

TELEDYNE TECHNOLOGIES INC

Form 10-Q

October 31, 2008

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

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

For the quarterly period ended September 28, 2008

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 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

Smaller reporting company

(Do not check if a 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 30, 2008

Common Stock, \$.01 par value per share

35,869,284 shares

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 28, 2008
AND SEPTEMBER 30, 2007

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

	Third Quarter		Nine Months	
	2008	2007	2008	2007
Net Sales	\$ 497.6	\$ 408.9	\$ 1,428.2	\$ 1,194.8
Costs and expenses				
Cost of sales	348.5	284.9	994.7	831.8
Selling, general and administrative expenses	97.2	84.0	278.1	242.5
Total costs and expenses	445.7	368.9	1,272.8	1,074.3
Income before other income and expense and income taxes	51.9	40.0	155.4	120.5
Other income (expense), net	(0.1)	0.9	0.4	1.4
Interest and debt expense, net	(2.5)	(3.0)	(8.0)	(10.1)
Minority interest	(0.2)	(0.9)	(1.9)	(2.5)
Income before income taxes	49.1	37.0	145.9	109.3
Provision for income taxes	18.2	9.9	54.5	37.4
Net income	\$ 30.9	\$ 27.1	\$ 91.4	\$ 71.9
Basic earnings per common share	\$ 0.87	\$ 0.77	\$ 2.58	\$ 2.06
Weighted average common shares outstanding	35.6	35.0	35.4	34.9
Diluted earnings per common share	\$ 0.84	\$ 0.75	\$ 2.50	\$ 1.99
Weighted average diluted common shares outstanding	36.7	36.2	36.5	36.1

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

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

	September 28, 2008 (Unaudited)	December 30, 2007
Assets		
Current Assets		
Cash and cash equivalents	\$ 14.8	\$ 13.4
Accounts receivable, net	293.1	241.1
Inventories, net	216.9	174.6
Deferred income taxes, net	41.7	34.5
Prepaid expenses and other current assets	29.4	13.1
Total current assets	595.9	476.7
Property, plant and equipment, at cost, net of accumulated depreciation and amortization of \$240.2 at September 28, 2008 and \$218.3 at December 30, 2007	196.3	177.2
Deferred income taxes, net	31.2	56.9
Goodwill, net	484.3	351.6
Acquired intangibles, net	115.9	61.7
Other long-term assets	35.5	35.3
Total Assets	\$ 1,459.1	\$ 1,159.4
Liabilities and Stockholders Equity		
Current Liabilities		
Accounts payable	\$ 128.8	\$ 105.1
Accrued liabilities	206.7	157.1
Current portion of long-term debt and capital lease obligation	0.8	0.8
Total current liabilities	336.3	263.0
Long-term debt and capital lease obligation	287.5	142.4
Accrued pension obligation	52.0	74.3
Accrued postretirement benefits	21.4	22.9
Minority interest	4.8	8.9
Other long-term liabilities	113.6	117.7
Total Liabilities	815.6	629.2
Stockholders Equity		
Common stock, \$0.01 par value; outstanding shares 35,869,024 at September 28, 2008 and 35,150,117 at December 30, 2007	0.4	0.4
Additional paid-in capital	236.9	206.9

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Retained earnings	475.5	384.1
Accumulated other comprehensive loss	(69.3)	(61.2)
Total Stockholders Equity	643.5	530.2
Total Liabilities and Stockholders Equity	\$ 1,459.1	\$ 1,159.4

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

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 28, 2008 AND SEPTEMBER 30, 2007
(Unaudited Amounts in millions)

	Nine Months	
	2008	2007
Cash flow from operating activities		
Net income	\$ 91.4	\$ 71.9
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	36.4	25.6
Gain on disposal of fixed assets		(0.1)
Deferred income taxes	22.8	(7.6)
Stock option compensation expense	5.6	5.1
Excess income tax benefits from stock options	(9.9)	(2.4)
Minority interest in net income of consolidated subsidiaries	1.9	2.5
Changes in operating assets and liabilities, excluding the effect of acquisitions:		
Increase in accounts receivable	(32.3)	(4.1)
Increase in inventories	(16.9)	(18.6)
Decrease in prepaid expenses and other assets		0.1
Increase in accounts payable	15.8	5.1
Increase in accrued liabilities	32.1	33.7
Increase in income taxes payable, net	2.1	5.5
Increase in long-term assets	(0.2)	(1.2)
Increase (decrease) in other long-term liabilities	(10.9)	7.0
Increase (decrease) in accrued pension obligation	(22.2)	1.9
Decrease in accrued postretirement benefits	(1.5)	(1.1)
Other operating, net	(1.3)	0.1
Net cash provided by operating activities	112.9	123.4
Cash flow from investing activities		
Purchases of property, plant and equipment	(28.4)	(30.7)
Purchase of businesses, net of cash acquired	(250.1)	(47.5)
Proceeds from sale of assets		1.3
Net cash used by investing activities	(278.5)	(76.9)
Cash flow from financing activities		
Net proceeds from (repayments of) debt	145.0	(50.8)
Proceeds from exercise of stock options	12.1	5.0
Excess income tax benefits from stock options	9.9	2.4
Net cash provided by (used by) financing activities	167.0	(43.4)
Increase in cash and cash equivalents	1.4	3.1

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Cash and cash equivalents beginning of period	13.4	13.0
Cash and cash equivalents end of period	\$ 14.8	\$ 16.1

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

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TELEDYNE TECHNOLOGIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 28, 2008

Note 1. General

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Teledyne Technologies Incorporated (Teledyne Technologies or the Company) pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in notes to consolidated financial statements have been condensed or omitted pursuant to such rules and regulations, but resultant disclosures are in accordance with accounting principles generally accepted in the United States as they apply to interim reporting. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in Teledyne Technologies Annual Report on Form 10-K for the fiscal year ended December 30, 2007 (2007 Form 10-K).

In the opinion of Teledyne Technologies management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, Teledyne Technologies consolidated financial position as of September 28, 2008, and the consolidated results of operations for the three and nine months then ended and cash flows for the nine months then ended. The results of operations and cash flows for the periods ended September 28, 2008 are not necessarily indicative of the results of operations or cash flows to be expected for any subsequent quarter or the full fiscal year. Certain reclassifications have been made to the financial statements and notes for the prior year to conform to the 2008 presentation. In the fourth quarter of 2007, the Company realigned Teledyne Energy Systems, Inc., Teledyne Turbine Engines and Teledyne Battery Products in a new segment called Energy and Power Systems. Both the turbine engine business and the battery products business were previously part of the Aerospace Engines and Components segment. In addition, the Systems Engineering Solutions segment was renamed Engineered Systems. Previously reported segment financial data for the third quarter and nine months of 2007 reflects the new segment presentation to provide comparability between periods. This segment realignment had no effect on the Company's consolidated financial position, results of operations or cash flows for the periods presented and also did not affect the results of the Electronics and Communications or Engineered Systems segments.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141R, Business Combinations (SFAS No. 141R). This statement replaces FASB Statement No. 141, Business Combinations . SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, with an exception related to the accounting for valuation allowances on deferred taxes and acquired tax contingencies related to acquisitions completed before the effective date. SFAS No. 141(R) amends SFAS No. 109 to require adjustments, made after the effective date of this statement, to valuation allowances for acquired deferred tax assets and income tax positions to be recognized as income tax expense. Teledyne will adopt the provisions of SFAS No. 141R, effective December 29, 2008 and does not expect a material effect on the Company's consolidated results of operations or financial position for the acquisitions made prior to its adoption. For any acquisitions completed after our 2008 fiscal year, we expect SFAS No. 141R will have an impact on our consolidated financial statements: however the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions, if any, we consummate.

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In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS No. 160). SFAS No. 160 changes the way the consolidated income statement is presented and establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that does not result in deconsolidation. It also requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. This Statement will be effective for Teledyne's 2009 fiscal year and interim periods within that fiscal year. SFAS No. 160 will be applied prospectively as of the beginning of the fiscal year 2009, except for the presentation and disclosure requirements. The presentation and disclosure requirements must be applied retrospectively for all periods presented. The Company is currently evaluating the impact of adopting this Statement.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS No. 159). SFAS No. 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS No. 159 effective, December 31, 2007 and did not elect the fair value measurement option for any of our financial assets or liabilities.

In June 2007, the FASB ratified EITF No. 07-3, (EITF 07-3), Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities . EITF 07-3 requires non-refundable advance payments for goods and services to be used in future research and development activities to be recorded as an asset and the payments to be expensed when the research and development activities are performed. EITF 07-3 is effective for fiscal years beginning after December 15, 2007. The Company adopted EITF 07-3 effective, December 31, 2007 and it did not have an effect on the Company's consolidated results of operations or financial position.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, (SFAS No. 157) which defines fair value, establishes a framework in generally accepted accounting principles for measuring fair value, and expands disclosures about fair value measurements. This standard only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not increase the use of fair value measurement. SFAS No. 157 is effective for financial assets and financial liabilities for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position 157-1 Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 (FSP 157-1) which removed leasing transactions accounted for under SFAS No. 13 and related guidance from the scope of SFAS No. 157. Also in February 2008, the FASB issued FSP 157-2 Partial Deferral of the Effective Date of Statement No. 157 (FSP 157-2), deferred the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008. The implementation of SFAS No. 157 for financial assets and financial liabilities, effective December 31, 2007, did not have a material impact on our consolidated financial position and results of operations. The Company is currently assessing the impact of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities on its consolidated financial position and results of operations.

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On August 15, 2008, Teledyne Technologies through its subsidiary, Teledyne Limited, completed the acquisition of the defense electronics business of Filtronic PLC for £13.0 million (approximately \$24.3 million) in cash. Total cash paid, net of cash acquired, was \$23.7 million. The defense electronics business, principally based in Shipley, United Kingdom, provides customized microwave subassemblies and integrated subsystems to the global defense industry. The defense electronics business had sales of £14.5 million for its fiscal year ended May 31, 2008. Teledyne operates this business under the name Teledyne Defence Limited.

On July 7, 2008, Teledyne Technologies through its subsidiary, Teledyne Instruments, Inc., completed the acquisition of assets of Webb Research Corp. (Webb Research) for \$24.2 million in cash or \$24.3 million including certain expenses. Webb Research, located in E. Falmouth, Massachusetts, is a manufacturer of autonomous underwater gliding vehicles, as well as autonomous profiling drifters and floats. Webb Research had sales of \$12.2 million for its fiscal year ended December 31, 2007. Teledyne operates this business under the name Teledyne Webb Research.

On February 1, 2008, Teledyne Technologies through its subsidiary, Teledyne Scientific & Imaging, LLC, completed the acquisition of assets of Judson Technologies, LLC (Judson) for \$27.0 million in cash. Judson, headquartered in Montgomeryville, Pennsylvania, manufactures high performance infrared detectors utilizing a wide variety of materials such as Mercury Cadmium Telluride (HgCdTe), Indium Antimonide (InSb), and Indium Gallium Arsenide (InGaAs), as well as tactical dewar and cooler assemblies and other specialized standard products for military, space, industrial and scientific applications. Judson had sales of \$13.8 million for its fiscal year ended December 31, 2006. Teledyne operates this business under the name Teledyne Judson Technologies.

On January 31, 2008, Teledyne Technologies through its subsidiary, Teledyne Limited, acquired all of the outstanding stock of S G Brown Limited and its wholly-owned subsidiary TSS (International) Limited (together TSS International) for £29.1 million (approximately \$57.1 million) in cash. Total cash paid, net of cash acquired, was \$54.8 million. TSS International, headquartered in Watford, United Kingdom, designs and manufactures inertial sensing, gyrocompass navigation and subsea pipe and cable detection systems for offshore energy, oceanographic and military marine markets. TSS International had sales of £12.0 million for its fiscal year ended March 31, 2007. The acquired businesses operate under the names Teledyne SG Brown Limited and Teledyne TSS Limited.

On December 31, 2007, Teledyne Technologies through its subsidiary, Teledyne Instruments, Inc., completed the acquisition of assets of Impulse Enterprise (Impulse) for \$34.9 million in cash, net of a \$0.1 million purchase price adjustment. Impulse, headquartered in San Diego, California, manufactures waterproof neoprene and glass reinforced epoxy connector products for harsh environments. Impulse had sales of \$16.8 million for its fiscal year ended December 31, 2006. Teledyne operates this business under the name Teledyne Impulse.

On December 31, 2007, Teledyne Technologies through its subsidiary, Teledyne Reynolds, Inc., acquired Storm Products Co. (Storm) for \$47.5 million in cash. Storm, with principal operations in Dallas, Texas and Woodridge, Illinois, manufactures specialty wire, cable and interconnect products, as well as flexible and semi-rigid microwave cable assemblies for defense, environmental monitoring, energy exploration and industrial customers. Storm had sales of \$45.7 million for its fiscal year ended March 31, 2007. Teledyne operates this business under the name Teledyne Storm Products, Inc.

On June 20, 2007, Teledyne Technologies through its subsidiary, Teledyne Cougar, Inc., completed the acquisition of Tindall Technologies, Inc. (Tindall) a designer and supplier of microwave subsystems for defense applications for consideration of \$6.6 million. At September 30, 2007 total cash paid, net of cash acquired, was \$5.6 million. Teledyne Technologies also recorded \$1.0 million in contingent payments, in connection with the acquisition, payable through 2010 in three installments. The first installment of \$0.3 million was paid in the second quarter of 2008.

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On March 30, 2007, Teledyne Technologies through its subsidiary, Teledyne Instruments, Inc., completed the acquisition of assets of D.G. O'Brien, Inc. (DGO) for consideration of \$37.1 million, which includes a \$1.0 million purchase price adjustment. The \$1.0 million purchase price adjustment was paid on July 13, 2007. DGO, headquartered in Seabrook, New Hampshire, manufactures highly reliable electrical and fiber-optic interconnect systems, primarily for subsea military and offshore oil and gas applications.

Our net cash used by investing activities for 2007 also included a \$0.8 million contingent payment related to the Cougar Components Corporation acquisition made in 2005 and a payment of \$3.7 million related to the RD Instruments acquisition made in 2005.

On August 16, 2006, Teledyne Technologies through its subsidiary, Teledyne Instruments, Inc., acquired an initial majority interest in Ocean Design, Inc. (ODI) for approximately \$30 million in cash. Pursuant to agreements in connection with our acquisition of a majority interest in ODI, the ODI minority stockholders have the contractual option to sell their shares to Teledyne Instruments following the end of each quarter through the quarter ended March 31, 2009, at a formula-determined price based principally on ODI's earnings before interest, taxes, depreciation and amortization (EBITDA) for the twelve months preceding each applicable quarter end. In 2006, Teledyne Instruments acquired an additional 9.9% of ownership in ODI for \$5.8 million. In 2007, Teledyne Instruments acquired an additional 0.9% of ownership in ODI for \$0.9 million, of which \$0.2 million was paid in the first nine months of 2007. In the first nine months of 2008, Teledyne Instruments acquired an additional 23.4% of ownership in ODI for \$37.4 million. At September 28, 2008, Teledyne Instruments owned 85.2% of ODI. All shares not sold to Teledyne Instruments following the quarter ended March 31, 2009, are required to be purchased by Teledyne Instruments following the quarter ended June 30, 2009, at a same formula-determined price, at which time Teledyne Instruments will own all of the ODI shares held by the stockholders. Based on the formula-determined purchase price as of the quarter ended September 28, 2008, the aggregate amount of funds required to purchase all the shares held by the remaining minority ODI stockholders would be approximately \$22.3 million. However, the actual aggregate amount of funds that we will spend to purchase the shares held by minority stockholders through June 30, 2009, could be significantly higher or lower than this amount, as that amount will depend on when individual stockholders elect to exercise their put options and on the financial performance of ODI. Teledyne Technologies has guaranteed the payment obligation of its subsidiary, Teledyne Instruments.

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

Teledyne Technologies funded the acquisitions primarily from borrowings under its credit facility and cash on hand. The following is a summary at the acquisition date of the estimated fair values allocated to the assets acquired and liabilities assumed for the six acquisitions made in during fiscal 2008 through September 28, 2008 (in millions):

Current assets	\$ 53.7
Property, plant and equipment	15.4
Goodwill	106.1
Acquired intangible assets	68.2
Current liabilities	(27.0)
Long-term liabilities	(4.3)
Total net assets acquired	\$ 212.1

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Teledyne Technologies goodwill was \$484.3 million at September 28, 2008 and \$351.6 million at December 30, 2007. Teledyne Technologies net acquired intangible assets were \$115.9 million at September 28, 2008 and \$61.7 million at December 30, 2007. The increase in the balance of goodwill in 2008 primarily resulted from the acquisitions made in fiscal 2008 and a \$31.5 million increase related to the additional share purchases of ODI. The change in the balance of acquired intangible assets in 2008 resulted from the acquisitions made in fiscal 2008 and amortization of acquired intangible assets. The Company is in the process of specifically identifying the amount to be assigned to intangible assets, as well as certain assets and liabilities for the six acquisitions made in fiscal 2008 through September 28, 2008. The Company made preliminary estimates as of September 28, 2008, since there was insufficient time between the acquisition dates and the end of the period to finalize the valuations. The preliminary amount of goodwill and acquired intangible assets recorded as of September 28, 2008 for the Judson acquisition was \$15.8 million and \$6.0 million, respectively. The preliminary amount of goodwill and acquired intangible assets recorded as of September 28, 2008 for the TSS acquisition was \$28.4 million and \$22.5 million, respectively. The preliminary amount of goodwill and acquired intangible assets recorded as of September 28, 2008 for the Impulse acquisition was \$15.5 million and \$16.2 million, respectively. The preliminary amount of goodwill and acquired intangible assets recorded as of September 28, 2008 for the Storm acquisition was \$26.8 million and \$10.0 million, respectively. The preliminary amount of goodwill and acquired intangible assets recorded as of September 28, 2008 for the Webb Research acquisition was \$14.7 million and \$7.0 million, respectively. The preliminary amount of goodwill and acquired intangible assets recorded as of September 28, 2008 for the Filtronic acquisition was \$4.9 million and \$6.5 million, respectively. These amounts were based on estimates that are subject to change pending the receipt of certain valuation information and the completion of the Company's internal review. In all acquisitions, the results of operations and cash flows are included in the Company's consolidated financial statements from the date of each respective acquisition. Each of the companies acquired is part of the Electronics and Communications segment. Goodwill resulting from the Judson, TSS, Impulse, Webb Research and Filtronic acquisitions will be deductible for tax purposes.

Note 3. Comprehensive Income

Teledyne Technologies comprehensive income is comprised of net income and foreign currency translation adjustments. Teledyne Technologies total comprehensive income for the third quarter and first nine months of 2008 and 2007 consists of the following (in millions):

	Third Quarter		Nine Months	
	2008	2007	2008	2007
Net income	\$ 30.9	\$ 27.1	\$ 91.4	\$ 71.9
Other comprehensive gain (loss), net of tax:				
Foreign currency translation gains (losses)	(7.0)	0.2	(8.1)	0.4
Total other comprehensive gain (loss)	(7.0)	0.2	(8.1)	0.4
Total comprehensive income	\$ 23.9	\$ 27.3	\$ 83.3	\$ 72.3

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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	
	2008	2007	2008	2007
Basic earnings per share				
Net income	\$ 30.9	\$ 27.1	\$ 91.4	\$ 71.9
Weighted average common shares outstanding	35.6	35.0	35.4	34.9
Basic earnings per common share	\$ 0.87	\$ 0.77	\$ 2.58	\$ 2.06
Diluted earnings per share				
Net income	\$ 30.9	\$ 27.1	\$ 91.4	\$ 71.9
Weighted average common shares outstanding	35.6	35.0	35.4	34.9
Dilutive effect of exercise of options outstanding	1.1	1.2	1.1	1.2
Weighted average diluted common shares outstanding	36.7	36.2	36.5	36.1
Diluted earnings per common share	\$ 0.84	\$ 0.75	\$ 2.50	\$ 1.99

Note 5. Stock-Based Compensation Plans

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

The following disclosures are based on stock options granted to Teledyne Technologies employees and directors. The Company recorded a total of \$1.9 million and \$5.6 million in stock option compensation expense for the third quarter and first nine months of 2008, respectively. For the third quarter and first nine months of 2007, the Company recorded a total of \$1.8 million and \$5.1 million, respectively in stock option expense. In 2008, the Company expects approximately \$7.8 million in stock option compensation expense based on stock options already granted and current assumptions regarding the estimated fair value of stock option grants expected to be issued during the remainder of the year. However, our assessment of the estimated compensation expense will be affected by our stock price and actual stock option grants during the remainder of the year as well as assumptions regarding a number of complex and subjective variables and the related tax impact. These variables include, but are not limited to, the volatility of our stock price and employee stock option exercise behaviors. The Company issues shares of common stock upon the exercise of stock options.

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The Company used a combination of its historical stock price volatility and the volatility of exchange traded options on the Company stock to compute the expected volatility for purposes of valuing stock options issued. The period used for the historical stock price corresponded to the expected term of the options and was between five and six years. The period used for the exchange traded options included the longest-dated options publicly available, generally six to nine months. The expected dividend yield is based on Teledyne's practice of not paying dividends. The risk-free rate of return is based on the yield of U. S. Treasury Strips with terms equal to the expected life of the options as of the grant date. The expected life in years is based on historical actual stock option exercise experience. The following assumptions were used in the valuation of stock options granted in 2008 and 2007:

	2008	2007
Expected dividend yield		
Expected volatility	34.7%	33.0%
Risk-free interest rate	3.3%	4.9%
Expected life in years	5.6	5.6

Based on the assumptions in the table above, the grant date fair value of stock options granted in 2008 and 2007 was \$19.35 and \$15.54, respectively.

Stock option transactions for Teledyne Technologies' employee stock option plans for the third quarter and nine months ended September 28, 2008 are summarized as follows:

	2008			
	Third Quarter		Nine Months	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning balance	2,753,081	\$ 28.59	2,702,157	\$ 24.71
Granted	2,500	\$ 59.05	355,298	\$ 50.85
Exercised	(352,011)	\$ 18.88	(636,185)	\$ 19.01
Cancelled or expired	(4,513)	\$ 29.36	(22,213)	\$ 31.48
Ending balance	2,399,057	\$ 30.02	2,399,057	\$ 30.02
Options exercisable at end of period	1,571,354	\$ 23.06	1,571,354	\$ 23.06

Stock option transactions for Teledyne Technologies' non-employee director stock option plan for the third quarter and nine months ended September 28, 2008 are summarized as follows:

	2008			
	Third Quarter		Nine Months	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning balance	388,076	\$ 25.46	348,266	\$ 22.44
Granted	2,801	\$ 34.02	42,611	\$ 50.70
Ending balance	390,877	\$ 25.52	390,877	\$ 25.52

Options exercisable at end of period	347,281	\$ 22.40	347,281	\$ 22.40
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Note 6. Cash Equivalents

Cash equivalents consist of highly liquid money-market mutual funds and bank deposits with maturities of three months or less when purchased. Cash equivalents totaled \$3.7 million at September 28, 2008 and \$1.0 million at December 30, 2007.

Table of Contents**Note 7. Inventories**

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

	September 28, 2008	December 30, 2007
Balance at		
Raw materials and supplies	\$ 87.7	\$ 64.7
Work in process	139.4	122.6
Finished goods	21.0	17.6
	248.1	204.9
Progress payments	(4.3)	(4.7)
LIFO reserve	(26.9)	(25.6)
Total inventories, net	\$ 216.9	\$ 174.6

Note 8. Supplemental Balance Sheet Information

Other long-term assets included amounts related to deferred compensation of \$24.3 million and \$24.2 million at September 28, 2008 and December 30, 2007, respectively. Accrued liabilities included salaries and wages and other related compensation liabilities of \$85.8 million and \$69.9 million at September 28, 2008 and December 30, 2007, respectively. Accrued liabilities also included customer related deposits and credits of \$34.9 million and \$28.1 million at September 28, 2008 and December 30, 2007, respectively. Accrued liabilities included the short term portion of aircraft product liability reserves of \$18.6 million at September 28, 2008 and \$3.2 million at December 30, 2007. Other long-term liabilities included aircraft product liability reserves of \$37.0 million and \$50.6 million at September 28, 2008 and December 30, 2007, respectively. Other long-term liabilities also included deferred compensation liabilities of \$24.1 million and \$23.8 million at September 28, 2008 and December 30, 2007, respectively. Other long-term liabilities also included reserves for workers' compensation, environmental liabilities and the long-term portion of compensation liabilities.

Some of the Company's products are subject to specified warranties and the Company provides for the estimated cost of product warranties. The adequacy of the pre-existing warranty liabilities is assessed regularly and the reserve is adjusted as necessary based on a review of historic warranty experience with respect to the applicable business or products, as well as the length and actual terms of the warranties, which are typically one year. The product warranty reserve is included in current accrued liabilities on the balance sheet. Changes in the Company's product warranty reserve during the first nine months of 2008 and 2007 are as follows (in millions):

	First Nine Months	
	2008	2007
Balance at beginning of year	\$ 11.4	\$ 11.4
Accruals for product warranties charged to expense	6.9	5.6
Cost of product warranty claims	(6.0)	(5.8)
Acquisitions	2.2	0.1
Balance at end of period	\$ 14.5	\$ 11.3

Note 9. Income Taxes

The Company's effective tax rate for the third quarter and first nine months of 2008 was 37.1% and 37.4% compared with 26.8% and 34.2% for the third quarter and first nine months of 2007. The effective tax rate for the first nine months of 2008 reflects a research and development income tax credit of \$1.3 million for the 2007 tax year which was recorded in the first quarter of 2008 and also reflects the third quarter reversal of \$0.8 million in income tax contingency reserves which were determined to be no longer needed due to the

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expiration of applicable statutes of limitations. Excluding these items, the Company's effective tax rate for the third quarter and first nine months of 2008 would have been 38.8%. The effective tax rate for the third quarter and first nine months of 2007 reflects the impact of research and development income tax credits of \$4.0 million in the third quarter and the reversal of \$1.0 million in income tax contingency reserves which were determined to be no longer needed due to the expiration of applicable statutes of limitations, of which \$0.5 million was included in the third quarter. Excluding these items, the Company's effective tax rate for the third quarter and first nine months of 2007 would have been 39.1% and 38.8%, respectively.

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

During the first nine months of 2008, unrecognized tax benefits decreased \$0.3 million for tax positions taken during a prior period, and increased \$5.0 million for tax positions taken during the current period. The total amount of unrecognized tax benefits that would affect the effective tax rate increased \$5.0 million during the first nine months of 2008.

Note 10. Long-Term Debt and Capital Lease

At September 28, 2008, Teledyne Technologies had \$284.0 million outstanding under its \$590.0 million credit facility. Excluding interest and fees, no payments are due under the credit facility until it matures in July 2011. Available borrowing capacity under the \$590.0 million credit facility, which is reduced by borrowings and outstanding letters of credit, was \$297.4 million at September 28, 2008. The credit agreement requires the Company to comply with various financial and operating covenants, including maintaining certain consolidated leverage and interest coverage ratios, as well as minimum net worth levels and limits on acquired debt. At September 28, 2008, the Company was in compliance with these covenants. The Company also has two \$5.0 million uncommitted credit lines available. These credit lines are utilized, as needed, for periodic cash needs. Total debt at September 28, 2008 includes \$284.0 million outstanding under the \$590.0 million credit facility at a weighted average interest rate of 3.0% and \$0.6 million in other debt, which is current. The Company also has \$3.7 million in capital leases, of which \$0.2 million is current. At September 28, 2008, Teledyne Technologies had \$8.6 million in outstanding letters of credit.

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

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

In accordance with the Company's accounting policy disclosed in Note 2 to the consolidated financial statements in the 2007 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 2007 Form 10-K. As investigation and remediation of these sites proceeds, it is likely that adjustments in the Company's accruals will be necessary to reflect new information. The amounts of any such adjustments could have a material adverse effect on the Company's results of operations in a given period, but the amounts, and the possible range of loss in excess of the amounts accrued, are not reasonably estimable. Based on currently available information, management does not believe that future environmental costs in excess of those accrued, with respect to sites with which the Company has been identified, are likely to have a material adverse effect on the Company's financial condition. The Company cannot provide assurance that additional

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future developments, administrative actions or liabilities relating to environmental matters will not have a material adverse effect on the Company's financial condition or results of operations.

At September 28, 2008, the Company's reserves for environmental remediation obligations totaled \$2.2 million, of which \$0.2 million is included in current 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 Technologies has aircraft and product liability insurance with an annual self-insured retention for general aviation aircraft liabilities incurred in connection with products manufactured by Teledyne Continental Motors of \$20.1 million for its current aircraft product liability insurance policies which expire on May 31, 2009. At September 28, 2008, the Company's reserves for aircraft product liabilities totaled \$55.6 million, of which \$18.6 million is included in current liabilities. The reserve is developed based on several factors, including the number and nature of claims, the level of annual self-insurance retentions, historic payments and consultations with our insurers and outside counsel, all of which are used as a basis for estimating future losses.

Note 12. Pension Plans and Postretirement Benefits

Teledyne Technologies has a defined benefit pension plan covering substantially all employees hired before January 1, 2004. As of January 1, 2004, non-union new hires participate in an enhanced defined contribution plan as opposed to the Company's existing defined benefit pension plan. The Company's assumed discount rate on plan liabilities is 6.0% for 2008 and 2007. The Company's assumed long-term rate of return on plan assets is 8.5% for 2008 and 2007.

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Teledyne Technologies net periodic pension expense was \$2.4 million and \$7.2 million for the third quarter and first nine months of 2008, compared with net periodic pension expense of \$3.0 million and \$8.9 for the third quarter and first nine months of 2007 in accordance with the pension accounting requirements of SFAS No. 87 and SFAS No. 158. Pension expense allocated to contracts pursuant to U.S. Government Cost Accounting Standards (CAS) was \$2.4 million and \$7.1 million for the third quarter and first nine months of 2008, compared with \$2.5 million and \$7.6 million for the third quarter and first nine months of 2007. Pension expense determined under CAS can generally be recovered through the pricing of products and services sold to the U.S. Government. The Company made contributions to its pension plan totaling \$28.7 million in the first nine months of 2008 compared with \$6.3 million for the first nine months of 2007. The higher amount contributed in 2008 included a discretionary contribution of \$20.0 million in September 2008.

The Company sponsors several postretirement defined benefit plans that cover certain salaried and hourly employees. The plans 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 Technologies defined benefit pension plans and postretirement benefit plans for the third quarter and first nine months of 2008 and 2007 (in millions):

	Third Quarter		Nine Months	
	2008	2007	2008	2007
Pension Benefits				
Service cost – benefits earned during the period	\$ 4.3	\$ 4.1	\$ 12.9	\$ 12.4
Interest cost on benefit obligation	9.6	9.2	28.8	27.6
Expected return on plan assets	(12.4)	(11.7)	(37.3)	(35.2)
Amortization of prior service cost	0.1	0.4	0.5	1.2
Recognized actuarial loss	0.8	1.0	2.3	2.9
Net periodic benefit expense	\$ 2.4	\$ 3.0	\$ 7.2	\$ 8.9

	Third Quarter		Nine Months	
	2008	2007	2008	2007
Postretirement Benefits				
Service cost – benefits earned during the period	\$	\$	\$	\$
Interest cost on benefit obligation	0.4	0.3	1.1	0.8
Amortization of prior service cost	(0.2)		(0.4)	
Recognized actuarial gain	(0.2)	(0.2)	(0.6)	(0.5)
Net periodic benefit expense	\$	\$ 0.1	\$ 0.1	\$ 0.3

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. In the fourth quarter of 2007, the Company realigned two business units. The turbine engine business and the battery products business have been moved from the Aerospace Engines and Components segment to the Energy and Power Systems segment. The former Energy Systems segment was renamed Energy and Power Systems. In addition to these changes, the Systems Engineering Solutions segment has been renamed Engineered Systems. As required by SFAS No. 131, the Company has restated its historical segment information to be consistent with the current reportable segment structure. This segment realignment had no

effect on the Company's consolidated results of operations or cash flows for the periods presented and also did not affect the results of the Electronics and Communications or Engineered Systems segments. 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.

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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.

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

	Third Quarter 2008	Third Quarter 2007	% Change	Nine Months 2008	Nine Months 2007	% Change
Net sales:						
Electronics and Communications	\$ 330.3	\$ 273.8	20.6%	\$ 947.9	\$ 788.1	20.3%
Engineered Systems	97.9	75.8	29.2%	277.1	223.4	24.0%
Aerospace Engines and Components (a)	46.3	46.2	0.2%	140.7	138.6	1.5%
Energy and Power Systems (a)	23.1	13.1	76.3%	62.5	44.7	39.8%
Total net sales	\$ 497.6	\$ 408.9	21.7%	\$ 1,428.2	\$ 1,194.8	19.5%
Operating profit and other segment income:						
Electronics and Communications	\$ 46.0	\$ 37.0	24.3%	\$ 133.3	\$ 104.5	27.6%
Engineered Systems	9.9	6.2	59.7%	27.4	19.1	43.5%
Aerospace Engines and Components (a)	1.5	4.1	(63.4)%	11.1	16.2	(31.5)%
Energy and Power Systems (a)	2.2	0.5	340.0%	7.2	3.3	118.2%
Segment operating profit and other segment income	\$ 59.6	\$ 47.8	24.7%	\$ 179.0	\$ 143.1	25.1%
Corporate expense	(7.7)	(7.8)	(1.3)%	(23.6)	(22.6)	4.4%
Other income (expense), net	(0.1)	0.9	*	0.4	1.4	(71.4)%
Minority interest	(0.2)	(0.9)	(77.8)%	(1.9)	(2.5)	(24.0)%
Interest expense, net	(2.5)	(3.0)	(16.7)%	(8.0)	(10.1)	(20.8)%
Income before income taxes	49.1	37.0	32.7%	145.9	109.3	33.5%
Provision for income taxes (b)	18.2	9.9	83.8%	54.5	37.4	45.7%
Net income	\$ 30.9	\$ 27.1	14.0%	\$ 91.4	\$ 71.9	27.1%

(a) Previously
reported
information for

the third quarter and first nine months of 2007 was changed to reflect the current segment structure effective in the fourth quarter of 2007.

- (b) The first nine months of 2008 includes income tax credits of \$1.3 million recorded in the first quarter of 2008 and also reflects the reversal in the third quarter of 2008 of \$0.8 million in income tax contingency reserves which were determined to be no longer needed due to the expiration of applicable statutes of limitations. The first nine months of 2007 includes income tax credits of \$4.0 million in the third quarter of 2007 and also reflects the reversal of \$1.0 million in income tax contingency reserves which were determined to be no longer needed due to the completion

of state tax audits and the expiration of applicable statutes of limitations, of which \$0.5 million was included in the third quarter of 2007.

* percentage change not meaningful

Note 14. Subsequent Event

On October 16, 2008, Teledyne Technologies through its subsidiary, Teledyne Limited, acquired Cormon Limited and Cormon Technology Limited (together Cormon) for £12.0 million (approximately \$21.0 million) in cash. Cormon, headquartered in Lancing, United Kingdom, designs and manufactures subsea and surface sand and corrosion sensors, as well as flow integrity monitoring systems, used in oil and gas production systems. Cormon had sales of £6.8 million for its fiscal year ended March 31, 2008. The acquired business will operate under the name Teledyne Cormon Limited.

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. We intend to strengthen and expand our core businesses with targeted acquisitions. We intend to aggressively pursue operational excellence to continually improve our margins and earnings. At Teledyne, operational excellence includes the rapid integration of the businesses we acquire. Over time, our goal is to create a set of businesses that are truly superior in their niches. We intend to continue to evaluate our product lines to ensure that they are aligned with our strategy.

Results of Operations**Third quarter of 2008 compared with the third quarter of 2007**

Teledyne Technologies' third quarter 2008 sales were \$497.6 million, compared with sales of \$408.9 million for the same period of 2007, an increase of 21.7%. Net income for the third quarter of 2008 was \$30.9 million (\$0.84 per diluted share) compared with net income of \$27.1 million (\$0.75 per diluted share) for the third quarter of 2007, an increase of 14.0%. The increase in sales for the 2008 period, compared with the same 2007 period, was driven by acquisitions and organic growth.

The third quarter of 2008, compared with the same period in 2007, reflected higher sales in each business segment. The higher sales in the Electronics and Communications segment resulted from organic sales growth and strategic acquisitions, including the acquisition of assets of Impulse Enterprise (Impulse) on December 31, 2007, the acquisition of Storm Products Co. (Storm) on December 31, 2007, the acquisition of S G Brown Limited and its wholly-owned subsidiary TSS (International) Limited (together TSS International) on January 31, 2008, the acquisition of assets of Judson Technologies, LLC (Judson) on February 1, 2008, the acquisition of Webb Research (Webb Research) on July 7, 2008, and the acquisition of the Defense Electronics business of Filtronic PLC on August 15, 2008. Incremental revenue in the third quarter of 2008 from businesses acquired since the end of fiscal 2006 was \$38.1 million.

The increase in earnings for the third quarter of 2008, compared with the same period of 2007, reflects improved operating profit in each operating segment except the Aerospace Engines and Components segment. Incremental operating profit in the third quarter of 2008 from businesses acquired since the end of fiscal 2006, including synergies, was \$3.8 million.

The third quarter of 2008 included pension expense, in accordance with the pension requirements of Statement of Financial Accounting Standards (SFAS) No. 87 and No. 158 of \$2.4 million, compared with pension expense of \$3.0 million in the third quarter of 2007. Pension expense allocated to contracts pursuant to U.S. Government Cost Accounting Standards (CAS) was \$2.4 million in the third quarter of 2008, compared with pension expense of \$2.5 million in the third quarter of 2007. For the third quarter of 2008 and 2007, we recorded a total of \$1.9 million and \$1.8 million, respectively, in stock option compensation expense.

Cost of sales in total dollars was higher in the third quarter of 2008, compared with the third quarter of 2007, primarily due to higher sales, driven by acquisitions and organic growth. Cost of sales as a percentage of sales for the third quarter of 2008 increased to 70.0% from 69.7% for the third quarter of 2007 and reflected sales mix differences. Cost of sales for the third quarter of 2008 also reflected higher LIFO expense of \$0.3 million.

Selling, general and administrative expenses, including research and development and bid and proposal expense, in total dollars were higher in the third quarter of 2008, compared with the third quarter of 2007. This increase was primarily due to higher sales, driven by acquisitions and organic growth. Selling, general and administrative expenses for the third quarter of 2008, as a percentage of sales, decreased to 19.5%, compared with 20.5% in the third quarter of 2007, and primarily reflected lower general and administrative expenses.

Interest expense, net of interest income, was \$2.5 million in the third quarter of 2008, compared with \$3.0 million for the third quarter of 2007. The decrease in net interest expense reflected the impact of lower average interest rates, partially offset by higher outstanding debt levels. Other income and expense included higher deferred compensation expenses. Minority interest reflects the minority ownership interest in Ocean Design, Inc. (ODI) and Teledyne Energy Systems, Inc.

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The Company's effective tax rate for the third quarter of 2008 was 37.1% compared with 26.8% for the third quarter of 2007. The effective tax rate for the third quarter of 2008 reflects the reversal of \$0.8 million in income tax contingency reserves which were determined to be no longer needed due to the expiration of applicable statutes of limitations. Excluding this item, the Company's effective tax rate for the third quarter of 2008 would have been 38.8%. The effective tax rate for the third quarter of 2007 reflects the impact of expected research and development income tax refunds of \$4.0 million and also reflects the reversal of \$0.5 million in income tax contingency reserves during the third quarter of 2007 which were determined to be no longer needed due to the completion of state tax audits and the expiration of applicable statutes of limitations. Excluding these items the Company's effective tax rate for the third quarter of 2007 would have been 39.1%.

First nine months of 2008 compared with the first nine months of 2007

Teledyne Technologies' sales for the first nine months of 2008 were \$1,428.2 million, compared with sales of \$1,194.8 million for the same period of 2007, an increase of 19.5%. Net income for the first nine months of 2008 was \$91.4 million (\$2.50 per diluted share) compared with net income of \$71.9 million (\$1.99 per diluted share) for the first nine months of 2007, an increase of 27.1%. The increase in sales for the 2008 period, compared with the same 2007 period, was driven by acquisitions and organic sales growth.

The first nine months of 2008, compared with the same period in 2007, reflected higher sales in each operating segment. The higher sales in the Electronics and Communications segment resulted from organic sales growth and strategic acquisitions, including the acquisition of assets of D.G. O'Brien, Inc. (DGO) on March 30, 2007, the acquisition of assets of Impulse on December 31, 2007, the acquisition of Storm on December 31, 2007, the acquisition of TSS International on January 31, 2008, the acquisition of assets of Judson on February 1, 2008, the acquisition of Webb Research on July 7, 2008, and the acquisition of the Defense Electronics business of Filtronic PLC on August 15, 2008. Incremental revenue in the first nine months of 2008 from businesses acquired since the end of fiscal 2006 was \$100.9 million.

The increase in earnings for the first nine months of 2008, compared with the same period of 2007, reflected improved operating profit in each operating segment except the Aerospace Engines and Components segment. Incremental operating profit in the first nine months of 2008 from businesses acquired since the end of fiscal 2006, including synergies, was \$11.1 million. The first nine months of 2008 included pension expense in accordance with the pension requirements of SFAS No. 87 and SFAS No. 158 of \$7.2 million, compared with pension expense of \$8.9 million in the first nine months of 2007. Pension expense allocated to contracts pursuant to CAS was \$7.1 million in the first nine months of 2008, compared with pension expense of \$7.6 million in the first nine months of 2007. For the first nine months of 2008 and 2007, we recorded a total of \$5.6 million and \$5.1 million respectively in stock option compensation expense.

Cost of sales in total dollars was higher in first nine months of 2008, compared with the first nine months of 2007, primarily due to higher sales, driven by acquisitions and organic growth. Cost of sales as a percentage of sales for the first nine months of 2008 and the first nine months of 2007 was 69.6%. Cost of sales for the first nine months of 2008 also reflected lower LIFO expense of \$0.2 million.

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 2008, compared with the first nine months of 2007. This increase is primarily due to higher sales, driven by acquisitions and organic growth. The increase also reflected higher corporate expense which reflected higher compensation expense and higher professional fees. Selling, general and administrative expenses for the first nine months of 2008, as a percentage of sales, decreased to 19.5%, compared with 20.3% in the first nine months of 2007, and primarily reflected lower general and administrative expenses.

Interest expense, net of interest income, was \$8.0 million in the first nine months of 2008, compared with \$10.1 million for the first nine months of 2007. The decrease in net interest expense reflected the impact of lower average interest rates, partially offset by higher outstanding debt levels. Minority interest reflects the minority ownership interest in ODI and Teledyne Energy Systems, Inc.

The Company's effective tax rate for the first nine months of 2008 was 37.4% compared with 34.2% for the first nine months of 2007. The effective tax rate for the first nine months of 2008 reflects a research and development income tax refund of \$1.3 million for the 2007 tax year which was recorded in the first quarter of 2008 and also reflects the

third quarter reversal of \$0.8 million in income tax contingency reserves which were determined to be

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no longer needed due to the expiration of applicable statutes of limitations. Excluding this item, the Company's effective tax rate for the third quarter of 2008 would have been 38.8%. The effective tax rate for the first nine months of 2007 reflects the impact of the research and development income refunds of \$4.0 million and also reflects the reversal of \$1.0 million in income tax contingency reserves which were determined to be no longer needed due to the expiration of applicable statutes of limitations. Excluding this item, the Company's effective tax rate for the first nine months of 2007 would have been 38.8%.

Review of Operations:

In the fourth quarter of 2007, the Company realigned Teledyne Energy Systems, Inc., Teledyne Turbine Engines and Teledyne Battery Products in a new segment called Energy and Power Systems. Both the turbine engine business and the battery products business were previously part of the Aerospace Engines and Components segment. In addition, the Systems Engineering Solutions segment was renamed Engineered Systems. Previously reported segment financial data for the third quarter and first nine months of 2007 reflects the new segment presentation to provide comparability between periods. The following table sets forth the sales and operating profit for each segment (amounts in millions):

	Third Quarter 2008	Third Quarter 2007	% Change	Nine Months 2008	Nine Months 2007	% Change
Net sales:						
Electronics and Communications	\$ 330.3	\$ 273.8	20.6%	\$ 947.9	\$ 788.1	20.3%
Engineered Systems	97.9	75.8	29.2%	277.1	223.4	24.0%
Aerospace Engines and Components (a)	46.3	46.2	0.2%	140.7	138.6	1.5%
Energy and Power Systems (a)	23.1	13.1	76.3%	62.5	44.7	39.8%
Total net sales	\$ 497.6	\$ 408.9	21.7%	\$ 1,428.2	\$ 1,194.8	19.5%
Operating profit and other segment income:						
Electronics and Communications	\$ 46.0	\$ 37.0	24.3%	\$ 133.3	\$ 104.5	27.6%
Engineered Systems	9.9	6.2	59.7%	27.4	19.1	43.5%
Aerospace Engines and Components (a)	1.5	4.1	(63.4)%	11.1	16.2	(31.5)%
Energy and Power Systems (a)	2.2	0.5	340.0%	7.2	3.3	118.2%
Segment operating profit and other segment income	\$ 59.6	\$ 47.8	24.7%	\$ 179.0	\$ 143.1	25.1%
Corporate expense	(7.7)	(7.8)	(1.3)%	(23.6)	(22.6)	4.4%
Other income (expense), net	(0.1)	0.9	*	0.4	1.4	(71.4)%
Minority interest	(0.2)	(0.9)	(77.8)%	(1.9)	(2.5)	(24.0)%
Interest expense, net	(2.5)	(3.0)	(16.7)%	(8.0)	(10.1)	(20.8)%
Income before income taxes	49.1	37.0	32.7%	145.9	109.3	33.5%
Provision for income taxes (b)	18.2	9.9	83.8%	54.5	37.4	45.7%

Net income	\$ 30.9	\$ 27.1	14.0%	\$ 91.4	\$ 71.9	27.1%
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(a) Previously reported information for the third quarter and first nine months of 2007 was changed to reflect the current segment structure effective in the fourth quarter of 2007.

(b) The first nine months of 2008 includes income tax credits of \$1.3 million recorded in the first quarter of 2008 and also reflects the reversal in the third quarter of 2008 of \$0.8 million in income tax contingency reserves which were determined to be no longer needed due to the expiration of applicable statutes of limitations. The first nine months of 2007 includes income tax credits of \$4.0 million in the third quarter of 2007 and also reflects the reversal of \$1.0 million in

income tax contingency reserves which were determined to be no longer needed due to the completion of state tax audits and the expiration of applicable statutes of limitations, of which \$0.5 million was included in the third quarter of 2007.

* percentage change not meaningful

Table of Contents**Electronics and Communications****Third quarter of 2008 compared with the third quarter of 2007**

Our Electronics and Communications segment's third quarter 2008 sales were \$330.3 million, compared with third quarter 2007 sales of \$273.8 million, an increase of 20.6%. Third quarter 2008 operating profit was \$46.0 million, compared with operating profit of \$37.0 million in the third quarter of 2007, an increase of 24.3%.

The third quarter 2008 sales improvement resulted from revenue growth in electronic instruments and defense electronics, partially offset by lower sales of other commercial electronics. The revenue growth of \$38.6 million in electronic instruments was driven by organic sales growth and the acquisition of assets of Impulse on December 31, 2007, the acquisition of Storm on December 31, 2007, the acquisition of TSS International on January 31, 2008 and the acquisition of Webb Research on July 7, 2008. Organic sales growth in electronic instruments reflected increased sales of geophysical sensors for the energy exploration market, other marine instruments and environmental instruments for the air and water monitoring. The revenue growth of \$19.3 million in defense electronics was driven by organic sales growth, the acquisition of Storm on December 31, 2007, the acquisition of assets of Judson on February 1, 2008 and the acquisition of the Defense Electronics business of Filtronic PLC on August 15, 2008. Lower sales of other commercial electronics primarily reflected lower sales of medical electronic manufacturing services. Incremental revenue in the third quarter of 2008 from acquisitions made since the end of fiscal 2006 was \$38.1 million. Segment operating profit was favorably impacted by revenue from acquisitions, organic sales growth and sales mix. Incremental operating profit in the third quarter of 2008, from businesses acquired since the end of fiscal 2006, including synergies, was \$3.8 million. Segment operating profit was negatively impacted by \$0.9 million of stock option compensation expense in the third quarter of 2008, compared with \$0.8 million in the third quarter of 2007. Segment operating profit for the third quarter of 2008 reflected higher LIFO expense of \$0.3 million. Pension expense, in accordance with the pension accounting requirements of SFAS No. 87 and No. 158, was \$0.8 million in the third quarter of 2008, compared with \$1.0 million in the third quarter of 2007. Pension expense allocated to contracts pursuant to CAS was \$0.4 million in both the third quarter of 2008 and the third quarter of 2007.

First nine months of 2008 compared with the first nine months of 2007

Our Electronics and Communications segment's first nine months 2008 sales were \$947.9 million, compared with first nine months 2007 sales of \$788.1 million, an increase of 20.3%. First nine months 2008 operating profit was \$133.3 million, compared with operating profit of \$104.5 million in the first nine months of 2007, an increase of 27.6%.

The first nine months 2008 sales improvement resulted from revenue growth in electronic instruments and defense electronics, partially offset by lower sales of other commercial electronics. The revenue growth of \$111.2 million in electronic instruments was driven by organic sales growth and the acquisition of assets of DGO on March 30, 2007, the acquisition of assets of Impulse on December 31, 2007, the acquisition of Storm on December 31, 2007, the acquisition of TSS International on January 31, 2008 and the acquisition of Webb Research on July 7, 2008. Organic sales growth in electronic instruments reflected increased sales of geophysical sensors for the energy exploration market, other marine instruments and environmental instruments for the air and water monitoring. The revenue growth of \$49.8 million in defense electronics was driven by organic sales growth, the acquisition of Storm on December 31, 2007, the acquisition of assets of Judson on February 1, 2008 and the acquisition of the Defense Electronics business of Filtronic PLC on August 15, 2008. Sales of other commercial electronics decreased slightly. Incremental revenue in the first nine months of 2008, from acquisitions made since the end of the 2006 was \$100.9 million. Segment operating profit was favorably impacted by revenue from acquisitions, organic sales growth, sales mix and a settlement of \$2.0 million. Incremental operating profit in the in the first nine months of 2008, from businesses acquired since the end of 2006, including synergies, was \$11.1 million. Segment operating profit was negatively impacted by \$2.7 million of stock option compensation expense in the first nine months of 2008, compared with \$2.3 million for the first nine months of 2007. Segment operating profit for the first nine months of 2008 reflected lower LIFO expense of \$0.4 million. Pension expense, in accordance with the pension accounting requirements of SFAS No. 87 and No. 158, was \$2.6 million in the first nine months of 2008, compared with \$3.0 million in the first nine months of 2007. Pension expense allocated to contracts pursuant to CAS was \$1.2 million in the first nine months of 2008 and \$1.3 million in the first nine months of 2007.

Table of Contents**Engineered Systems****Third quarter of 2008 compared with the third quarter of 2007**

Our Engineered Systems segment's third quarter 2008 sales were \$97.9 million, compared with \$75.8 million in the third quarter of 2007, an increase of 29.2%. Third quarter 2008 operating profit was \$9.9 million, compared with operating profit of \$6.2 million in the third quarter of 2007, an increase of 59.7%.

The third quarter 2008 sales reflected revenue growth in aerospace and defense programs of \$18.2 million and higher environmental sales of \$3.9 million. The third quarter 2008 sales improvement primarily reflected revenue growth in certain manufacturing programs including gas centrifuge service modules for nuclear power applications, as well as defense and environmental programs. Operating profit in the third quarter of 2008 reflected the impact of higher revenue and higher margins in certain environmental programs as well as improved overhead rates. Operating profit also included pension expense under SFAS No. 87 and No. 158, of \$1.3 million in the third quarter of 2008, compared with \$1.6 million for the third quarter of 2007. Pension expense allocated to contracts pursuant to CAS was \$2.0 million in both the third quarter of 2008 and the third quarter of 2007. Segment operating profit was negatively impacted by \$0.2 million of stock option compensation expense in both the third quarter of 2008 and the third quarter of 2007.

First nine months of 2008 compared with the first nine months of 2007

Our Engineered Systems segment's first nine months 2008 sales were \$277.1 million, compared with first nine months 2007 sales of \$223.4 million, an increase of 24.0%. First nine months 2008 operating profit was \$27.4 million, compared with operating profit of \$19.1 million for the first nine months of 2007, an increase of 43.5%.

The first nine months 2008 sales reflected revenue growth in aerospace and defense programs of \$44.6 million, and higher environmental sales of \$9.1 million. The first nine months 2008 sales improvement primarily reflected revenue growth in certain manufacturing programs including gas centrifuge service modules for nuclear power applications, as well as defense and environmental programs. Operating profit in the first nine months of 2008 reflected the impact of higher revenue and higher margins in aerospace programs, favorable fee adjustments and improved overhead rates. Segment operating profit was impacted by \$0.6 million of stock option compensation expense for both the first nine months of 2008 and the first nine months of 2007. Operating profit also included pension expense under SFAS No. 87 and No. 158, of \$3.8 million in the first nine months of 2008, compared with \$4.9 million in the first nine months of 2007. Pension expense allocated to contracts pursuant to CAS was \$5.7 million in the first nine months of 2008 and \$6.0 million for the first nine months of 2007.

Aerospace Engines and Components**Third quarter of 2008 compared with the Third quarter of 2007**

Our Aerospace Engines and Components segment's third quarter 2008 sales were \$46.3 million, compared with \$46.2 million in the third quarter of 2007, an increase of 0.2%. Third quarter 2008 operating profit was \$1.5 million, compared with \$4.1 million in the third quarter of 2007, a decrease of 63.4%. Operating profit for the third quarter of 2008 reflected higher manufacturing costs and higher legal fees. Operating profit for the third quarter of 2007 included a \$1.7 million writedown of accounts receivable related to a customer bankruptcy. Segment operating profit included pension expense, under SFAS No. 87 and No. 158, of \$0.2 million in both the third quarter of 2008 and the third quarter of 2007.

First nine months of 2008 compared with the first nine months of 2007

Our Aerospace Engines and Components segment's first nine months 2008 sales were \$140.7 million, compared with first nine months 2007 sales of \$138.6 million, an increase of 1.5%. The first nine months 2008 operating profit was \$11.1 million, compared with operating profit of \$16.2 million in the first nine months of 2007, a decrease of 31.5%. Operating profit for the first nine months of 2008 reflected higher manufacturing costs and higher legal fees as well as increased LIFO expense of \$0.2 million. Operating profit for the first nine months of 2007 included a \$1.7 million writedown of accounts receivable related to a customer bankruptcy. Segment operating profit was impacted by \$0.2 million of stock option compensation expense for both the first nine months of 2008 and the first

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nine months of 2007. Segment operating profit also included pension expense, under SFAS No. 87 and No. 158, of \$0.5 million in both the first nine months of 2008 and the first nine months of 2007.

Energy and Power Systems**Third quarter of 2008 compared with the third quarter of 2007**

Our Energy and Power Systems segment's third quarter 2008 sales were \$23.1 million, compared with \$13.1 million in the third quarter of 2007, an increase of 76.3%. Third quarter 2008 operating profit was \$2.2 million, compared with \$0.5 million in the third quarter of 2007, an increase of 340.0%.

Third quarter 2008 sales primarily reflected higher turbine engine and government power systems sales partially offset by lower commercial hydrogen generators sales. Operating profit reflected the impact of higher sales and also reflected higher margins in the turbine engine business.

First nine months of 2008 compared with the first nine months of 2007

Our Energy and Power Systems segment's sales were \$62.5 million, compared with \$44.7 million for the first nine months of 2007, an increase of 39.8%. Operating profit was \$7.2 million for the first nine months of 2008, compared with \$3.3 million for the first nine months of 2007, an increase of 118.2%.

The first nine months 2008 sales primarily reflected higher government power systems and turbine engine sales. Commercial hydrogen generators and battery products sales increased slightly. Operating profit improvement in the first nine months of 2008 was primarily due to higher sales, sales mix and \$1.3 million for environmental reserves no longer needed due to a final settlement. Segment operating profit also included pension expense, under SFAS No. 87 and No. 158, of \$0.2 million for the first nine months of 2008, compared with \$0.3 million for the first nine months of 2007. Pension expense allocated to contracts pursuant to CAS was \$0.2 million in the first nine months of 2008 compared with \$0.4 million for the first nine months of 2007.

Financial Condition, Liquidity and Capital Resources

Our net cash provided by operating activities was \$112.9 million for the first nine months of 2008, compared with \$123.4 million for the same period of 2007. The lower net cash provided in the first nine months of 2008, compared with the first nine months of 2007, was primarily due to higher pension contributions of \$22.4 million and higher aircraft product defense and settlement payments of \$7.3 million, partially offset by higher net income, the contribution from recent acquisitions and lower income tax payments of \$9.0 million.

Our net cash used by investing activities was \$278.5 million for the first nine months of 2008, compared with cash used by investing activities of \$76.9 million for the first nine months of 2007. The 2008 and 2007 amount included \$250.1 million and \$47.5 million, respectively, for the purchase of businesses, net of cash acquired.

On August 15, 2008, Teledyne Technologies through its subsidiary, Teledyne Limited, completed the acquisition of the defense electronics business of Filtronic PLC for £13.0 million (approximately \$24.3 million) in cash. Total cash paid, net of cash acquired, was \$23.7 million. The defense electronics business, principally based in Shipley, United Kingdom, provides customized microwave subassemblies and integrated subsystems to the global defense industry. The defense electronics business had sales of £14.5 million for its fiscal year ended May 31, 2008. Teledyne operates this business under the name Teledyne Defence Limited.

On July 7, 2008, Teledyne Technologies through its subsidiary, Teledyne Instruments, Inc., completed the acquisition of assets of Webb Research for \$24.2 million in cash or \$24.3 including certain expenses. Webb Research, located in E. Falmouth, Massachusetts, is a manufacturer of autonomous underwater gliding vehicles, as well as autonomous profiling drifters and floats. Webb Research had sales of \$12.2 million for its fiscal year ended December 31, 2007. Teledyne operates this business under the name Teledyne Webb Research.

On February 1, 2008, Teledyne Technologies through its subsidiary, Teledyne Scientific & Imaging, LLC, completed the acquisition of assets of Judson for \$27.0 million in cash. Judson, headquartered in Montgomeryville, Pennsylvania, manufactures high performance infrared detectors utilizing a wide variety of materials such as Mercury Cadmium Telluride (HgCdTe), Indium Antimonide (InSb), and Indium Gallium Arsenide (InGaAs), as well as tactical dewar and cooler assemblies and other specialized standard products for