumulated other comprehensive loss of \$0.6 million, will be reclassified to interest expense over the same period of time that interest expense is recognized on the borrowings beginning September 15, 2010.

**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 2009 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 2009 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

**Table of Contents**

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 October 3, 2010, the Company's reserves for environmental remediation obligations totaled \$5.4 million, of which \$0.3 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 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 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 \$5.0 million for its current aircraft product liability insurance policies which expire on May 31, 2011. At October 3, 2010, the Company's reserves for aircraft product liabilities totaled \$44.9 million all of which is included in other long-term 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 has a domestic defined benefit pension plan covering substantially all domestic employees hired before January 1, 2004. The Company's assumed discount rate on plan liabilities is 6.25% for both 2010 and 2009. The Company's assumed long-term rate of return on plan assets is 8.25% for both 2010 and 2009.

Teledyne's net periodic pension expense was \$1.3 million and \$3.9 million for third quarter and first nine months of 2010, respectively, compared with net periodic pension expense of \$5.7 million and \$16.9 million for the third quarter and first nine months of 2009, respectively. Pension expense allocated to contracts pursuant to U.S. Government Cost Accounting Standards (CAS) was \$2.4 million and \$7.2 million for the third quarter and first nine months of 2010, respectively, compared with \$3.1 million and \$9.3 million for the



**Table of Contents**

third quarter and first nine months of 2009, respectively. Pension expense determined under CAS can generally be recovered through the pricing of products and services sold to the U.S. Government. The decrease in 2010 pension expense reflects higher investment returns in 2009 and the impact of pension contributions made since 2007. The Company made a \$37.0 million pretax voluntary contribution to its pension plan in the third quarter of 2010, compared with \$80.0 million and \$37.0 million of pretax voluntary contributions to its pension plan in the first and third quarters of 2009, respectively.

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

The following tables set forth the components of net periodic pension benefit expense for Teledyne's domestic defined benefit pension plans and postretirement benefit plans for the third quarter and first nine months of 2010 and 2009 (in millions):

	Third Quarter		Nine Months	
	2010	2009	2010	2009
Pension Benefits				
Service cost – benefits earned during the period	\$ 3.5	\$ 3.7	\$ 10.3	\$ 11.1
Interest cost on benefit obligation	10.2	10.1	30.5	30.1
Expected return on plan assets	(14.4)	(12.1)	(43.0)	(36.4)
Amortization of prior service cost	0.1	0.1	0.3	0.3
Recognized actuarial loss	1.9	3.9	5.8	11.8
Net periodic benefit expense	\$ 1.3	\$ 5.7	\$ 3.9	\$ 16.9

	Third Quarter		Nine Months	
	2010	2009	2010	2009
Postretirement Benefits				
Service cost – benefits earned during the period	\$	\$	\$	\$
Interest cost on benefit obligation	0.3	0.4	0.8	1.1
Amortization of prior service cost	(0.1)	(0.2)	(0.3)	(0.4)
Recognized actuarial gain	(0.3)	(0.2)	(0.8)	(0.6)
Net periodic benefit (income) expense	\$ (0.1)	\$	\$ (0.3)	\$ 0.1

In connection with the acquisition of Intelek, the Company assumed responsibility for a defined benefit pension plan based in the United Kingdom covering certain employees of Intelek. The plan was closed to new members in January 2000 and ceased further service accruals to members in September 2002. In the third quarter of 2010, the Company recorded \$0.1 million in expense related to the plan. The funding deficit for this plan, as of the acquisition date of July 26, 2010, was \$9.4 million based on plan assets of \$20.6 million and plan liabilities of \$30.0 million.

**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.

**Table of Contents**

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

	Third Quarter 2010	Third Quarter 2009	% Change	Nine Months 2010	Nine Months 2009	% Change
Net sales:						
Electronics and Communications	\$ 325.2	\$ 295.2	10.2%	\$ 959.4	\$ 910.3	5.4%
Engineered Systems	66.9	82.0	(18.4)%	212.6	260.5	(18.4)%
Aerospace Engines and Components	34.1	30.5	11.8%	102.9	86.2	19.4%
Energy and Power Systems	17.7	21.7	(18.4)%	50.7	53.8	(5.8)%
Total net sales	\$ 443.9	\$ 429.4	3.4%	\$ 1,325.6	\$ 1,310.8	1.1%
Operating profit (loss) and other segment income:						
Electronics and Communications	\$ 43.3	\$ 39.7	9.1%	\$ 125.0	\$ 117.9	6.0%
Engineered Systems	7.5	6.8	10.3%	22.2	23.6	(5.9)%
Aerospace Engines and Components	1.0	1.2	(16.7)%	2.6	(2.4)	*
Energy and Power Systems	1.6	2.3	(30.4)%	3.0	2.6	15.4%
Segment operating profit and other segment income	53.4	50.0	6.8%	152.8	141.7	7.8%
Corporate expense	(6.5)	(6.3)	3.2%	(20.3)	(19.0)	6.8%
Other income (expense), net	(0.3)		*	0.9	(0.2)	*
Interest expense, net	(1.4)	(1.1)	27.3%	(3.1)	(3.7)	(16.2)%
Income before income taxes	45.2	42.6	6.1%	130.3	118.8	9.7%
Provision for income taxes (a)	14.8	7.4	100.0%	46.3	37.2	24.5%
Net income before noncontrolling interest	30.4	35.2	(13.6)%	84.0	81.6	2.9%
Less: net income attributable to noncontrolling interest	(0.1)	(0.1)		(0.1)	(0.5)	(80.0)%
Net income attributable to Teledyne Technologies	\$ 30.3	\$ 35.1	(13.7)%	\$ 83.9	\$ 81.1	3.5%

(a) The first nine months of 2010 includes tax credits of \$2.9 million recorded in the third quarter and tax credits of \$0.6 million in the first half of 2010. The first nine months of 2009 includes tax credits of \$9.3 million recorded in the third quarter 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.

\* percentage change not meaningful



**Table of Contents****Electronics and Communications**

Through the first nine months of 2010, the Electronics and Communications segment represented 72.4% of total company sales. This business segment includes three business areas: Defense Electronics; Electronic Instrumentation; and Other Commercial Electronics. The Defense Electronics businesses provide a range of highly specialized electronic subsystems to our government and other defense contractors. The Electronic Instrumentation businesses provide products that power subsea oil production systems, help locate new energy reserves, report subtle changes to the environment, and detect trace contaminant in air and water. Our Other Commercial Electronics businesses provide aircraft information management solutions that are designed to increase flight safety and efficiency of aircraft transportation, and also provide precision electronics for other commercial markets. The table below provides a summary of the segment's sales by business area and the percentage that each contributed to the Electronics and Communications segment total sales for the third quarter and first nine months of 2010 (in millions).

Business Area	Third Quarter 2010		Nine Months 2010	
	Sales	%	Sales	%
Defense Electronics	\$ 139.3	43%	\$ 409.0	43%
Electronic Instrumentation	149.8	46%	445.7	46%
Other Commercial Electronics	36.1	11%	104.7	11%
Total Electronics and Communications segment	\$ 325.2	100%	\$ 959.4	100%

**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 continue to evaluate our product lines to ensure that they are aligned with our strategy.

**Our Recent Acquisitions**

The following summarizes the acquisitions made during 2010. 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., now known as Teledyne ODI, ( ODI ) for \$25.5 million, no other acquisitions were made in 2009.

Name and Description(1)	Date Acquired	Ownership Purchased	Primary Location(s)	Pre-acquisition Sales Volume	Transaction Type	Purchase Price
						(2)(3) ( in millions)
<b>Fiscal Year 2010</b>						
<b>Optimum Optical Systems, Inc (Optimum)</b> Designs and manufacturers custom optics and optomechanical assemblies	June 7, 2010	100.0%	Camarillo, CA	\$5.9 million for the fiscal year ended December 31, 2009	Stock	\$ 5.7
<b>Inteltek plc (Inteltek)</b> Designs and manufactures electronic systems for satellite and microw ave communication and aerospace manufacturing	July 26, 2010	100.0%	United Kingdom and State College, PA	£38 million for the fiscal year ended March 31, 2010	Stock	\$42.6
<b>Hafmynd ehf., now known as Gavia elf. (Gavia)</b> Designs and manufactures the Gavia autonomous under water vehicle (AUV)	September 20, 2010	100.0%	Reykjavik, Iceland	532.4 million Icelandic króna for the fiscal year ended December 31, 2009	Stock	\$10.1

- 1) Each of the acquisitions is part of the Electronics and Communications segment, except for the CML division of Inteltek which is part of the Engineered Systems segment.

- 2) The purchase price represents the contractual consideration for the acquired business, net of cash acquired, including certain acquisition transaction costs, paid as of October 3, 2010.
- 3) On March 2, 2010, we acquired a 17% interest in Optical Alchemy, Inc., a designer and manufacturer of ultra-light electro optical gimbal system for \$4.6 million. Also in 2010, we made scheduled payments for a prior acquisition of \$0.3 million. In 2009, we paid \$0.3 million related to a prior acquisition and received a purchase price adjustment of \$0.3 million for a prior acquisition.

In June 2010, Teledyne acquired an initial 16% minority interest in Inteltek. In July 2010, Teledyne acquired the remaining interest in Inteltek. Inteltek has locations in the United Kingdom and State College, Pennsylvania. Through its Paradise Datacom division, Inteltek designs and manufactures satellite modems, transceivers, block up-converters, solid state power amplifiers, low noise amplifiers and associated equipment for the terrestrial segment of the satellite communications market. Inteltek's Labtech division is a manufacturer of microwave circuits and components primarily for the defense electronics, global telecommunications, space and satellite communications markets. Inteltek's CML division manufactures precision machined and composite aerostructures for military and commercial aircraft. The three divisions have changed their names to Teledyne Paradise Datacom, Teledyne Labtech and Teledyne CML Group. The Teledyne Paradise Datacom and Teledyne Labtech divisions are part of the Electronics and Communications segment and the Teledyne CML division is part of the Engineered Systems segment. Teledyne funded the acquisitions primarily from borrowings and cash on hand.

**Table of Contents****Results of Operations****Third quarter of 2010 compared with the third quarter of 2009**

Our third quarter 2010 sales were \$443.9 million, compared with sales of \$429.4 million for the same period of 2009, an increase of 3.4%. Net income attributable to common stockholders for the third quarter of 2010 was \$30.3 million (\$0.82 per diluted share) compared with net income attributable to common stockholders of \$35.1 million (\$0.96 per diluted share) for the third quarter of 2009, a decrease of 13.7%.

The third quarter of 2010, compared with the same period in 2009, reflected higher sales in the Electronics and Communication segment and the Aerospace Engines and Components segment. The increase in the Electronics and Communication segment reflected higher sales of marine and environmental instrumentation products, as well as, the contribution from recent acquisitions. The increase in the Aerospace Engines and Components segment reflected higher sales of engines for new OEM aircraft. The decrease in the Engineered Systems segment reflected lower sales of missile defense programs, primarily the Ground-based Midcourse Defense engineering services as well as gas centrifuge service modules, partially offset by the contribution from the acquisition of the CML division of Inteltek. We continue to anticipate reduced sales of gas centrifuge service modules and missile defense engineering services in 2010 due to program funding. In addition, we anticipate reduced sales to NASA in 2010 due to government funding reductions in certain programs. The decrease in the Energy and Power Systems segment primarily reflected lower sales related to the Joint Air-to-Surface Standoff Missile ( JASSM ) turbine engine program, partially offset by higher battery product sales. Incremental revenue in the third quarter of 2010 from the business acquired in 2010 was \$11.3 million.

The decrease in net income for the third quarter of 2010, compared with the same period of 2009, reflected improved operating profit in the Electronics and Communications segment and the Engineered Systems segment. Operating profit reflected lower pension expense and the impact of cost reductions, partially offset by charges of \$3.0 million, related to acquisition activity. The third quarters of 2010 and 2009, included net tax credits of \$2.9 million and \$9.3 million, respectively. The incremental operating loss included in the results for the third quarter of 2010 from businesses acquired in 2010 was \$3.5 million and included charges of \$3.0 million, related to acquisition activity, as well as, intangible asset amortization.

The third quarter of 2010 included pension expense of \$1.3 million, compared with pension expense of \$5.7 million in the third quarter of 2009. Pension expense allocated to contracts pursuant to U.S. Government Cost Accounting Standards ( CAS ) was \$2.4 million in the third quarter of 2010, compared with pension expense of \$3.1 million in the third quarter of 2009. The decrease in 2010 pension expense reflects higher investment returns in 2009 and the impact of pension contributions made since 2007. In addition to the above amounts, the Company recorded \$0.1 million in pension expense for 2010 related to the Inteltek pension plan.

Stock option compensation expense was \$1.2 million in the third quarter of 2009, compared with \$1.3 million for the third quarter of 2009.

Cost of sales in total dollars was slightly higher in the third quarter of 2010, compared with the third quarter of 2009. Cost of sales as a percentage of sales for the third quarter of 2010 decreased to 69.3% from 70.8% for the third quarter of 2009 and reflected the impact of cost reductions, product mix and lower pension expense.

Selling, general and administrative expenses, including research and development and bid and proposal expense, in total dollars were higher in the third quarter of 2010, compared with the third quarter of 2009, and primarily reflected higher general and administrative expenses. The increase in general and administrative expenses reflected acquisition related expenses, as well as, intangible asset amortization for recent acquisitions. Selling, general and administrative expenses for the third quarter of 2010, as a percentage of sales, increased to 20.1%, compared with 19.0% in the third quarter of 2009, and reflected the impact of higher general and administrative expenses as noted earlier.

Interest expense, net of interest income, was \$1.4 million in the third quarter of 2010, compared with \$1.1 million for the third quarter of 2009. The increase in net interest expense primarily reflected the impact of higher outstanding debt levels. Interest expense is expected to be higher in the fourth quarter of 2010 and total year 2011 relative to prior period amounts due to the fixed interest rate on the \$250.0 million Senior Notes issued in September 2010.

The Company's effective income tax rate for the third quarter of 2010 was 32.9% compared with 17.3% for the third quarter of 2009. The third quarters of 2010 and 2009 included tax credits of \$2.9 million and \$9.3 million,



**Table of Contents**

respectively. Excluding the tax credits, the effective tax rates for the third quarter of 2010 and 2009, would have been 39.3% and 39.1%, respectively. The third quarter of 2010 included tax credits of \$2.9 million related to a research and development tax credit. The effective tax rate for the third quarter of 2009 reflected the impact of a research and development income tax credit of \$8.2 million and the recognition of \$1.1 million in uncertain tax benefits.

Noncontrolling interest in subsidiaries earnings in 2010 and 2009 reflected the minority ownership interest in Teledyne Energy Systems, Inc.

**First nine months of 2010 compared with the first nine months of 2009**

Teledyne's sales for the first nine months of 2010 were \$1,325.6 million, compared with sales of \$1,310.8 million for the same period of 2009, an increase of 1.1%. Net income attributable to common stockholders for the first nine months of 2010 was \$83.9 million (\$2.28 per diluted share) compared with net income attributable to common stockholders of \$81.1 million (\$2.22 per diluted share) for the first nine months of 2009, an increase of 3.5%.

The first nine months of 2010, compared with the same period in 2009, reflected higher sales in the Electronics and Communication segment and the Aerospace Engines and Components segment. The increase in the Electronics and Communication segment reflected higher sales of marine and environmental instrumentation products, as well as, the contribution from recent acquisitions. The increase in the Aerospace Engines and Components segment reflected higher sales of engines for new OEM aircraft, well as increased sales of aftermarket engines and spare parts. The decrease in the Engineered Systems segment reflected lower sales of missile defense programs, primarily the Ground-based Midcourse Defense engineering services as well as gas centrifuge service modules, partially offset by the contribution from the acquisition of the CML division of Inteltek. The decrease in the Energy and Power Systems segment primarily reflected lower sales related to the JASSM turbine engine program, partially offset by higher battery product sales. Incremental revenue in the first nine months of 2010 from the business acquired in 2010 was \$11.7 million.

The increase in net income for the first nine months of 2010, compared with the same period of 2009, reflected improved operating profit in each operating segment except the Engineered Systems segment. Operating profit reflected lower pension expense and the impact of cost reductions, partially offset by charges of \$3.0 million, related to acquisition activity and by second quarter charges of \$8.2 million, primarily to correct inventory valuations incorrectly recorded in previous periods at a business unit. The first nine months of 2010 and 2009 included net tax credits of \$3.5 million and \$9.0 million, respectively. The incremental operating loss included in the results for the first nine months of 2010 from businesses acquired in 2010 was \$3.4 million and included charges of \$3.0 million, related to acquisition activity, as well as, intangible asset amortization.

The first nine months of 2010 included pension expense of \$3.9 million, compared with pension expense of \$16.9 million in the first nine months of 2009. The decrease in 2010 pension expense reflects higher investment returns in 2009 and the impact of pension contributions made in since 2007. Pension expense allocated to contracts pursuant to CAS was \$7.2 million in the first nine months of 2010, compared with pension expense of \$9.3 million in the first nine months of 2009. In addition to the above amounts, the Company recorded \$0.1 million in pension expense for 2010 related to the Inteltek pension plan.

For the first nine months of 2010 and 2009, included stock option compensation expense of \$3.7 million and \$4.1 million, respectively.

Cost of sales in total dollars was lower in the first nine months of 2010, compared with the first nine months of 2009, and reflected the impact of lower pension expense and cost reductions. Cost of sales as a percentage of sales for the first nine months of 2010 decreased to 70.1% from 71.1% for the first nine months of 2009 and reflected the impact of cost reductions, product mix and lower pension expense, partially offset by the impact of the inventory write-down. Selling, general and administrative expenses, including research and development and bid and proposal expense, in total dollars were higher in the first nine months of 2010, compared with the first nine months of 2009 and reflected higher general and administrative expense. The higher general and administrative expense included acquisition related expenses, as well as, intangible asset amortization for recent acquisitions. Selling, general and administrative expenses for the first nine months of 2010, as a percentage of sales, increased to 19.9% from 19.6% in 2009, and reflected higher general and administrative expense as noted earlier.



**Table of Contents**

Interest expense, net of interest income, was \$3.1 million in the first nine months of 2010, compared with \$3.7 million for the first nine months of 2009. The decrease in net interest expense primarily reflected the impact of lower outstanding debt levels. Other income in 2010 includes an insurance benefit of \$0.7 million.

The Company's effective tax rate for the first nine months of 2010 was 35.5% compared with 31.3% for the first nine months of 2009. The first nine months of 2010 and 2009 included tax credits of \$3.5 million and \$9.0 million, respectively. Excluding the tax credits, the effective tax rates for the first nine months of 2010 and 2009, would have been 38.2% and 38.8%, respectively. The first nine months of 2010 included credits related to a research and development tax credit of \$2.9 million and other tax credits of \$0.6 million. The first nine months of 2009 reflected the impact of a research and development income tax credit of \$8.2 million, the recognition of \$1.1 million in uncertain tax benefits, and also reflects additional income tax expense of \$0.3 million primarily related to the impact of California income tax law changes.

Noncontrolling interest in subsidiaries' earnings in 2009 reflects the minority ownership interest in Ocean Design, Inc., now known as Teledyne ODI, ( ODI ) and Teledyne Energy Systems, Inc.

**Review of Operations:**

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

	Third Quarter 2010	Third Quarter 2009	% Change	Nine Months 2010	Nine Months 2009	% Change
Net sales:						
Electronics and Communications	\$ 325.2	\$ 295.2	10.2%	\$ 959.4	\$ 910.3	5.4%
Engineered Systems	66.9	82.0	(18.4)%	212.6	260.5	(18.4)%
Aerospace Engines and Components	34.1	30.5	11.8%	102.9	86.2	19.4%
Energy and Power Systems	17.7	21.7	(18.4)%	50.7	53.8	(5.8)%
Total net sales	\$ 443.9	\$ 429.4	3.4%	\$ 1,325.6	\$ 1,310.8	1.1%
Operating profit (loss) and other segment income:						
Electronics and Communications	\$ 43.3	\$ 39.7	9.1%	\$ 125.0	\$ 117.9	6.0%
Engineered Systems	7.5	6.8	10.3%	22.2	23.6	(5.9)%
Aerospace Engines and Components	1.0	1.2	(16.7)%	2.6	(2.4)	*
Energy and Power Systems	1.6	2.3	(30.4)%	3.0	2.6	15.4%
Segment operating profit and other segment income	53.4	50.0	6.8%	152.8	141.7	7.8%
Corporate expense	(6.5)	(6.3)	3.2%	(20.3)	(19.0)	6.8%
Other income (expense), net	(0.3)		*	0.9	(0.2)	*
Interest expense, net	(1.4)	(1.1)	27.3%	(3.1)	(3.7)	(16.2)%
Income before income taxes	45.2	42.6	6.1%	130.3	118.8	9.7%
Provision for income taxes (a)	14.8	7.4	100.0%	46.3	37.2	24.5%
Net income before noncontrolling interest	30.4	35.2	(13.6)%	84.0	81.6	2.9%
Less: net income attributable to noncontrolling interest	(0.1)	(0.1)		(0.1)	(0.5)	(80.0)%
Net income attributable to Teledyne Technologies	\$ 30.3	\$ 35.1	(13.7)%	\$ 83.9	\$ 81.1	3.5%

(a)



The first nine months of 2010 includes tax credits of \$2.9 million recorded in the third quarter and tax credits of \$0.6 million in the first half of 2010. The first nine months of 2009 includes tax credits of \$9.3 million recorded in the third quarter 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.

\* percentage change not meaningful

**Table of Contents****Electronics and Communications****Third quarter of 2010 compared with the third quarter of 2009**

Our Electronics and Communications segment's third quarter 2010 sales were \$325.2 million, compared with \$295.2 million for the third quarter of 2009, an increase of 10.2%. Third quarter 2010 operating profit was \$43.3 million, compared with operating profit of \$39.7 million for the third quarter of 2009, an increase of 9.1%. The third quarter 2010 sales change resulted primarily from higher sales of electronic instrumentation and defense electronics. Revenue growth of \$21.8 million in electronic instrumentation primarily reflected higher sales of marine and environmental instrumentation products. Sales of defense electronics increased by \$7.5 million and included \$8.5 million in sales from recent acquisitions. Sales growth of \$0.7 million in other commercial electronics primarily reflected higher sales for relay products, partially offset by reduced sales from product lines which the company is exiting, such as commercial electronic manufacturing services and telecommunication subsystems. The increase in operating profit reflected the impact of higher sales, cost reductions, lower pension expense and product mix, partially offset by acquisition related charges of \$3.0 million. The incremental operating loss included in the results for the third quarter of 2010 from businesses acquired in 2010 was \$3.4 million and included charges of \$3.0 million, related to acquisition activity, as well as, intangible asset amortization. Operating profit included pension expense of \$0.8 million in the third quarter of 2010, compared with \$2.3 million for the third quarter of 2009. Pension expense allocated to contracts pursuant to CAS was \$0.6 million for both the third quarter of 2010 and 2009.

**First nine months of 2010 compared with the first nine months of 2009**

Our Electronics and Communications segment's first nine months 2010 sales were \$959.4 million, compared with first nine months 2009 sales of \$910.3 million, an increase of 5.4%. First nine months 2010 operating profit was \$125.0 million, compared with operating profit of \$117.9 million in the first nine months of 2009, an increase of 6.0%.

The first nine months 2010 sales improvement resulted from revenue growth in defense electronics and electronic instruments, partially offset by lower sales of other commercial electronics. Revenue growth of \$36.5 million in electronic instrumentation primarily reflected higher sales of marine and environmental instrumentation products. Revenue growth of \$19.2 million in defense electronics primarily reflected higher sales of manufacturing services, microwave subsystems and also included \$8.9 million in sales from recent acquisitions. Lower sales of \$6.6 million in other commercial electronics primarily reflected reduced sales from product lines which the company is exiting, such as commercial electronic manufacturing services and telecommunication subsystems partially offset by higher sales for relay products. The increase in operating profit reflected the impact of higher sales, cost reductions, lower pension expense and product mix, partially offset by charges of \$8.2 million, primarily to correct inventory valuations incorrectly recorded in previous periods at a business unit and acquisition related charges of \$3.0 million. The incremental operating loss included in the results for the first nine months of 2010 from businesses acquired in 2010 was \$3.3 million and included charges of \$3.0 million, related to acquisition activity, as well as, intangible asset amortization. Operating profit included pension expense of \$2.3 million in the first nine months of 2010, compared with \$7.1 million for the first nine months of 2009. Pension expense allocated to contracts pursuant to CAS was \$1.9 million in the first nine months of 2010, compared with \$1.8 million for the first nine months of 2009.

**Engineered Systems****Third quarter of 2010 compared with the third quarter of 2009**

Our Engineered Systems segment's third quarter 2010 sales were \$66.9 million, compared with \$82.0 million for the third quarter of 2009, a decrease of 18.4%. The third quarter 2010 operating profit was \$7.5 million, compared with operating profit of \$6.8 million for the third quarter of 2009, an increase of 10.3%.

The third quarter 2010 sales decrease primarily reflected lower sales of missile defense programs, primarily the Ground-based Midcourse Defense engineering services as well as gas centrifuge service modules, partially offset by \$2.8 million in sales from the acquisition of the CML division of Intelek. The higher operating profit in the third quarter of 2010 reflected lower pension expense partially offset by the impact of lower sales. Operating profit included pension expense of \$0.4 million in the third quarter of 2010, compared with \$2.8 million in the third quarter of 2009. Pension expense allocated to contracts pursuant to CAS was \$1.7 million in the third quarter of 2010, compared with \$2.4 million in the third quarter of 2009.



**Table of Contents**

Our Engineered Systems segment manufactures gas centrifuge service modules for Fluor Enterprises, Inc., acting as agent for USEC Inc., used in the American Centrifuge Plant. We continue to anticipate reduced sales of gas centrifuge service modules in 2010 due to a suspension of work notice received on August 13, 2009, caused by the U.S. Department of Energy's delayed decision regarding USEC's application for a loan guarantee to complete construction of the American Centrifuge Plant. In May 2010, USEC announced that Toshiba and Babcock and Wilcox signed definitive agreements to provide co-investments of \$100 million each in the American Centrifuge Plant payable in three installments. In late July 2010, USEC updated its application to the Department of Energy, which triggered the initial investment of \$75.0 million from Toshiba and Babcock and Wilcox. In anticipation of a favorable adjudication of its loan application and in light of the investment from the new partners, USEC began remobilization of the project in early September 2010. As a consequence, we anticipate additional sales in the fourth quarter of this year. Should the loan guarantee be ultimately approved, this could result in additional revenue in 2011. In addition, given reduced program funding, as well as changes to contracting policy by the U.S. Government relating to organizational conflicts of interest, we expect reduced sales of missile defense engineering services in 2010. Finally, we anticipate reduced sales to NASA in the fourth quarter of 2010 due to government funding reductions in certain programs.

**First nine months of 2010 compared with the first nine months of 2009**

Our Engineered Systems segment's first nine months 2010 sales were \$212.6 million, compared with first nine months 2009 sales of \$260.5 million, a decrease of 18.4%. First nine months 2010 operating profit was \$22.2 million, compared with operating profit of \$23.6 million for the first nine months of 2009, a decrease of 5.9%.

The first nine months 2010 sales reflected lower sales of missile defense programs, primarily the Ground-based Midcourse Defense engineering services as well as gas centrifuge service modules, partially offset by \$2.8 million in sales from the acquisition of the CML division of Intelek. Operating profit in the first nine months of 2010 primarily reflected the impact of lower sales, partially offset by lower pension expense. Operating profit included pension expense of \$1.2 million in the first nine months of 2010, compared with \$8.3 million in the first nine months of 2009. Pension expense allocated to contracts pursuant to CAS was \$5.1 million in the first nine months of 2010 and \$7.3 million for the first nine months of 2009.

**Aerospace Engines and Components****Third quarter of 2010 compared with the third quarter of 2009**

Our Aerospace Engines and Components segment's third quarter 2010 sales were \$34.1 million, compared with \$30.5 million for the third quarter of 2009, an increase of 11.8%. The third quarter 2010 operating profit was \$1.0 million, compared with operating profit of \$1.2 million for the third quarter of 2009, a decrease of 16.7%. Third quarter 2010 sales reflected higher sales of engines for new OEM aircraft due to improved demand in the general aviation market relative to 2009. Operating profit in 2010 included higher LIFO income of \$0.9 million. Operating profit in 2009 included \$1.3 million from the reduction in certain insurance reserves.

**First nine months of 2010 compared with the first nine months of 2009**

Our Aerospace Engines and Components segment's first nine months 2010 sales were \$102.9 million, compared with first nine months 2009 sales of \$86.2 million, an increase of 19.4%. The first nine months 2010 operating profit was \$2.6 million, compared with an operating loss of \$2.4 million in the first nine months of 2009.

The increase in revenue reflected higher sales of engines for new OEM aircraft, as well as increased sales of aftermarket engines and spare parts due to improved demand in the general aviation market relative to 2009. Operating profit in 2010 reflected the impact of higher sales and included the reversal of \$1.3 million of product recall and replacement reserves that were no longer needed as the programs neared completion as well as higher LIFO income of \$0.9 million. Operating profit in 2009 included a \$0.3 million charge related to past due accounts receivable, a favorable worker's compensation settlement of \$0.9 million and a \$1.3 million reduction in certain insurance reserves.

**Table of Contents**

**Energy and Power Systems**

**Third quarter of 2010 compared with the third quarter of 2009**

Our Energy and Power Systems segment's third quarter 2010 sales were \$17.7 million, compared with \$21.7 million for the third quarter of 2009, a decrease of 18.4%. Operating profit was \$1.6 million for the third quarter 2010, compared with operating profit of \$2.3 million for the third quarter of 2009, a decrease of 30.4%.

Third quarter 2010 primarily reflected lower sales related to the JASSM turbine engine program, partially offset by higher battery product sales. Operating profit reflected the impact of lower sales and higher LIFO expense of \$0.3 million.

**First nine months of 2010 compared with the first nine months of 2009**

Our Energy and Power Systems segment's first nine months 2010 sales were \$50.7 million, compared with \$53.8 million for the first nine months of 2009, a decrease of 5.8%. Operating profit was \$3.0 million for the first nine months of 2010, compared with \$2.6 million for the first nine months of 2009, an increase of 15.4%.

The first nine months 2010 sales primarily reflected lower sales related to the JASSM turbine engine program, partially offset by higher sales of commercial hydrogen generators and power systems for government applications as well as higher battery product sales. Operating profit reflected the impact of lower sales and higher LIFO expense of \$0.9 million. Operating profit in 2009 reflected a \$1.2 million product replacement reserve for commercial energy systems.

**Financial Condition, Liquidity and Capital Resources**

Our net cash provided by operating activities was \$73.8 million for the first nine months of 2010, compared with \$75.1 million for the same period of 2009. The Company made a \$37.0 million voluntary pretax pension contribution in the first nine months of 2010, compared with a \$117.0 million voluntary pretax pension contributions in the first nine months of 2009. The 2010 amount also reflected tax payments of \$35.7 million compared with net tax refunds of \$5.4 million in 2009. Cash provided by operating activities in the first nine months of 2010, compared with the first nine months of 2009, also reflected higher working capital requirements, which primarily reflected higher deferred accounts receivable in 2010 and the early collection of accounts receivable in the fourth quarter of 2009.

Our net cash used by investing activities was \$80.6 million for the first nine months of 2010, compared with net cash used by investing activities of \$53.6 million for the first nine months of 2009. The 2010 amount included \$63.3 million for acquisitions, compared with \$26.9 million for 2009.

We funded the purchases primarily from borrowings and cash on hand.

Capital expenditures for the first nine months of 2010 and 2009 were \$17.4 million and \$26.8 million, respectively.

Our goodwill was \$547.5 million at October 3, 2010 and \$502.4 million at January 3, 2010. The increase in the balance of goodwill in 2010 primarily resulted from goodwill from recent acquisitions. Our net acquired intangible assets were \$119.9 million at October 3, 2010 and \$109.6 million at January 3, 2010. The increase in the balance of acquired intangible assets in 2010 resulted from recent acquisitions, partially offset by amortization.

Financing activities provided cash of \$7.8 million for the first nine months of 2010, compared with cash used by financing activities of \$20.3 million for the first nine months of 2009. Cash provided by financing activities for the first nine months of 2010 included net borrowings of \$5.2 million. Cash used by financing activities for the first nine months of 2009 included net repayments of debt of \$20.3 million. Proceeds from the exercise of stock options were \$2.3 million and \$0.5 million for the first nine months of 2010 and 2009, respectively. The first nine months of 2010 and 2009 included \$0.9 million and \$0.3 million in excess tax benefits related to stock-based compensation, respectively. In 2009, Teledyne paid \$0.8 million to repurchase 36,239 shares of Teledyne common stock under a now expired stock repurchase program.

Working capital was \$268.5 million at October 3, 2010, compared with \$250.6 million at January 3, 2010. The higher amount at October 3, 2010 primarily reflects working capital from recent acquisitions and higher trade receivables.

The Company made a scheduled \$37.0 million voluntary pretax pension contribution in the first nine months of 2010, compared with \$117.0 million in voluntary pretax pension contributions in the first nine months of 2009.

**Table of Contents**

Our principal cash and capital requirements are to fund working capital needs, capital expenditures, pension contributions and debt service requirements, as well as acquisitions. It is anticipated that operating cash flow, together with available borrowings under the credit facility described below, will be sufficient to meet these requirements over the next twelve months, however, to support acquisitions, we may need to raise additional capital. As of October 3, 2010, we do not believe our ability to undertake additional debt financing, if needed, is reasonably likely to be materially impacted by debt restrictions under our credit agreements subject to our complying with required financial covenants listed in the table below. We currently expect capital expenditures to be approximately \$30.0 million in 2010, of which \$17.4 million has been spent in the first nine months of 2010.

Our credit facility has lender commitments totaling \$590.0 million and expires on July 14, 2011. Excluding interest and fees, no payments are due under the credit facility until it matures. On September 15, 2010 the Company issued \$250.0 million in aggregate principal amount of private placement Senior Notes at par. The notes consist of \$75.0 million of 4.04% Senior Notes due September 15, 2015, \$100.0 million of 4.74% Senior Notes due September 15, 2017 and \$75.0 million of 5.30% Senior Notes due September 15, 2020. The interest rates for the notes were determined on April 14, 2010. The Company used the proceeds of the private placement Senior Notes to pay down amounts outstanding under the Company's existing credit facility. The credit agreements 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 October 3, 2010, the Company was in compliance with these covenants. As of October 3, 2010 the Company had a significant amount of margin between required financial covenant ratios and our actual ratios. At October 3, 2010 the required financial covenant ratios and the actual ratios were as follows:

**\$590M Credit Facility expires July 2011**

<b>Financial Covenant</b>	<b>Required Covenant</b>	<b>Actual Covenant</b>
Consolidated Net Worth (1)	No less than \$459.5M	\$759.4M
Consolidated Leverage Ratio (Debt/EBITDA) (2)	No more than 3.0 to 1	1.2 to 1
Consolidated Interest Coverage Ratio(EBIT/Interest) (3)	No less than 3.0 to 1	40.4 to 1

**\$250M Private Placement Notes due 2015, 2017 and 2020**

<b>Financial Covenant</b>	<b>Required Covenant</b>	<b>Actual Covenant</b>
Consolidated Leverage Ratio (Net Debt/EBITDA) (4)	No more than 3.25 to 1	1.2 to 1
Consolidated Interest Coverage Ratio(EBITDA/Interest) (5)	No less than 3.0 to 1	51.4 to 1

- 1) The Actual Covenant is equal to the Consolidated Stockholders' Equity for the Quarter Ended. The Required Covenant is equal to \$240 million plus 50% of Cumulative Consolidated Net Income as defined in our credit agreement for each quarter ending after April 2, 2006 plus 75% of the amount of Equity Issuances after the Closing Date as defined in our credit agreement.
- 2) The Consolidated Leverage Ratio is equal to Debt/Earnings before Interest Taxes and Depreciation and Amortization ( EBITDA ) as defined in our credit agreement.
- 3) The Consolidated Interest Coverage Ratio is equal to Earnings before Interest Taxes ( EBIT )/Interest as defined in our credit agreement.
- 4)

The Consolidated Leverage Ratio is equal to Net Debt/EBITDA as defined in our private placement note purchase agreement.

- 5) The Consolidated Interest Coverage Ratio is equal to EBITDA/Interest as defined in our private placement note purchase agreement.

Available capacity under the \$590.0 million credit facility was \$586.9 million at October 3, 2010. The maximum amount that could be borrowed under our credit facility as of October 3, 2010 while still remaining in compliance with our consolidated leverage ratio covenant was \$406.0 million. The Company is planning to refinance the \$590.0 million credit facility prior to its scheduled maturity.

In the first and second quarters of 2010, Teledyne entered into cash flow hedges of forecasted interest payments associated with the then anticipated issuance of fixed rate debt. The objective of these cash flow hedges was to protect against the risk of changes in the interest payments attributable to changes in the designated benchmark,

**Table of Contents**

which is the LIBOR interest rate leading up to the fixed rate on the anticipated issuance of fixed rate debt being locked. The notional amount of the debt hedged was \$150.0 million. In the second quarter, concurrent with the interest rates being determined on the fixed rate debt, Teledyne terminated the cash flow hedges for a total payment of \$0.6 million. Since the cash flow hedges were considered effective, changes in the fair value of the hedge contract as of the termination date were deferred in accumulated other comprehensive loss. Amounts deferred in accumulated other comprehensive loss will be reclassified to interest expense over the same period of time that interest expense is recognized on the borrowings beginning September 15, 2010. As of October 3, 2010, the remaining unamortized loss of \$0.6 million was included in accumulated other comprehensive loss in the stockholders' equity section of the balance sheet.

Our liquidity is not dependent upon the use of off-balance sheet financial arrangements. We have no off-balance sheet financing arrangements that incorporate the use of special purpose entities or unconsolidated entities.

**Critical Accounting Policies**

Our critical accounting policies are those that are reflective of significant judgments and uncertainties, and may potentially result in materially different results under different assumptions and conditions. Our critical accounting policies are the following: revenue recognition; aircraft product liability reserve; accounting for pension plans; accounting for business combinations, goodwill and other long-lived assets; and accounting for income taxes. For additional discussion of the application of these and other accounting policies, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Note 2 of the Notes to Consolidated Financial Statements included in Teledyne Technologies' Annual Report on Form 10-K for the fiscal year ended January 3, 2010 (2009 Form 10-K).

**Safe Harbor Cautionary Statement Regarding Forward-Looking Information**

From time to time we make, and this report contains, forward looking statements, as defined in the Private Securities Litigation Reform Act of 1995, relating to earnings, growth opportunities, product sales, pension matters, stock option compensation expense, interest expense, credit facility renewal, taxes, American Centrifuge Plant remobilization, and strategic plans. All statements made in this Management's Discussion and Analysis of Financial Condition and Results of Operations that are not historical in nature should be considered forward-looking. Actual results could differ materially from these forward-looking statements. Many factors could change the anticipated results: including continuing disruptions in the global economy; insurance and credit markets; changes in demand for products sold to the defense electronics, instrumentation and energy exploration and production, commercial aviation, semiconductor and communications markets; funding, continuation and award of government programs; continued liquidity of our suppliers and customers (including commercial aviation customers); availability of credit to our suppliers and customers; and a potential decrease in offshore oil production and exploration activity due to the April 2010 oil spill in the Gulf of Mexico. Increasing fuel costs could negatively affect the markets of our commercial aviation businesses. Lower oil and natural gas prices could negatively affect our business units that supply the oil and gas industry. In addition, financial market fluctuations affect the value of our pension assets.

Global responses to terrorism and other perceived threats increase uncertainties associated with forward-looking statements about our businesses. Various responses to terrorism and perceived threats could realign government programs, and affect the composition, funding or timing of our programs. Changes in the policies of U.S. and foreign governments could result, over time, in reductions and realignment in defense or other government spending and further changes in programs in which the Company participates including anticipated reductions in the Company's missile defense engineering services, as well as certain NASA programs.

We continue to take action to assure compliance with the internal controls, disclosure controls and other requirements of the Sarbanes-Oxley Act of 2002. While we believe our control systems are effective, there are inherent limitations in all control systems, and misstatements due to error or fraud may occur and not be detected.

While our growth strategy includes possible acquisitions, we cannot provide any assurance as to when, if or on what terms any acquisitions will be made. Acquisitions involve various inherent risks, such as, among others, our ability to integrate acquired businesses and retain customers and to achieve identified financial and operating synergies. There are additional risks associated with acquiring, owning and operating businesses outside of the United States, including those arising from U.S. and foreign government policy changes or actions and exchange rate fluctuations.





**Table of Contents**

Additional information concerning factors that could cause actual results to differ materially from those projected in the forward-looking statements is contained in Teledyne Technologies' periodic filings with the Securities and Exchange Commission, including its 2009 Form 10-K and this Form 10-Q. We assume no duty to update forward-looking statements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There were no material changes to the information provided under Item 7A, Quantitative and Qualitative Disclosure About Market Risk included in our 2009 Annual Report on Form 10-K.

**Interest Rate Exposure**

We are exposed to market risk through the interest rate on our borrowings under our amended and restated credit facility. Borrowings under our credit facility are at variable rates which are at our option tied to a eurodollar base rate equal to LIBOR (London Interbank Offered Rate) plus an applicable rate or a base rate as defined in our credit agreement. LIBOR based loans under the facility typically have terms of one, two, three or six months and the interest rate for each such loan is subject to change if the loan is continued or converted following the applicable maturity date. Base rate loans have interest rates that primarily fluctuate with changes in the prime rate. Interest rates are also subject to change based on our debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio. As of October 3, 2010, we had \$1.0 million in outstanding indebtedness under our amended and restated credit facility. Our interest rate exposure at this debt level is not material.

**Item 4. Controls and Procedures**

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934, are recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to provide reasonable assurance that information required to be disclosed by us in such reports is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Our Chairman, President and Chief Executive Officer and our Senior Vice President and Chief Financial Officer, with the participation and assistance of other members of management, have reviewed the effectiveness of our disclosure controls and procedures and have concluded that the disclosure controls and procedures, as of October 3, 2010, are effective at the reasonable assurance level.

In connection with our evaluation during the quarterly period ended October 3, 2010, we have made no change in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

**Table of Contents**

**PART II OTHER INFORMATION**

**Item 1A. Risk Factors**

There are no material changes to the risk factors previously disclosed in our 2009 Annual Report on Form 10-K in response to Item 1A to Part 1 of Form 10-K, except as disclosed in Item 3 Quantitative and Qualitative Disclosures About Market Risk under Interest Rate Exposure.

**Item 6. Exhibits**

(a) Exhibits

Exhibit 31.1 302 Certification Robert Mehrabian

Exhibit 31.2 302 Certification Dale A. Schnittjer

Exhibit 32.1 906 Certification Robert Mehrabian

Exhibit 32.2 906 Certification Dale A. Schnittjer

Exhibit 101 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended October 3, 2010 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Shareholder's Equity, (iv) the Condensed Consolidated Statements of Cash Flows and (v) related notes, tagged as blocks of text

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TELEDYNE TECHNOLOGIES  
INCORPORATED

DATE: November 9, 2010

By: /s/ Dale A. Schnittjer

Dale A. Schnittjer, Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer and Authorized  
Officer)

27

---

**Table of Contents**

Teledyne Technologies Incorporated  
Index to Exhibits

Exhibit Number	Description
Exhibit 31.1	302 Certification Robert Mehrabian
Exhibit 31.2	302 Certification Dale A. Schnittjer
Exhibit 32.1	906 Certification Robert Mehrabian
Exhibit 32.2	906 Certification Dale A. Schnittjer
Exhibit 101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended October 3, 2010 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Shareholder's Equity, (iv) the Condensed Consolidated Statements of Cash Flows and (v) related notes, tagged as blocks of text