TELEDYNE TECHNOLOGIES INC
Form 10-K
February 26, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 30, 2012
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	25-1843385
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification Number)
1049 Camino Dos Rios, Thousand Oaks, California	91360-2362
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (805)-373-4545
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
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 ý 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 ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 ý 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 ý

The aggregate market value of the registrant's Common Stock held by non-affiliates on June 29, 2012 was $2.2 billion, based on the closing price of a share of Common Stock on such date, which is the last business day of the registrant's most recently completed fiscal second quarter. Shares of Common Stock known by the registrant to be beneficially owned by the registrant's directors and the registrant's executive officers subject to Section 16 of the Securities Exchange Act of 1934 are not included in the computation. The registrant, however, has made no determination that such persons are “affiliates” within the meaning of Rule 12b-2 under the Securities Exchange Act of 1934.

At February 22, 2013, there were 37,297,596 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Selected portions of the registrant's proxy statement for its 2013 Annual Meeting of Stockholders (the “2013 Proxy Statement”) are incorporated by reference in Part III of this Report. Information required by paragraphs (d)(1)-(3) and (e)(5) of Item 407 of Regulation S-K shall not be deemed “soliciting material” or to be filed with the Commission as permitted by Item 407 of Regulation S-K.

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PART IV

Explanatory Notes

In this Annual Report on Form 10-K, Teledyne Technologies Incorporated is sometimes referred to as the “Company” or “Teledyne”.

For a discussion of risk factors and uncertainties associated with Teledyne and any forward looking statements made by us, see the discussion beginning at page 12 of this Annual Report on Form 10-K.

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PART I

Item 1. Business.

Who We Are

Teledyne Technologies Incorporated provides enabling technologies for industrial growth markets. We have evolved from a company that was primarily focused on aerospace and defense to one that serves multiple markets that require advanced technology and high reliability. These markets include deepwater oil and gas exploration and production, oceanographic research, air and water quality environmental monitoring, electronics design and development, factory automation and medical imaging. Our products include monitoring and control instrumentation for marine and environmental applications, harsh environment interconnects, electronic test and measurement equipment, digital imaging sensors and cameras, aircraft information management systems, and defense electronic and satellite communication subsystems. We also supply engineered systems for defense, space, environmental and energy applications. We differentiate ourselves from many of our direct competitors by having a customer and company sponsored applied research center that augments our product development expertise.

Total sales in 2012 were $2,127.3 million, compared with $1,941.9 million in 2011 and $1,644.2 million in 2010. Our aggregate segment operating profit and other segment income were $279.8 million in 2012, $260.9 million in 2011 and $207.3 million in 2010. These amounts exclude discontinued operations related to our general aviation piston engine businesses that were sold in April 2011. Approximately 68% of our total sales in 2012 were to commercial customers and the balance was to the U.S. Government, as a prime contractor or subcontractor. Approximately 59% of these U.S. Government sales were attributable to fixed-price type contracts and the balance to cost plus fee-type contracts. Sales to international customers accounted for approximately 39% of total sales in 2012.

Our businesses are divided into four business segments: Instrumentation, Digital Imaging, Aerospace and Defense Electronics and Engineered Systems. Our four business segments and their respective percentage contributions to our total sales in 2012, 2011 and 2010 are summarized in the following table:

	Percentage of Sales		
Segment	2012	2011	2010
Instrumentation	35 %	32 %	35 %
Digital Imaging	20	18	8
Aerospace and Defense Electronics	31	34	37
Engineered Systems	14	16	20
Total	100 %	100 %	100 %

Our principal executive offices are located at 1049 Camino Dos Rios, Thousand Oaks, California 91360-2362. Our telephone number is (805) 373-4545. We are a Delaware corporation that was spun-off as an independent company from Allegheny Teledyne Incorporated (now known as Allegheny Technologies Incorporated) on November 29, 1999.

Strategy

Our strategy continues to emphasize growth in our core markets of instrumentation, digital imaging, aerospace and defense electronics and 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 and through product development. We aggressively pursue operational excellence to continually improve our margins and earnings. At Teledyne, operational excellence includes the rapid integration of the businesses we acquire. Using complementary technology across our businesses and internal research and development, we seek to create new products to grow our company and expand our addressable markets. We continue to evaluate our businesses to ensure that they are aligned with our strategy.

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Our Recent Acquisitions

Consistent with our strategy, during 2012, we acquired:

- LeCroy Corporation ("LeCroy") - LeCroy, headquartered in Chestnut Ridge, New York, is a leading supplier of oscilloscopes, protocol analyzers and signal integrity test solutions. This acquisition broadened Teledyne's portfolio of analytical instrumentation with the addition of electronic test and measurement solutions.
- The parent company of PDM Neptec Limited ("PDM Neptec") - PDM Neptec, located in Hampshire, United Kingdom, provides underwater cables and fiber optic and electrical subsea connectors. This acquisition expanded our line of harsh-environment marine connectors, added additional engineering talent and strengthened our international sales channels.
- BlueView Technologies Inc. ("BlueView") - BlueView, located in Seattle, Washington, provides compact forward-looking imaging sonar, microbathymetry systems and 3D scanning sonar. BlueView's imaging sonars and microbathymetry systems further increased Teledyne's instrumentation content on autonomous underwater vehicles ("AUVs") and remotely operated vehicles ("ROVs") used in oil and gas and marine survey applications.
- A majority interest in the parent company of Optech Incorporated ("Optech") - Optech, headquartered in Vaughan, Ontario, Canada, provides light detection and ranging ("LIDAR") systems used in airborne terrestrial mapping, airborne laser bathymetry, mobile mapping and laser imaging. Optech's LIDAR systems add 3D imaging to Teledyne's portfolio of visible, infrared, X-ray and ultraviolet sensors, cameras and software. Optech's bathymetric LIDAR systems used for coastal mapping and shallow water profiling also complement our marine survey sensors and systems.
- VariSystems Inc. ("VariSystems") - VariSystems, headquartered in Calgary, Alberta, Canada is a leading supplier of custom harsh environment interconnects used in energy exploration and production. This acquisition further expanded Teledyne's portfolio of rugged interconnect solutions used in energy exploration and production and provides greater access to land-based energy markets, specifically hydraulic fracturing and oil sands applications.

In 2012, Teledyne spent $389.2 million on these acquisitions.

Available Information

Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, any Current Reports on Form 8-K, and any amendments to these reports, are available on our website as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the Securities and Exchange Commission (the "SEC"). The SEC also maintains a website that contains these reports at www.sec.gov . In addition, our Corporate Governance Guidelines, our Global Code of Ethical Business Conduct, our Codes of Ethics for Financial Executives, Directors and Service Providers and the Charters of the standing committees of our Board of Directors are available on our website. We intend to post any amendments to these policies, guidelines and charters on our website. Our website address is www.teledyne.com.

You will be responsible for any costs normally associated with electronic access, such as usage and telephone charges. Alternatively, if you would like a paper copy of any such SEC report (without exhibits) or document, please write to Melanie S. Cibik, Senior Vice President, General Counsel and Secretary, Teledyne Technologies Incorporated, 1049 Camino Dos Rios, Thousand Oaks, California 91360-2362, and a copy of such requested document will be provided to you, free-of-charge.

Our Business Segments

Our businesses are divided into four segments: Instrumentation, Digital Imaging, Aerospace and Defense Electronics, and Engineered Systems. Financial information about our business segments can be found in Note 13 to our Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Instrumentation

Our Instrumentation segment provides monitoring and control instruments for marine, environmental, industrial and other applications, as well as electronic test and measurement equipment. We also provide power and communications connectivity devices for distributed instrumentation systems and sensor networks deployed in mission critical, harsh environments.

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Marine Instrumentation

We offer a variety of underwater acoustic and other monitoring products. We design and manufacture geophysical streamer cables, hydrophones and specialty products used in offshore hydrocarbon exploration to locate oil and gas reserves beneath the ocean floor. Our Acoustic Doppler Current profilers (“ADCPs”) precisely measure currents at varying depths in oceans and rivers, and our Doppler Velocity Logs (“DVLs”) are used for navigation by civilian and military surface ships, unmanned underwater vehicles and naval divers. Additionally, we design and manufacture hydrographic survey instrumentation used in port surveys, dredging, pre and post-installation of offshore energy infrastructure and other challenging underwater applications. We manufacture a commercial multibeam echo sounder that incorporates a unique 24-bit analog to digital conversion process. We recently developed permanent reservoir monitoring subsystems for deepwater applications. In addition to our DVLs, which are acoustic navigation devices, we design and manufacture inertial sensing and navigation products, as well as subsea pipe and cable detection systems for offshore energy, oceanographic and military marine markets.

We provide a broad range of end-to-end undersea interconnect solutions to the offshore oil and gas, naval defense, oceanographic and telecom markets. We manufacture subsea, wet-mateable electrical and fiber-optic interconnect systems and subsea pressure vessel penetrators and connector systems with glass-to-metal seals. Our water-proof and splash-proof neoprene and glass reinforced epoxy connectors and cable assemblies are used in underwater equipment and submerged monitoring systems. We also manufacture subsea and topside pipeline corrosion and erosion monitoring detectors as well as flow integrity monitoring solutions for the oil and gas industry. These flow assurance sensors and equipment rely on our wet-mateable interconnect systems and our sensor feed-through systems. Our Teledyne Oil & Gas group and Teledyne Scientific Company have been working collaboratively to improve the reliability of materials exposed to ultra deep sea conditions. In 2012, we received funding from a customer to develop a subsea high-power electrical interconnect system for a deepwater oil field in Brazil. Additional funding has also been received from a customer for a deep water Gulf of Mexico application.

We offer a variety of marine instrumentation products used by the U.S. Navy and in energy exploration, oceanographic research and port and harbor security services. Our products include acoustic modems for networked underwater communication and sidescan and sub-bottom profiling sonar systems. Originally developed with our acoustic technology, we provide quality control and package integrity systems under the Taptone ® brand to the food and beverage, personal care and pharmaceutical industries. We also manufacture complete autonomous underwater vehicle systems. Our marine gliders use a silent buoyancy engine for propulsion that takes advantage of changes in buoyancy in conjunction with wings and tail steering to convert vertical motion to horizontal displacement, thereby propelling the system on a programmed route with very low power consumption. Glider applications range from oceanographic research to military persistent surveillance systems as part of a mobile underwater sensing and communication network. The modular design of our battery-powered, man-portable Gavia™ autonomous underwater vehicle allows for rapid sensor bay reconfiguration and battery replacement capability. Our Slocum gliders, as well as our ADCPs, are being used as part of the National Science Foundation's Ocean Observatories Initiative to collect physical, chemical, geological and biological data from the ocean and the seafloor on coastal, regional and global scales.

Environmental Instrumentation

We offer a wide range of products for environmental monitoring. Our instrumentation monitors trace levels of gases such as sulfur dioxide, carbon monoxide, carbon dioxide, oxides of nitrogen, methane and ozone in order to measure the quality of the air we breathe. We have also recently added instrumentation for monitoring particulate air pollution, and we supply environmental monitoring systems for the detection, measurement and automated reporting of air pollutants from industrial stack emissions. We serve the process control and monitoring needs of industrial plants with instruments that include gas analyzers, vacuum and flow measurement devices, package integrity inspection systems and torque measurement sensors. We were a pioneer in the development of precision trace oxygen analyzers, and we now manufacture a wide range of process gas and liquid analysis products for the measurement of process contaminants, hydrocarbons, combustibles, oil-in-water, moisture, pH and many other parameters. Our instrumentation is also used to detect a variety of water quality parameters. Our sampler products include portable, refrigerated and specialty samplers used in hazardous location applications. Flow meters include ultrasonic,

submerged probe, bubbler and area velocity models. Our custom analyzer systems provide turn-key solutions to complex process monitoring and/or control applications found in petrochemical and refinery facilities. Our broad line of instruments for precise measurement and control of vacuum and gas flow are used in varied applications such as semiconductor manufacturing, refrigeration, metallurgy and food processing.

We provide laboratory instrumentation that complements our process or field environmental instrumentation. We manufacture laboratory instrumentation that automates the preparation and concentration of organic samples for the analysis of trace levels of volatile organic compounds by a gas chromatograph and mass spectrometer. We also provide laboratory instrumentation for the detection of total organic carbon and total nitrogen in water and wastewater samples. In addition, we provide inductively coupled plasma laboratory spectrometers, atomic absorption spectrometers, mercury analyzers and calibration standards. The advanced elemental analysis products are used by environmental and quality control laboratories to

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detect trace levels of inorganic contaminants in water, foods, soils and other environmental and geological samples. Our high precision, high pressure syringe pumps measure process extraction rates of fluids ranging from liquefied gases to viscous tars. Plus, we manufacture liquid chromatography instruments and accessories for the purification of organic compounds. Our liquid chromatography customers include pharmaceutical laboratories involved in drug discovery and development.

Test and Measurement Instrumentation

With the August 3, 2012 acquisition of LeCroy, we now develop, manufacture, sell and license high-performance oscilloscopes and communication protocol analyzers. We also provide related test and measurement equipment, probes, accessories and application solutions. To a lesser extent, we provide extended warranty contracts, maintenance contracts and repairs and calibrations on our instruments after their warranties expire.

Our oscilloscopes are tools used by designers and engineers to measure and analyze complex electronic signals in order to develop high-performance systems, validate electronic designs and improve time to market. We offer eight families of real-time oscilloscopes, which address different solutions: HDO4000/HDO6000, our recently introduced 12-bit, high definition oscilloscopes; LabMaster 10 Zi-A, our highest bandwidth performance oscilloscope; WaveMaster, our industry leading high-end oscilloscope family; WavePro, which is targeted at the mid-to high-range performance sector; WaveRunner, designed for the general purpose and bench-top sector; WaveSurfer designed for users in the lower bandwidth bench-top sector of the market; WaveJet, designed for value-oriented users in the economy sector of the market; and WaveAce, our entry-level oscilloscope products. In addition to our real-time oscilloscopes, we have the WaveExpert family of sampling oscilloscopes and modules. Our protocol analyzers are used by designers and engineers to reliably and accurately monitor communications traffic and diagnose operational problems in a variety of communications devices to ensure that they comply with industry standards.

Our test and measurement products are sold into a broad range of industry sectors, including computer, semiconductor, consumer electronics, data storage, automotive, industrial, military, aerospace and telecommunications. We believe designers in all of these industry sectors are developing products which rely on increasingly complex electronic signals to provide the features and performance their customers require.

Digital Imaging

Our Digital Imaging segment includes high performance sensors, cameras and systems, within the visible, infrared and X-ray spectra for use in industrial, government and medical applications, as well as micro electro mechanical systems (“MEMS”). It also includes our sponsored and centralized research laboratories benefiting government programs and businesses.

With the February 12, 2011 acquisition of DALSA, we expanded our imaging products and solutions capabilities and customer base. We design, develop and manufacture image capture products, primarily consisting of high performance image sensors and digital cameras for use in industrial, scientific, medical and professional applications. We also design, develop and manufacture image processing products, primarily consisting of hardware and software for image processing in industrial and medical applications. We continue to develop high-resolution, low dose X-ray sensors for medical and dental applications. Our high performance image sensors utilize both charge coupled device (“CCD”) and complementary metal-oxide semiconductor (“CMOS”) technology. In particular, our CMOS image sensing technology is used in our large flat panel X-ray detectors for medical and dental X-ray imaging. Our image processing software allows original equipment manufacturers (“OEMs”) and systems integrators to develop vision applications using our image acquisition and processing hardware. Our smart camera products are user-friendly, cost-effective vision appliances for task-specific factory floor applications such as gauging, high-precision alignment, inspection, assembly verification and machine guidance. Unlike our OEM imaging products, this category of cameras is designed to be quickly deployed by technicians on the factory floor.

Additionally, we produce and provide manufacturing services for MEMS, high voltage and mixed signal CMOS devices and complete integrated circuit (“IC”) products. The majority of our semiconductor manufacturing capacity is consumed by external customers with the remaining capacity applied towards supplying unique CCD fabrication services for our internal image sensor requirements.

Through Optech, our Digital Imaging segment provides LIDAR systems for airborne terrestrial mapping, mobile mapping and laser-based 3D imaging applications. Optech's imaging and mapping systems are used by commercial

customers engaged in the energy, natural resources and infrastructure industries, as well as government customers. In addition, Optech provides systems and software for airborne laser bathymetry. These systems provide simultaneous high-resolution 3D data and imagery of coastal land and the seafloor, as well as information about the seafloor and water column.

We provide research and engineering services primarily in the areas of electronics, materials, optics and information science to military, aerospace and industrial customers, as well as to various businesses throughout Teledyne. We collaborate with the Defense Advanced Research Products Agency ("DARPA"), and researchers at universities and national laboratories to stay at the forefront of emerging technologies. We have developed high speed electronics, MEMS sensors and actuators, as

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well as compound semiconductors. We have developed functional materials, structural materials, liquid-crystal based optical devices and image processing algorithms.

We produce advanced focal plane arrays, sensors, and subsystems that cover a broad spectrum of frequencies from X-ray wavelengths to 18 micron long-wave infrared wavelengths. We are a leader in the development and production of large format focal plane array sensors for both military and space science markets. We support the production of third generation dual band infrared imagers designed to enable members of the armed forces to identify threats on the battlefield before any enemy can detect their presence. Our space sensors are used on the Hubble Space Telescope and the Moon Mineralogy Mapper and are expected to be used in future NASA missions such as the James Webb Space Telescope. We have developed various sensors, subassemblies and cameras for air- and ground-based applications. We have developed indium antimonide cameras and hyperspectral sensors for unmanned aerial vehicles. Most recently, we introduced the first miniature hot mid-wave infrared strained-layer-super lattice based 640X512 tactical camera targeted for missile seekers, personal weapon sights, light payloads for unmanned aerial vehicles, hand held imaging applications and situational awareness. We also design and manufacture advanced military laser protection eyewear. Finally, we develop low-noise, high performance cameras for use in laboratory instruments.

Aerospace and Defense Electronics

Our Aerospace and Defense Electronics segment provides sophisticated electronic components and subsystems and communications products, including defense electronics, harsh environment interconnects, data acquisition and communications equipment for aircraft, and components and subsystems for wireless and satellite communications, as well as general aviation batteries.

Over the years principally through focused acquisitions, we have expanded our microwave components and subsystems business with a goal of providing more highly integrated microwave subsystems and solutions to our customers. Historically, we designed and manufactured helix traveling wave tubes, commonly called TWTs, used to provide broadband power amplification of microwave signals. Military applications include radar, electronic warfare and satellite communication. We make TWTs for commercial applications as well, such as electromagnetic compatibility test equipment and satellite communication terminals. More recently, we have designed and delivered high power solid state TWT replacement amplifiers and complete amplifiers that incorporate a TWT and a power supply.

We design and manufacture solid state radio frequency (“RF”) and microwave components and subassemblies used in a wide variety of applications. As components which form the building blocks for electronic systems, we produce amplifiers, voltage-controlled oscillators, YIGs, BAWs, low noise amplifiers "LNAs", microwave mixers, and detectors using LDMOS, GaAs, GaN, InP, and SiC technologies. These components form the basis for our line of solid state power amplifiers, RF converters, and modems which are used in systems that provide communications links between ground stations, mobile units, UAVs, and orbiting satellites. Such products are also used in mobile telephone, TV broadcast and commercial data communications networks. In addition, a variety of our products are modified to design and manufacture higher level subsystems including: Improvised Explosive Device "IED" detection and jamming; UAV, mobile, and fixed location radar transmitters and receivers; and test and measurement systems; as well as Instantaneous Frequency Measurement "IFM"-based systems and subsystems, including integrated frequency locked sources and set-on receiver jammers used for the U.S. Navy and Air Force training.

We supply a variety of connectors and cable assemblies, including specialized high voltage connectors and subassemblies and coax microwave cable and connectors, for defense, aerospace and industrial applications. We also provide custom, high-reliability bulk wire and cable assemblies to a number of marine, environmental and industrial markets. Additionally, we produce pilot helmet mounted display components and subsystems for the Joint Helmet Mounted Cueing System (“JHMCS”) used in the F-15, F-16 and F-18 aircrafts. The JHMCS system is a multi-role system designed to enhance pilot situational awareness and provides visual control of aircraft targeting systems and sensors. We manufacture microprocessor-controlled aircraft ejection seat sequencers and related support elements to military aircraft programs. We have been awarded several development contracts to furnish electronic safe and arm devices for use in a number of military applications.

We provide specialty electronic manufacturing services. We develop and manufacture custom microelectronic modules that provide both high reliability and extremely dense packaging for military applications. We also develop custom tamper-resistant microcircuits designed to provide enhanced security in military communication. We serve the market for high-mix, low-volume manufacturing of sophisticated military electronics equipment. We manufacture advanced packaging solutions for military and commercial aircraft using rigid and rigid-flex printed circuit boards. We supply electromechanical relays, solid-state power relays and coaxial switching devices to military, aerospace and other industrial markets. Applications include microwave and wireless communication infrastructure, RF and general broadband test equipment, test equipment used in semiconductor manufacturing, and industrial and commercial machinery and control equipment. On commercial aircraft, our solid state and electromechanical relays are used in a variety of

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applications, including jet engine fuel control, management of control surfaces and other on board applications. We are a leading supplier of digital flight data acquisition and analysis systems to the civil aviation market. These systems acquire data for use by the aircraft's flight data recorder as well as record additional data for the airline's operation, such as aircraft and engine condition monitoring. We provide the means to transfer this data, using Teledyne's patented wireless technology, from the aircraft to the airline operation center. We also design and manufacture airborne networking products, including servers, as well as aircraft data loading equipment, flight line maintenance terminals and data distribution software used by commercial airlines and the U.S. military. We also provide lead acid aircraft batteries for general aviation, and business and light jet applications.

Engineered Systems

Our Engineered Systems segment provides innovative systems engineering and integration, advanced technology development, and manufacturing solutions for defense, space, environmental and energy applications. This segment also designs and manufactures electrochemical energy systems and small turbine engines.

Engineered Products and Services

Teledyne Brown Engineering, Inc. is a well-recognized full-service space, missile defense, marine systems, and energy company.

Our missile defense engineering and analytic capabilities include; concept definition; systems design, development, integration and testing; and prototype manufacturing with specialization in Service Oriented Architecture applications and real-time distributed test and Command and Control (“C2”) systems. We lead and support air and missile defense programs, including the Extended Air Defense Simulation (“EADSIM”) and the Objective Simulation Framework (“OSF”) programs. Associated engineering support tasks generally involve analysis, test and evaluation of air and ballistic missile defense system performance on a large number of major programs, including the Ground-based Midcourse Defense, Aegis Ballistic Missile Defense, the Patriot Advanced Capability 3, and the Terminal High Altitude Area Defense (“THAAD”) systems. As the Missile Defense Agency (“MDA”) prime contractor for the OSF contract, we design, develop, test, implement and maintain the OSF. The OSF is being designed to support full scale simulations, ground tests and live fire events throughout the life cycle of the Ballistic Missile Defense System.

We specialize in marine systems design and manufacturing. For the U.S. Special Operations Command, we are the prime contractor engaged to design, develop, test, manufacture and sustain the Shallow Water Command Submersible (“SWCS”) vehicle to replace the current SEAL Delivery Vehicle. We are producing the Littoral Battlespace Sensing Glider (“LBS-G”) system for the U.S. Navy Program Executive Office - Command, Control, Computer and Intelligence (“PEO-C4I”). Teledyne Webb Research is the glider developer and manufacturer on the LBS-G program. We manufacture gun mounts for the Littoral Combat Ship program and, under contract to Raytheon Company, we manufacture advanced mine detection and neutralization systems.

We are active in U.S. space programs and continue to play a vital role in the science operations area of the International Space Station (“ISS”) program. We provide 24-hour-per-day payload operations in the ISS Payload Operations and Integration Center located at NASA's Marshall Space Flight Center. In 2012, NASA awarded us a cooperative agreement to foster the commercial utilization of the ISS. Under this agreement, we are working to develop a commercial earth imaging platform known as the Multi-User System for Earth Imaging (“MUSES”). We also design, develop, and manufacture components for liquid rocket engines, scientific payloads, and manned space vehicles.

We operate a full service radiological analysis laboratory in Knoxville, Tennessee. This laboratory has received certification from the National Environmental Laboratory Accreditation Program in five states, including Utah and Texas where the largest commercial radiological waste disposal site resides. With its Nuclear Utilities Procurement Issues Committee certification, the laboratory also serves almost 50% of the nuclear power plants in United States. We also manage and operate a separation, purification and analysis of atmospheric samples laboratory for the U.S. Government. Additionally, we provide engineering and manufacturing for customers in the commercial nuclear market.

Extending our historic facilities and plant management services to the commercial arena, in November 2012, we were awarded a three-year lab and office facility management contract for research services from The Dow Chemical

Company. We are currently leading on-site and off-site management and support research services at Dow Chemical research facilities in Midland, Michigan, Freeport, Texas and Spring House, Pennsylvania.

We manufacture products that are primarily highly engineered and high quality machined and metal fabricated components and assemblies for external customers across the spectrum of our core business base, including NASA, U.S. Department of Defense customers and the U.S. Department of Energy, as well as commercial customers. Through our UK-based operations, we manufacture precision machined large components and also manufacture advanced composites for the commercial aviation industry.

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Energy Systems

We manufacture hydrogen/oxygen gas generators used worldwide in electrical power generation plants, semiconductor manufacturing, optical fiber production, chemical processing, specialty metals, float glass and other industrial processes. Our sales of hydrogen generators have been primarily in developing countries and domestic applications where delivered merchant gas is not practical. We also provide thermoelectric and electrochemical energy technology solutions for use in U.S. Government programs.

Turbine Engines

We design, develop and manufacture small turbine engines primarily used in tactical missiles for military markets. Our engines power the Boeing Harpoon and Standoff Land Attack Missile systems, and we are the sole source provider of engines for the baseline Lockheed Martin Joint Air-to-Surface Standoff Missile ("JASSM"). We also continue to work on advanced technology for small turbine engines and components for programs sponsored by the U.S. Air Force Research Laboratory.

Customers

We have hundreds of customers in the various industries we serve. No commercial customer accounted for more than 10% of our total sales during 2012, 2011 or 2010. Our largest commercial customer, a customer of our Instrumentation segment, accounted for 3.4%, 2.9% and 3.5% of total sales in 2012, 2011 and 2010, respectively. Sales to international customers accounted for approximately 39% of total sales in 2012, compared with 36% in 2011 and 29% in 2010. In 2012, we sold products to customers in over 100 foreign countries. Approximately 90 percent of our sales to foreign customers were made to customers in 24 foreign countries. The 2012 top five countries for international sales were the United Kingdom, Norway, China, Germany and Japan and constituted approximately 19% of our total sales.

Approximately 32%, 36% and 44% of our total sales for 2012, 2011 and 2010, respectively, were derived from contracts with agencies of, and prime contractors to, the U.S. Government. Information on our sales to the U.S. Government, including direct sales as a prime contractor and indirect sales as a subcontractor, is as follows (in millions):

	2012	2011	2010
Instrumentation	$39.9	$38.6	$35.6
Digital Imaging	128.8	110.2	93.3
Aerospace and Defense Electronics	269.9	303.6	302.4
Engineered Systems	245.4	242.0	296.1
Total U.S. Government sales	$684.0	$694.4	$727.4

Our principal U.S. Government customer is the U.S. Department of Defense. These sales represented 26%, 29% and 34% of our total sales for 2012, 2011 and 2010, respectively. In both 2012 and 2011, our largest program with the U.S. Government was the Systems Development and Operations Support contract with NASA's Marshall Space Flight Center, which represented 1.9% of our total sales in both years. In 2010, our largest program with the U.S. Government was the Systems Engineering and Technical Assistance contract with the Space and Missile Defense Command, and it represented 3.4% of then total sales.

As described on pages 13 through 15, there are risks associated with doing business with the U.S. Government. In 2012, approximately 59% of our U.S. Government prime contracts and subcontracts were fixed-price type contracts, compared to 60% in 2011 and 54% in 2010. Under these types of contracts, we bear the inherent risk that actual performance cost may exceed the fixed contract price. Such contracts are typically not subject to renegotiation of profits if we fail to anticipate technical problems, estimate costs accurately or control costs during performance. Additionally, U.S. Government contracts are subject to termination by the U.S. Government at its convenience, without identification of any default. When contracts are terminated for convenience, we typically recover costs incurred or committed, settlement expenses and profit on work completed prior to termination. We had six U.S. Government contracts terminated for convenience in 2012, compared to seven in 2011 and two in 2010.

Our total backlog of confirmed orders was approximately $952.5 million at December 30, 2012, compared with $944.6 million at January 1, 2012 and $863.8 million at December 31, 2010. We expect to fulfill 99% of such backlog of confirmed orders during 2013.

Raw Materials and Suppliers

Generally, our businesses have experienced minimal fluctuations in the supply of raw materials, but not without some price volatility. While some of our businesses provide services, for those businesses that sell hardware and product, a portion of the value that we provide is labor oriented, such as design, engineering, assembly and test activities. In manufacturing our

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products, we use our own production capabilities and also third party suppliers and subcontractors, including international sources. Some of the items we purchase for the manufacture of our products, including certain gyro components for some marine navigation applications, certain magnets and helix wire for our traveling wave tubes and certain infrared detectors substrates, as well as certain scintillator materials use in the production of our X-ray detectors, are purchased from limited or single sources, including international sources, due to technical capability, price and other factors. While over the years we have not experienced much difficulty in procuring raw materials, components, sub-assemblies and other supplies required in our manufacturing processes, continuing disruption in the global economy and financial markets could trigger increased pricing and otherwise affect our suppliers as well as our ability to procure some supplies.

Sales and Marketing

Our sales and marketing approach varies by segment and by products within our segments. A shared fundamental tenet is the commitment to work closely with our customers to understand their needs, with an aim to secure preferred supplier and longer-term relationships.

Our segments use a combination of internal sales forces, distributors and commissioned sales representatives to market and sell our products and services. Our Teledyne Instruments companies and other businesses have been working over the years to consolidate or share internal sales and servicing efforts. Several Teledyne businesses have been marketing and selling products collaboratively to similar customers to promote “one-stop” shopping under singular “brand” names, including Teledyne Oil & Gas, Teledyne Marine, Teledyne Nuclear, Teledyne Water Quality and Teledyne Microwave Solutions.

Products are also advertised in appropriate trade journals and by means of various websites. To promote our products and other capabilities, our personnel regularly participate in relevant trade shows and professional associations.

Many of our government contracts are awarded after a competitive bidding process in which we seek to emphasize our ability to provide superior products and technical solutions in addition to competitive pricing.

Through Teledyne Technologies International Corp. and other subsidiaries, the Company has established offices in foreign countries to facilitate international sales for various businesses. Locations include Brazil, China, France, Germany, Italy, Japan, Malaysia, Singapore, South Korea, Switzerland and the United Arab Emirates.

Competition

We believe that technological capabilities and innovation and the ability to invest in the development of new and enhanced products are critical to obtaining and maintaining leadership in our markets and the industries in which we compete. Although we have certain advantages that we believe help us compete effectively in our markets, each of our markets is highly competitive. Because of the diversity of products sold and the number of markets we serve, we encounter a wide variety of competitors. Our businesses vigorously compete on the basis of quality, product performance and reliability, technical expertise, price and service. Many of our competitors have, and potential competitors could have, greater name recognition, a larger installed base of products, more extensive engineering, manufacturing, marketing and distribution capabilities and greater financial, technological and personnel resources than we do.

Research and Development

Our research and development efforts primarily involve engineering and design related to improving products and developing new products and technologies in the same or similar fields. We spent a total of $364.2 million in 2012, $315.7 million in 2011 and $319.9 million in 2010 on research and development and bid and proposal costs. Customer-funded research and development, most of which was attributable to work under contracts with the U.S. Government, represented approximately 64% of total research and development costs for 2012, compared with 68% in 2011 and 81% in 2010.

In 2012, we incurred $131.6 million in Company-funded research and development and bid and proposal costs. We expect the level of Company-funded research and development and bid and proposal costs to be approximately $157.1 million in 2013.

Intellectual Property

While we own and control various intellectual property rights, including patents, trade secrets, confidential information, trademarks, trade names, and copyrights, which, in the aggregate, are of material importance to our business, we believe that our business as a whole is not materially dependent upon any one intellectual property or related group of such properties. We own several hundred active patents and are licensed to use certain patents, technology and other intellectual property rights owned and controlled by others. Similarly, other companies are licensed to use certain patents, technology and other intellectual property rights owned and controlled by us.

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Patents, patent applications and license agreements will expire or terminate over time by operation of law, in accordance with their terms or otherwise. We do not expect the expiration or termination of these patents, patent applications and license agreements to have a material adverse effect on our business, results of operations or financial condition.

Employees

We consider our relations with our employees to be good. Our total current workforce consists of approximately 9,630 employees, of which approximately 7,200 employees are located in the United States.

Executive Management

Teledyne's executive management includes:

Name and Title	Age	Principal Occupations Last 5 Years
Executive Officers:		
Robert Mehrabian* Chairman, President and Chief Executive Officer; Director	71	Dr. Mehrabian has served as Chairman, President and Chief Executive Officer of Teledyne for more than five years. He is a director of Teledyne and PPG Industries, Inc.
Melanie S. Cibik* Senior Vice President, General Counsel and Secretary	53	Miss Cibik has been Senior Vice President, General Counsel and Secretary of Teledyne since September 1, 2012. For more than five years prior to that she had been Vice President, Associate General Counsel and Assistant Secretary of Teledyne.
Susan L. Main* Senior Vice President and Chief Financial Officer	54	Ms. Main has been Senior Vice President and Chief Financial Officer of the Company since November 19, 2012. For more than five years prior to that she had been Vice President and Controller of Teledyne.
Wajid Ali* Vice President and Controller	39	Mr. Ali has been Vice President and Controller of the Company since November 19, 2012. For more than five years prior to that he had been Vice President and Chief Financial Officer of Teledyne DALSA, Inc. (formerly known as DALSA Corporation).
George C. Bobb III* Vice President, Chief Compliance Officer and Deputy General Counsel - Litigation	38	Mr. Bobb has been the Vice President, Chief Compliance Officer and Deputy General Counsel - Litigation of Teledyne since September 1, 2012. He had been an Associate General Counsel of Teledyne and the General Counsel of the Engineered Systems and Digital Imaging segments since August 2011. Since December 20, 2011, he has been Teledyne's Chief Ethics Officer. Prior to that, he held numerous legal roles since he joined Teledyne in July 2008. Prior to joining Teledyne, he served as Deputy Chief of Staff, and before then Counsel, for National Security Law and Policy in the National Security Division of the U.S. Department of Justice.
Name and Title	Age	Principal Occupations Last 5 Years
Segment Management:		
Aldo Pichelli* President and Chief Operating Officer, Instrumentation and Aerospace and Defense Electronics Segments	61	Mr. Pichelli has been President and Chief Operating Officer of Teledyne's Instrumentation and Aerospace and Defense Electronics segments since January 2, 2011. From September 1, 2007, to that date, he had been President and Chief Operating Officer of the Electronics and Communications segment.
Rex D. Geveden* President, Engineered Systems Segment and President and Chief Executive Officer of Teledyne Scientific & Imaging, LLC	51	Mr. Geveden has been the President of Teledyne Brown Engineering, Inc. and the Engineered Systems segment since August 1, 2007. Since January 16, 2012, he has also been the President and Chief Executive Officer of Teledyne Scientific & Imaging, LLC. From January 1, 2008 through January 2, 2011, he had been the President

		of the Energy and Power Systems segment. Prior to that, Mr. Geveden served as the Associate Administrator of the National Aeronautics and Space Administration (NASA) where he functioned as the agency's chief operating officer.
Brian C. Doody Chief Executive Officer and President, Teledyne DALSA, Inc.	51	Mr. Doody has been the Chief Executive Officer and President of Teledyne DALSA, Inc. since the February 12, 2011, acquisition of DALSA Corporation. From September 2007 to the acquisition, he had been the Chief Executive Officer of DALSA Corporation. Prior to that, he was the Chief Operating Officer of DALSA Corporation.
Thomas H. Reslewic President and Chief Executive Officer, Teledyne LeCroy, Inc.	53	Mr. Reslewic has been the President and Chief Executive Officer of Teledyne LeCroy, Inc. since the August 3, 2012, acquisition. Prior to the acquisition, he had been the President and Chief Executive Officer of LeCroy since January 2002.

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Name and Title	Age	Principal Occupations Last 5 Years
Other Officers:		
Cynthia Belak Vice President, Business Risk Assurance	56	Ms. Belak became the Vice President, Business Risk Assurance on January 24, 2012. Prior to that, since January 4, 2010, she had been Group Controller within the Aerospace and Defense Electronics segment. From February 2008 until joining Teledyne, she was the Vice President of Finance of Sypris Electronics LLC, and prior thereto, she was Vice President of Finance and Controller of Sypris Data Systems Inc.
Stephen F. Blackwood Vice President and Treasurer	50	Mr. Blackwood has been Vice President and Treasurer of Teledyne since April 23, 2008. From March 2007 to April 2008, he was Treasurer and Senior Director of Investor Relations of MannKind Corporation, a biotechnology company.
Robyn E. McGowan Vice President, Administration, Human Resources and Assistant Secretary	48	Ms. McGowan has been Vice President - Administration, Human Resources and Assistant Secretary of the Company for more than five years.
Patrick Neville Vice President and Chief Information Officer	39	Mr. Neville has been Vice President and Chief Information Officer since October 4, 2010. From January 2010 to June 2010, he was Director of IT Global Operations at Iberdrola S.A. and from January 2003 to December 2009 he was Vice President of Information Technology at Energy East Corporation.
Robert W. Steenberge Vice President and Chief Technology Officer	65	Mr. Steenberge has been a Vice President of the Company and Teledyne's Chief Technology Officer for more than five years.
Jason VanWees Vice President, Strategy and Mergers & Acquisitions	41	Mr. VanWees has been Vice President, Strategy and Mergers & Acquisitions since September 1, 2012. Prior to that, he had been Vice President, Corporate Development and Investor Relations of the Company, for more than five years.

* Such officers are subject to the reporting and other requirements of Section 16 of the Securities Exchange Act of 1934, as amended.

Dr. Robert Mehrabian and Teledyne have entered into a Fourth Amended and Restated Employment Agreement dated as of January 21, 2009. Under the agreement, we will employ Dr. Mehrabian as the Chairman, President and Chief Executive Officer through at least December 31, 2014, because 12 months' notice of nonrenewal had not been given prior to the expiration of the term ended December 31, 2012. The agreement automatically renews for a successive one year unless either party gives the other written notice of its election not to renew at least 12 months before the expiration of the current term or any successive renewal terms. If notice is given, Dr. Mehrabian would then retire on December 31st of the year following the 12th month after receipt of the notice. Under the agreement, Dr. Mehrabian's annual base salary is $910,000. The agreement provides that Dr. Mehrabian is entitled to participate in Teledyne's annual incentive bonus plan (“AIP”) and other executive compensation and benefit programs. The agreement provides Dr. Mehrabian with a non-qualified pension arrangement, under which Teledyne will pay him annually starting six months following his retirement and for a period of 10 years, as payments supplemental to any accrued pension under our qualified pension plan, an amount equal to 50% of his base compensation as in effect at retirement.

In connection with our agreement to purchase DALSA Corporation in December 2010, DALSA entered into an executive employment agreement with Wajid Ali, who at the time was the Chief Financial Officer of DALSA. In November 2012, Mr. Ali was promoted to Vice President and Controller of Teledyne. Under the Executive Employment Agreement dated December 22, 2010, in the event Mr. Ali is terminated for reasons other than just cause or death or disability, or in the event Mr. Ali terminates his employment for good reason, he is entitled to a lump sum

payment equal to between one and two times (based on how long he has worked at Teledyne or DALSA) his annual base salary, a lump sum amount equal to between one and two times (based on how long he has worked at Teledyne or DALSA) the average annual AIP payment received by Mr. Ali in each of the last three fiscal years, continuation of health benefits, and a pro-rated AIP payment based on the average annual AIP payment received by Mr. Ali in each of the last three fiscal years. (In the event of a termination of Mr. Ali in a change of control in which he receives benefits under the Change of Control Severance Agreement described below, he will not receive duplicative benefits under his executive employment agreement.)

Mr. Ali also is a party to an agreement pursuant to which he agrees not to compete with DALSA and Teledyne or solicit employees and customers during the 18 months following the termination of his employment (for any reason).

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Seventeen current members of management have entered into change of control severance agreements. The agreements have a three-year, automatically renewing term, except as noted below. The executive is entitled to severance benefits if (1) there is a change in control of the Company and (2) within three months before or 24 months after the change in control, either we terminate the executive's employment for reasons other than cause or the executive terminates the employment for good reason. “Severance benefits” currently consist of:

- A cash payment equal to three times (in the case of Dr. Mehrabian) or two times (in the case of Mr. Pichelli, Mr. Geveden, Ms. Main and Mr. Ali and 12 other executives) the sum of (i) the executive's highest annual base salary within the year preceding the change in control and (ii) the Annual Incentive Plan bonus target for the year in which the change in control occurs or the average actual bonus payout for the three years immediately preceding the change in control, whichever is higher (in the case of Dr. Mehrabian, Mr. Pichelli, Mr. Geveden, Ms. Main and Mr. Ali and 11 other executives) or the Annual Incentive Plan bonus target for the year in which the change in control occurs or the actual bonus payout for the year immediately preceding the change in control, whichever is higher (in the case of one other executive).
- A cash payment for the current Annual Incentive Plan bonus cycle based on the fraction of the year worked times the Annual Incentive Plan target objectives at 100% (in the case of Dr. Mehrabian, Mr. Pichelli, Mr. Geveden and 11 other executives) or 120% (in the case of one other executive) (with payment of the prior year bonus if not yet paid).
- Payment in cash for unpaid performance share program awards, assuming applicable goals are met at 120% of performance targets.
- Continued equivalent health and welfare (e.g., medical, dental, vision, life insurance and disability) benefits at our expense for a period of up to 36 months (24 months in some agreements) after termination (with the executive bearing any portion of the cost the executive bore prior to the change in control); provided, however, such benefits would be discontinued to the extent the executive receives similar benefits from a subsequent employer.
- Removal of restrictions on restricted stock issued under our restricted stock award programs.
- Full vesting under the Company's pension plans (within legal parameters) such that the executive shall be entitled to receive the full accrued benefit under all such plans in effect as of the date of the change in control, without any actuarial reduction for early payment.
- Up to $25,000 ($15,000 in some agreements) reimbursement for actual professional outplacement services.
- Immediate vesting of all stock options, with options being exercisable for the full remainder of the term (in the case of one executive, this immediate vesting of options takes place upon a change of control.)
- In the case of one executive, a “gross-up-payment” to hold the executive harmless against the impact, if any, of federal excise taxes imposed on the executive as a result of the payments constituting an “excess parachute” as defined in Section 280G of the Internal Revenue Code. In the case of Dr. Mehrabian, Mr. Pichelli, Mr. Geveden, Ms. Main and Mr. Ali and 11 other executives, the executive will receive the better of, on an after-tax basis, (a) the unreduced excess parachute payment with no tax gross up payment, or (b) a parachute payment reduced to a level below which an excise tax is imposed.

The agreements were amended as of December 31, 2008 to defer certain payments for six months following a separation of service to assure compliance with Section 409A of the Internal Revenue Code.

On or before February 25, 2011, Dr. Mehrabian, Mr. Pichelli, Mr. Geveden, Ms. Main and seven other executives voluntarily agreed to amend and restate their agreements to conform the agreements to prevailing best practices. Subsequently, the Company entered into change of control severance agreements, which substantially conformed to the amended and restated agreement version, with five other executives. As compared to the prior agreements, as reflected above, the amended and restated change in control severance agreements contain four key changes or reductions as follows:

- Eliminate a “gross up payment” to hold the executive harmless against the impact, if any, of federal excise taxes imposed on executive as a result of “excess parachute” payments as defined in Section 280G of the Internal Revenue Code. Instead, the executive will receive the better of, on an after-tax basis, (a) the unreduced excess parachute

payment with no tax gross up, or (b) a parachute payment reduced to a level below which an excise tax is imposed.

- Change the “single trigger” vesting of stock options upon a change of control to a “double trigger”.
- Change the formula for calculating the amount of severance: instead of the severance payment being a multiple of base salary plus bonus, with bonus being the higher of target or the most recent bonus payout, the severance payment will be a multiple of base salary plus bonus, with bonus being the higher of target or the prior three year average bonus.
- Reduce the amount of short year bonus: instead of a short year bonus being calculated at maximum (i.e., two times target), short year bonus will be calculated at target.

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On January 31, 2011, Teledyne also provided notice to one executive who did not agree to sign the amended and restated change in control agreement that it would not extend the term of his agreement, which action results in the termination of his existing change in control severance agreement three years from the date of such notice (January 31, 2014).

The Company has entered into individual Indemnification Agreements with directors and certain officers and executives of Teledyne, including those then members of Executive Management listed above. The Indemnification Agreements provide the directors and executives who are parties to the agreements with a stand-alone contractual right to indemnification and expense advancement to the greatest extent allowable under Delaware law. The Indemnification Agreements also provide:

- In a third-party proceeding, an indemnitee is entitled to indemnification if the indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company and, if in a criminal action or proceeding, if the indemnitee had no reason to believe that his or her conduct was unlawful. In a third party proceeding, the indemnification obligation covers reasonable expenses, judgment fines, and amounts paid in settlement actually and reasonably incurred by the indemnity.
- In proceedings by or in the name of the Company (e.g., derivative suits), an indemnitee is entitled to indemnification if the indemnitee acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company. In derivative suits, the indemnification obligation covers reasonable expenses, but in proceedings where the Company is alleging harm caused by the indemnitee, the indemnitee would generally not be entitled to be indemnified for judgments, fines and amounts paid in settlement (otherwise the Company would effectively not recover any damages), unless perhaps a Delaware or other court determines otherwise despite the finding of liability.
- The Company has an obligation to advance, on an unsecured and interest free basis, reasonable expenses incurred by the indemnitee within 30 days of the indemnitee's request. The indemnitee does not need to meet any standard of conduct to be entitled to advancement of expenses and there is no determination requirement to be made by the Board in connection with the advancements of expenses. An indemnity must repay any amounts advanced if it ultimately determined that the indemnity is not entitled to indemnification.

Our indemnification obligations do not cover the following situations: (1) where indemnification payments have been made under director's & officer's insurance or other indemnification provisions; (2) where the claim is based on disgorgement of short-swing profits under Section 16(b) of the Exchange Act; (3) where the claim is based on reimbursement by the indemnitee to the Company of a bonus or other incentive-based or equity-based compensation if required under the Exchange Act (e.g., in connection with a restatement as a result of the company's noncompliance with the financial reporting requirements required by Section 304 of the Sarbanes-Oxley Act); or (4) where the proceeding is initiated by the indemnitee (other than proceedings that are consented to by the Board or that the indemnitee initiates against the Company to enforce the Agreement).

Under the Indemnification Agreements, in the event of a change in control or we reduce or do not renew our director's & officer's insurance coverage, we are required to purchase (or cause the acquirer or successor to the Company to purchase or maintain) a six-year tail policy, subject to a 200% premium cap. The agreements continue until the later of (i) 10 years after the indemnitee ceases to serve as a director or officer, and (ii) one year following the final termination of any proceeding subject to the agreement.

Item 1A. Risk Factors.

Risk Factors; Cautionary Statement as to Forward-Looking Statements

The following text highlights various risks and uncertainties associated with Teledyne. These factors could materially affect “forward-looking statements” (within the meaning of the Private Securities Litigation Reform Act of 1995) that we may from time to time make, including forward-looking statements contained in “Item 1. Business” and “Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K and in Teledyne's 2012 Annual Report to Stockholders. It is not possible for management to predict all such factors, and new factors may emerge. Additionally, management cannot assess the impact of each such factor on Teledyne or the extent

to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

A new global recession, continued economic uncertainty in Europe or an economic downturn in China may adversely affect us.

If another global recession emerges, if economic uncertainty in Europe continues or worsens, or if economic growth in China substantially slows, we may experience declines in revenues, profitability and cash flows from reduced orders, payment

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delays, collection difficulties, increased price pressures for our products, increased risk of excess and obsolete inventories or other factors caused by the economic problems of customers. If negative conditions in the global credit markets prevent our customers' access to credit or render them insolvent, orders for our products may decrease, which would result in lower revenue. Likewise, if our suppliers face challenges in obtaining credit, in selling their products, or otherwise in operating their businesses or remaining solvent, they may become unable to offer the materials we use to manufacture our products. These events could adversely impact our ability to manufacture affected products and could also result in reductions in our revenue, increased price competition, and increased operating costs, which could adversely affect our business, financial condition, results of operations, and cash flows.

We develop and manufacture products for customers in the energy exploration and production markets, domestic and international commercial aerospace markets, the semiconductor industry, consumer electronics and the automotive industry, each of which has been cyclical and suffered from fluctuating market demands. A cyclical downturn in these markets may materially affect future operating results.

In addition, we sell products and services to customers in industries that are sensitive to the level of general economic activity and consumer spending habits and in more mature industries that are sensitive to capacity. Adverse economic conditions affecting these industries may reduce demand for our products and services, which may reduce our revenues, profits or production levels. Some of our businesses serve industries such as power generation and petrochemical refining, which may be negatively impacted by reductions in global capital expenditures and manufacturing capacity.

Our dependence on revenue from government contracts subjects us to many risks:

Our revenue from government contracts depends on the continued availability of funding from the U.S. Government, and, accordingly, we have the risk that funding for our existing contracts may be canceled or diverted to other uses or delayed.

We perform work on a number of contracts with the Department of Defense and other agencies and departments of the U.S. Government including sub-contracts with government prime contractors. Sales under contracts with the U.S. Government as a whole, including sales under contracts with the Department of Defense, as prime contractor or subcontractor, represented approximately 32% of our total revenue in 2012, as compared with 36% in 2011 and 44% in 2010. Performance under government contracts has inherent risks that could have a material effect on our business, results of operations, and financial condition.

Government contracts are conditioned upon the continuing availability of Congressional appropriations and the failure of Congress to appropriate funds for programs in which we participate could negatively affect our results of operations. The failure by Congress to approve budgets on a timely basis could delay procurement of our services and products and cause us to lose future revenues. The U.S. Government's inability to complete its budget process, or to fund government operations pursuant to a continuing resolution, may result in a U.S. Government shutdown which could result in a material loss of revenues for us. U.S. defense spending is expected to decline in some areas over the next few years. A continued emphasis on Federal deficit and debt reduction could lead to a decrease in overall defense spending. The continued war on terrorism and a winding down of the Iraq and Afghanistan wars also could result in a diversion of funds from programs in which Teledyne participates. Budgetary concerns could result in future contracts being awarded more on price than on other competitive factors, and smaller defense budgets could result in more intense competition on programs, which could result in lower revenues and profits.

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The sequestration provision of the Budget Control Act of 2011 would impose $500 billion of defense cuts over nine years starting in fiscal year 2013, which represents approximately 9 percent of planned defense funding over the period. If sequestration is triggered, the fiscal year 2013 defense budget could be lowered by as much as $40 to $50 billion, or approximately 9 percent. How these reductions would be implemented has not been defined. Congress recently extended the deadline for resolving sequestration to March 1, 2013. We are unable to predict the impact that sequestration or other defense spending cuts would have on funding for defense programs in which we participate; however, the reductions could have a material adverse impact on our business if they are implemented. In addition, uncertainty related to ongoing fiscal debates in Congress and the threat of sequestration, if it continues to be unresolved, could result in our government and defense contractor customers delaying orders or payments or reducing spending on programs in which we participate.

Continued defense spending does not necessarily correlate to continued business for us, because not all of the programs in which we participate or have current capabilities may be provided with continued funding. Changes in policy and budget priorities by the President, his Administration and our Congress for various Defense and NASA programs could continue to impact our Engineered Systems and Aerospace and Defense Electronics segments. For example, changes in national space policy that affect NASA's budget have occurred. There have also been significant reductions in missile defense budgets. We anticipate continuing scrutiny of those budgets to impact our revenues. Our Engineered Systems segment may be further impacted by delays in production funding on the Joint Air-to-Surface Standoff Missile (“JASSM”) program and a possible reduction of continued production runs under the Harpoon missile program. The timing of program cycles can also affect our results of operations for a particular quarter or year. It is not uncommon for the Department of Defense to delay the timing of awards for major programs for six to twelve months, or more, beyond the original projected timeframe. Reductions and delays in research and development funding by the U.S. Government may continue to impact our revenues. As the Defense Advanced Research Projects Agency, referred to as DARPA, reviews its programs aimed to enhance technologically U.S. military capabilities and national security, changes to the DARPA research and technology development programs in which we participate could occur. Finally, various Department of Defense initiatives, such as the emphasis on in-sourcing positions to the Government and anticipated reductions or cancellations of existing programs could negatively impact our Engineered Systems segment.

Our participation in government programs may decrease or be subject to renegotiation as those programs evolve over time.

The U.S. Government has been placing emphasis on small business quotas and increasing small business contract set asides and minimum work percentages. In some cases, prime contractors are required to reduce participation by large subcontractors like Teledyne in order to fill small business quotas and be responsive to proposals and bids. As a result, our Engineered Systems segment could be significantly impacted.

Over time, and for a variety of reasons, programs can evolve and affect the extent of our participation. For example, Teledyne Brown Engineering, Inc.'s Ground-based Midcourse Defense program was negatively impacted by both the nominal end date of development activity and the change in focus of the current Administration relative to missile defense.

We have been a significant participant in NASA programs, primarily through our Engineered Systems segment and through Teledyne Scientific Company. The current Administration introduced significant changes to the national space policy, including the cancellation of the NASA's Constellation Program which includes Ares launch vehicles. The Administration plans to utilize commercial launch vehicles for crew and cargo ISS expeditions, and develop a NASA heavy lift launch vehicle for space exploration. As a result of these changes, we have been attempting to transition our business to meet the needs of the new policy and programs, with the further understanding that the existing international space station will continue to be fully functional and supported and that the U.S. will continue investment in human space flight. Failure to transition our business successfully could result in reduced sales. In addition, delayed funding and lack of clear focus and support for NASA's new space policy could negatively impact our business.

Our contracts with the U.S. Government are subject to termination rights that could adversely affect us.

Most of our U.S. Government contracts are subject to termination by the U.S. Government either at its convenience or upon the default of the contractor. Termination for convenience provisions provide only for the recovery of costs incurred or committed, settlement expenses, and profit on work completed prior to termination. Termination for default clauses impose liability on the contractor for excess costs incurred by the U.S. Government in reprocuring undelivered items from another source. We had six U.S. Government contracts terminated for convenience in 2012, compared with seven in 2011 and two in 2010. No contracts were terminated for default during such three-year period.

We may lose money or generate less than expected profits on our fixed-price government contracts and we may lose money if we fail to meet certain pre-specified targets in government contracts.

There is no guarantee that U.S. Government contracts will be profitable. A number of our U.S. Government prime contracts and subcontracts are fixed-price type contracts (59% of our total U.S. Government contracts were fixed-price in 2012, 60% in 2011 and 54% in 2010). Under these types of contracts, we bear the inherent risk that actual performance cost may

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exceed the fixed contract price. Under such contracts, we must absorb cost overruns, notwithstanding the difficulty of estimating all of the costs we will incur in performing these contracts. We cannot assure that our contract loss provisions in our financial statements will be adequate to cover all actual future losses. We may lose money on some contracts if we fail to meet these estimates.

Our business is subject to government contracting regulations and our failure to comply with such laws and regulations could harm our operating results and prospects.

We, like other government contractors, are subject to various audits, reviews and investigations (including private party "whistleblower" lawsuits) relating to our compliance with federal and state laws. More routinely, the U.S. Government may audit the costs we incur on our U.S. Government contracts, including allocated indirect costs. Such audits could result in adjustments to our contract costs. Any costs found to be improperly allocated to a specific contract will not be reimbursed, and such costs already reimbursed would need to be refunded. We have recorded contract revenues based upon costs we expect to realize on final audit. In a worst case scenario, should a business or division involved be charged with wrongdoing, or should the U.S. Government determine that the business or division is not a "presently responsible contractor," that business or division, and conceivably our Company as a whole, could be temporarily suspended or, in the event of a conviction, could be debarred for up to three years from receiving new government contracts or government-approved subcontracts. In addition, we could expend substantial amounts defending against such charges and in damages, fines and penalties if such charges were proven or were to result in negotiated settlements.

United States and global responses to terrorism, the end of the war in Iraq and the winding down of war in Afghanistan, continuing turmoil in Middle Eastern countries, Mexican border town violence, concerns regarding nuclear proliferation and the safety of nuclear energy, potential epidemics, financial issues facing airlines and volatile energy prices increase uncertainties with respect to many of our businesses and may adversely affect our business and results of operations.

United States' and global responses to terrorism, the end of war in Iraq and the winding down of war in Afghanistan, continuing turmoil in Middle Eastern countries, Mexican border town violence and nuclear proliferation concerns increase uncertainties with respect to U.S. and other business and financial markets and could adversely affect our business and operations.

Air travel declines have occurred after terrorist attacks and heightened security alerts, as well as after the H1N1 virus, SARS and bird flu scares. While travel by our sales and service personnel to various regions have been affected by such factors, additional declines in air travel resulting from such factors and other factors could adversely affect the financial condition of many of our commercial airline and aircraft manufacturer customers and, in turn, could adversely affect our Aerospace and Defense Electronics segment. In addition, a prolonged virus epidemic or pandemic, or the threat thereof, could result in worker absences, lower productivity, voluntary closure of our offices and manufacturing facilities, disruptions in our supply chain, travel restrictions on our employees, and other disruptions to our businesses. Moreover, health epidemics may force local health and government authorities to mandate the temporary closure of our offices and manufacturing facilities.

Deterioration of financial performance of airlines could result in a reduction of discretionary spending for upgrades of avionics and in-flight communications equipment, which would adversely affect our Aerospace and Defense Electronics segment.

Higher oil prices could adversely affect commercial airline-related customers of our Aerospace and Defense Electronics segment. Conversely, lower oil prices could decrease oil exploration and petrochemical refining activities and hinder our marine and other instrumentation businesses. In addition, instability in the Middle East or other oil-producing regions could adversely affect expansion plans of the oil and gas industry customers of our instrumentation and cable solutions businesses.

The Fukushima Daiichi nuclear incident in 2011 created uncertainty for our U.S. nuclear market customers for new nuclear power plant construction. This uncertainty could have an impact on investments in the nuclear market, including investments associated with building enriched uranium plants, which could have an adverse impact on our Engineered Systems segment.

Acquisitions involve inherent risks that may adversely affect our operating results and financial condition.

Our growth strategy includes acquisitions. Acquisitions involve various inherent risks, such as:

- our ability to assess accurately the value, strengths, weaknesses, internal controls, contingent and other liabilities and potential profitability of acquisition candidates;
- the potential loss of key personnel of an acquired business;
- our ability to integrate acquired businesses and to achieve identified financial, operating and other synergies anticipated to result from an acquisition;
- our ability to assess, integrate and implement internal controls of acquired businesses in accordance with Section 404 of the Sarbanes-Oxley Act of 2002;

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- the distraction of management resulting from the need to integrate acquired businesses;
- increased competition for acquisition targets, which may increase acquisition costs;
- the risks associated with acquiring privately-held companies, which generally do not have as formal or comprehensive internal controls and compliance systems in place as public companies;
- production delays associated with consolidating acquired facilities and manufacturing operations;
- risks associated with owning and operating businesses internationally, including those arising from U.S. and foreign government policy changes or actions and exchange rate fluctuations; and
- unanticipated changes in business and economic conditions affecting an acquired business.

While we conduct financial and other due diligence in connection with our acquisitions and generally seek some form of protection, including indemnification from a seller and sometimes an escrow of a portion of the purchase price to cover potential issues, such acquired companies may have weaknesses or liabilities that are not accurately assessed or brought to our attention at the time of the acquisition. Further, indemnities or escrows may not fully cover such matters, particularly matters identified after a closing.

As they have over the last few years, acquisitions may also change the nature and level of various risks faced by Teledyne. For example, the DALSA acquisition in 2011 and again the LeCroy acquisition in 2012 increased the percentage of sales attributable to commercial customers as opposed to the U.S. Government. These acquisitions, coupled with our acquisitions of additional Canada-based companies (Optech and VariSystems), also increased the percentage of revenues and expenses that arise from international sources and our consequently our exposure to U.S. and foreign policy changes and exchange rate fluctuations. Additionally, both DALSA's and LeCroy's businesses have been more capital intensive than other Teledyne businesses, increasing Teledyne's capital requirements.

Under SEC rules, Teledyne must issue a report on management's assessment of the effectiveness of internal controls over financial reporting. The SEC permits a limited time-based exclusion for acquisitions to give a company an opportunity to evaluate more fully the internal controls of acquired companies and correct deficiencies and institute new or additional internal controls. Our 2012 management's report specifically excludes from its scope and coverage our 2012 acquisitions of LeCroy, BlueView, VariSystems, PDM Neptec and the majority interest in the parent company of Optech, allowing us additional time to evaluate existing internal controls and implement additional controls as appropriate. With regard to future acquisitions, we can provide no assurance that we will be able to provide a report that contains no significant deficiencies or material weaknesses with respect to these acquired companies or other acquisitions.

In connection with our acquisitions, including ones which we do not complete, we may incur significant transaction costs. We are required to expense as incurred such transaction costs, which may have an adverse impact on our quarterly financial results.

We are subject to the risks associated with international sales, which could harm our business or results of operations. During 2012, sales to international customers accounted for approximately 39% of our total revenues, as compared to 36% in 2011 and 29% in 2010. We anticipate that future sales to international customers will continue to account for a significant and increasing percentage of our revenues, particularly since business and growth plans for many Teledyne businesses focus on sales outside of the United States, including to emerging markets such as China and Brazil. The total 2012 top five countries for international sales were United Kingdom, Norway, China, Germany and Japan, constituting 19% of our total sales. The 2011 DALSA acquisition and the 2012 LeCroy acquisition each has contributed to greater international sales. Risks associated with international sales include:

- political and economic instability;
- international terrorism;
- export controls, including U.S. export controls related to China and increased scrutiny of exports of marine instruments, digital imaging and other products;
- changes in legal and regulatory requirements;
- U.S. and foreign government policy changes affecting the markets for our products;
- changes in tax laws and tariffs;
- changes in U.S. - China relations;

- difficulties in protection and enforcement of intellectual property rights;
- transportation, including piracy in international waters; and
- exchange fluctuations.

Any of these factors could have a material adverse effect on our business, results of operations and financial condition. Exchange rate fluctuations may negatively affect the cost of our products to international customers and therefore reduce our competitive position. With the 2011 acquisition of Canada-based DALSA and the 2012 acquisitions of the majority interest in the parent company of Optech and VariSystems, also Canada-based, volatility in the value of the Canadian dollar relative to the

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U.S. dollar, or other foreign currencies, could adversely affect the business, operations and the financial condition of our Digital Imaging segment.

Sales of our products and services internationally are subject to U.S. and local government regulations and procurement policies and practices including regulations relating to import-export control. Violations of export control rules could result in suspension of our ability to export items from one or more businesses or the entire corporation. Depending on the scope of the suspension, this could have a material effect on our ability to perform certain international contracts.

Among other things, we are subject to the U.S. Foreign Corrupt Practices Act, or FCPA, which generally prohibits U.S. companies and their intermediaries from bribing foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment. Further, in 2011, the United Kingdom also implemented the U.K. Bribery Act, which raised the bar for anti-bribery law enforcement and compliance relative to the FCPA. Any determination that we had violated the FCPA, the U.K. Bribery Act, or equivalent anti-bribery and corruption laws in countries in which we do business could result in sanctions that could have a material adverse effect on our business, financial condition and results of operations. While we have procedures and compliance programs in place and conduct FCPA and other trainings, we cannot provide assurance that our internal controls will always protect us from misconduct by our employees, agents or business partners.

We face risks related to sales through distributors and other third parties that we do not control, which could harm our business.

We sell a portion of our products through third parties such as distributors, value-added resellers and OEMs (collectively “distributors”). Using third parties for distribution exposes Teledyne to many risks, including competitive pressure, concentration, credit risk and compliance risks. We may rely on one or more key distributors for a product, and the loss of these distributors could reduce our revenue. Distributor may face financial difficulties, including bankruptcy, which could harm our collection of accounts receivables and financial results. Violations of the FCPA or similar anti-bribery laws by distributors or other third party intermediaries could have a material impact on our business. Failing to manage risks related to our use of distributors may reduce sales, increase expenses, and weaken our competitive position.

Our indebtedness, and any failure to comply with our covenants that apply to our indebtedness, could materially and adversely affect our business.

As of December 30, 2012, we had $543.9 million in total outstanding indebtedness. This indebtedness included $250.0 million in senior unsecured notes issued and sold in a private placement transaction in September 2010, $200.0 million in term loans obtained in October 2012, $79.0 million under our $550.0 million credit facility and $14.8 million in other debt. Our indebtedness could harm our business by, among other things, reducing the funds available to make new strategic acquisitions or reducing our flexibility in planning for or reacting to changes in our business and market conditions. Our indebtedness exposes us to interest rate risk since a portion of our debt obligations are at variable rates. Our indebtedness could also have a material adverse effect on our business by increasing our vulnerability to general adverse economic and industry conditions or a downturn in our business. General adverse economic and industry conditions or a downturn in our business could result in our inability to repay this indebtedness in a timely manner. We may also amend our current credit facility or enter into new credit facility. We may also elect to raise other forms of debt capital, depending on financial, market and economic conditions.

Product liability claims, product recalls and field service actions could have a material adverse effect on our reputation, business, results of operations and financial condition and we may have difficulty obtaining product liability and other insurance coverage.

As a manufacturer and distributor of a wide variety of products, including monitoring instruments, products used in offshore oil and gas production, products used in commercial aviation and medical devices, our results of operations are susceptible to adverse publicity regarding the quality or safety of our products. In part, product liability claims challenging the safety of our products may result in a decline in sales for a particular product, which could adversely affect our results of operations. This could be the case even if the claims themselves are proven untrue or settled for immaterial amounts.

While we have general liability and other insurance policies concerning product liabilities, we have self-insured retentions or deductibles under such policies with respect to a portion of these liabilities. Awarded damages could be more than our accruals. We could incur losses above the aggregate annual policy limit as well. We cannot assure that, for 2013 and in future years, insurance carriers will be willing to renew coverage or provide new coverage for product liability.

Product recalls can be expensive and tarnish our reputation and have a material adverse effect on the sales of our products.

We have been joined, among a number of defendants (often over 100), in lawsuits alleging injury or death as a result of exposure to asbestos. Also, because of the prominent “Teledyne” name, we may continue to be mistakenly joined in lawsuits involving a company or business that was not assumed by us as part of our 1999 spin-off. To date, we have not incurred

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material liabilities in connection with these lawsuits. However, our historic insurance coverage, including that of its predecessors, may not fully cover such claims and the defense of such matters. Coverage typically depends on the year of purported exposure and other factors. Nonetheless, we intend to vigorously defend our position against these claims.

Certain gas generators historically manufactured by Teledyne Energy Systems, Inc. contained a sealed, wetted asbestos component. While the company has transitioned to a replacement material, had placed warning labels on its products and took care in handling of this discontinued material by employees, there is no assurance that the company will not face product liability or workers compensation claims involving this component.

Our Teledyne Brown Engineering, Inc.'s laboratory in Knoxville, Tennessee performs radiological analyses. Errors and omissions in analyses may occur. Our insurance coverage or indemnities may not be adequate to cover potential problems associated with faulty radiological analyses.

Teledyne Brown Engineering, Inc. and other Teledyne companies manufacture components for customers in the nuclear power market, including utilities and certain governmental entities. Certain liabilities associated with such products are covered by the Price Anderson Act and other statutory and common law defenses, and we have received indemnities from some of our customers. However, there is no assurance we will not face product liability claims related to such products or that our exposure will not exceed the amounts for which we have liability coverage or protection.

We cannot assure that we will not have additional product liability claims or that we will not recall any additional products.

Our pension expense and the value of our pension assets are affected by factors outside of our control, including the performance of plan assets, the stock market, interest rates and actuarial experience.

We have a defined benefit qualified pension plan covering most of our U.S. employees hired prior to 2004 or approximately 22% of our active employees. The value of the combined pension assets is currently less than our pension benefit obligation. The accounting rules applicable to our qualified pension plan require that amounts recognized in the financial statements be determined on an actuarial basis, rather than as contributions are made to the plan. Two significant elements in determining our pension income or pension expense are the expected return on plan assets and the discount rate used in projecting pension benefit obligations. Declines in the stock market and lower rates of return could increase required contributions to our qualified pension plan. Our investment strategy may not produce the expected returns if the credit, financial or stock markets deteriorate. Any decreases or increases in market interest rates will affect the discount rate assumption used in projecting pension benefit obligations. In 2012, in an effort to reduce the risks associated with our current and future domestic pension obligation, we amended the pension plan to change the rate at which pension benefits accrue after February 29, 2012 and offered and made lump sum payments to certain participants in the plan whose employment with Teledyne had terminated. In 2012, 2011 and 2010, we have made voluntary pretax cash contributions totaling $198.8 million to the domestic pension plan. If, and to the extent, decreases in our pension assets are not offset by voluntary contributions, recovered through future asset returns, mitigated by an increase in the rate at which the benefit obligation is discounted, or other actions, our required cash contributions and pension expense could increase under the plans. For additional discussion of pension matters, see the discussion under “Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition” and Notes 2 and 12 to Notes to Consolidated Financial Statements.

Our future financial results could be adversely impacted by asset impairment charges.

Under current accounting guidance, we are required to test annually both acquired goodwill and other indefinite-lived intangible assets for impairment based upon a fair value approach, rather than amortizing them over time. We have chosen to perform our annual impairment reviews of goodwill and other indefinite-lived intangible assets during the fourth quarter of each fiscal year. We also are required to test goodwill for impairment between annual tests if events occur or circumstances change that would more likely than not reduce our enterprise fair value below its book value. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in an entity's market value, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business, or other factors. If the fair market value is less than the carrying value, including goodwill, we could be required to record an impairment charge. The valuation of reporting units

requires judgment in estimating future cash flows, discount rates and estimated product life cycles. In making these judgments, we evaluate the financial health of the business, including such factors as industry performance, changes in technology and operating cash flows. As we have grown through acquisitions, the amount of goodwill and net acquired intangible assets is significant compared with our total assets. As a result, the amount of any annual or interim impairment could be significant and could have a material adverse effect on our reported financial results for the period in which the charge is taken. We also may be required to record an earnings charge or incur unanticipated expenses if, as a result of a change in strategy or other reason, we were to determine the value of other assets had been impaired.

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We may not have sufficient resources to fund all future research and development and capital expenditures or possible acquisitions.

In order to remain competitive, we must make a substantial investment in research and development of new or enhanced products and continuously upgrade our process technology and manufacturing capabilities. In September 2006, we acquired Rockwell Scientific Company LLC, a provider of research and development services primarily in the areas of electronics, optics, information sciences and materials technologies, and in 2011 and in 2012 we acquired DALSA and LeCroy, respectively, each of which had historically made significant investments in research and development relative to total revenues. With Teledyne Scientific Company in our portfolio, we have been actively promoting and funding joint research and development projects with other Teledyne businesses, including Teledyne Brown Engineering, Inc., Teledyne Reynolds, Inc. and our Teledyne Oil & Gas businesses and more recently DALSA and LeCroy. Additionally, some of our businesses are actively pursuing governmental support and funding for some of their research and development initiatives, including DALSA with respect to its CMOS image sensor development efforts. Nonetheless, we may be unable to fund all of our research and development and capital investment needs or possible acquisitions. Our ability to raise additional capital will depend on a variety of factors, some of which will not be within our control, including the existence of bank and capital markets, investor perceptions of us, our businesses and the industries in which we operate, and general economic conditions. Failure to successfully raise needed capital on a timely or cost-effective basis could have a material adverse effect on our business, results of operations and financial condition. In addition, if we fail to accurately predict future customer needs and preferences or fail to produce viable technologies, we may invest heavily in research and development of products that do not lead to significant revenue, which would adversely affect our profitability.

We may be unsuccessful in our efforts to increase our participation in new markets.

We intend to both adapt our existing technologies and develop new products to expand into new market segments. We may be unsuccessful in accessing these and other new markets if our products do not meet our customers' requirements, as a result of changes in either technology and industry standards or because of actions taken by our competitors.

Limitations in customer funding for applied research and development and technology insertion projects and government support for research and development expenditures may reduce our ability to apply our ongoing investments in some market areas.

We may be unable to successfully introduce new and enhanced products in a timely and cost-effective manner, which could harm our growth and prospects.

Our operating results depend in part on our ability to introduce new and enhanced products on a timely basis. In order to improve our product development capabilities we purchased the research center that is now Teledyne Scientific Company in 2006 and in 2011 we purchased DALSA, which has access to a well-equipped MEMS research and development center. Successful product development and introduction depend on numerous factors, including our ability to anticipate customer and market requirements, changes in technology and industry standards, our ability to differentiate our offerings from offerings of our competitors, and market acceptance. We may not be able to develop and introduce new or enhanced products in a timely and cost-effective manner or to develop and introduce products that satisfy customer requirements.

Our new products also may not achieve market acceptance or correctly address new industry standards and technological changes. We may also lose any technological advantage to competitors if we fail to develop new products in a timely manner.

Additionally, new products may trigger increased warranty costs as such products are tested further by actual usage. Accelerated entry of new products to meet heightened market demand and competitive pressures may cause additional warranty costs as development and testing time periods might be accelerated or condensed.

Technological change and evolving industry and regulatory standards could cause some of our products or services to become obsolete or non-competitive.

The markets for some of our products and services are characterized by rapid technological development, evolving industry standards, changes in customer requirements and new product introductions and enhancements. A faster than anticipated change in one or more of the technologies related to our products or services, or in market demand for

products or services based on a particular technology, could result in faster than anticipated obsolescence of certain of our products or services and could have a material adverse effect on our business, results of operations and financial condition. Currently accepted industry and regulatory standards are also subject to change, which may contribute to the obsolescence of our products or services.

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We may not be able to reduce the costs of our products to satisfy customers' cost reduction mandates, which could harm our sales or margins.

More and more customers continue to seek price reductions of our products. While we continually work to reduce our manufacturing and other costs of our products, without affecting product quality and reliability, there is no assurance that we will be able to do so and do so in a timely manner to satisfy the pricing pressures of our customers. Cost reductions of raw materials and other components used in our products may be beyond our control depending on market, credit and economic conditions. Customers may seek lower cost products from China and other developing countries where manufacturing costs are lower.

The airline industry is heavily regulated, and if we fail to comply with applicable requirements, our results of operations could suffer.

Governmental agencies throughout the world, including the U.S. Federal Aviation Administration, or the FAA, prescribe standards and qualification requirements for aircraft components, including virtually all commercial airline and general aviation products. Specific regulations vary from country to country, although compliance with FAA requirements generally satisfies regulatory requirements in other countries. If any material authorization or approval qualifying us to supply our products is revoked or suspended, then the sale of the product would be prohibited by law, which would have an adverse effect on our business, financial condition and results of operations.

From time to time, the FAA or equivalent regulatory agencies in other countries propose new regulations or changes to existing regulations, which are usually more stringent than existing regulations. If these proposed regulations are adopted and enacted, we may incur significant additional costs to achieve compliance, which could have a material adverse effect on our business, financial condition and results of operations.

Increasing competition could reduce the demand for our products and services.

Each of our markets is highly competitive. Many of our competitors have, and potential competitors could have, greater name recognition, a larger installed base of products, more extensive engineering, manufacturing, marketing and distribution capabilities and greater financial, technological and personnel resources than we do. New or existing competitors may also develop new technologies that could adversely affect the demand for our products and services. Industry acquisition and consolidation trends, particularly among aerospace and defense contractors, have adversely impacted demand for our aerospace and defense related engineering services as large prime contractors in-source increased amounts of major acquisition programs and also require significant expansion in small business participation to meet Government contracting goals. Low-cost competition from China and other developing countries could also result in decreased demand for our products. Increasing competition could reduce the volume of our sales or the prices we may charge, which would negatively impact our revenues. Smaller defense budgets both in the United States and Europe could result in additional competition for new and existing defense programs.

We sell products to customers in industries that may again undergo rapid and unpredictable changes, which could adversely affect our operations results or production levels.

We develop and manufacture products for customers in industries that have undergone rapid changes in the past, including the semiconductor and the telecommunications industries. In 2009, DALSA experienced a significant decline in demand for its products for the semiconductor and electronics inspection industries. These industries, or others that we serve, may exhibit rapid changes in the future and may adversely affect our operating results, or our production levels, or both.

Our business and financial results could be adversely affected by conditions and other factors associated with our suppliers.

Some items we purchase for the manufacture of our products are purchased from limited or single sources of supply due to technical capability, price and other factors. For example, DALSA has a single source of supply for CCD and CMOS semiconductor wafers used to assemble image sensors and X-ray panel products. LeCroy currently outsources a portion of its research and development activities to a third party engineering firm in Malaysia where it may be more difficult for us to enforce our intellectual property rights. We have also outsourced from time to time the manufacturing of certain parts, components, subsystems and even finished products to single or limited sources, including international sources. Disruption of these sources could cause delays or reductions in shipments of our

products or increases in our costs, which could have an adverse effect on our financial condition or operations. International sources possess additional risks, some of which are similar to those described above in regard to international sales. With any continuing disruption in the global economy and financial markets, some of our suppliers may also continue to face issues gaining access to sufficient credit and materials to maintain their businesses, which could reduce the availability of some components and, to the extent such suppliers are single source suppliers, could adversely affect our ability to continue to manufacture and sell our products. Continuing economic pressure on suppliers may also trigger increased pricing or workforce reductions or reduced workweeks possibly creating longer lead times

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to obtain needed components for our products.

Some of our commercial product lines may have one or a limited number of customers, the loss of which could adversely affect our business or financial results.

While no commercial customer accounted for more than 10% of our total sales during 2012, 2011 and 2010 and we have hundreds of customers in the various industries that we serve, certain product lines may have one or a few key customers the loss of which could adversely affect our business or financial results. Teledyne's largest commercial customer, a customer of our Instrumentation segment, accounted for 3.4%, 2.9% and 3.5% of total sales in 2012, 2011 and 2010, respectively.

Newer products, such as our X-ray panel products, may initially be more heavily dependent on a singular or limited number of customers until market acceptance is obtained or due to contractual terms. Similarly, some older product lines may be more heavily dependent on a singular or limited number of customers. In either such case, the loss of such customer or customers could adversely affect our business or financial results.

Compliance with increasing environmental and climate change regulations, as well as the effects of potential environmental liabilities, could have a material adverse financial effect on us.

We, like other industry participants, are subject to various federal, state, local and international environmental laws and regulations. We may be subject to increasingly stringent environmental standards in the future, particularly as greenhouse gas emissions and climate change regulations and initiatives increase. Future developments, administrative actions or liabilities relating to environmental and climate change matters could have a material adverse effect on our business, results of operations or financial condition. Additionally, environmental regulations imposed on its customers, including hydraulic fracturing moratoriums, could continue to adversely affect the business of VariSystems Inc. acquired in 2012.

Our manufacturing operations could expose us to material environmental liabilities and companies we acquire may have environmental liabilities that are not accurately assessed or brought to our attention at the time of the acquisition. For additional discussion of environmental matters, see the discussion under the caption “Other Matters - Environmental” of “Item 7. Management's Discussion and Analysis of Results of Operation and Financial Condition” and Note 15 to Notes to Consolidated Financial Statements.

The U.S. Environmental Protection Agency announced that greenhouse gases (“GHGs”) threaten the public health and welfare of the American people. EPA also maintains that GHG emissions from on-road vehicles contribute to that threat. EPA's endangerment finding covers emissions of six greenhouse gases. EPA's efforts to limit GHG emissions could adversely affect our U.S. manufacturing operations, increase prices for energy, fuel and transportation, require us to accommodate changes in parameters, such as the way parts are manufactured, and may, in some cases, require us to redesign of certain products. This could lead to increased costs, which we may not be able to recover from customers, delays in product shipments and loss of market share to competitors.

Our inability to attract and retain key personnel could have a material adverse effect on our future success.

Our future success depends to a significant extent upon the continued service of our executive officers and other key management and technical personnel and on our ability to continue to attract, retain and motivate qualified personnel. We also have a maturing work force. While we have engaged in succession planning, the loss of the services of one or more of our key employees or our failure to attract, retain and motivate qualified personnel could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to sell, exit or reconfigure businesses that we determine no longer meet with our growth strategy.

Consistent with our strategy to emphasize growth in our core markets, we continually evaluate our businesses to ensure that they are aligned with our strategy. This review led to the decision to sell our general aviation piston engine businesses, which sale was completed in April 2011. In 2012, as a result of our review and declines in our electronic manufacturing services businesses, we determined to close our Teledyne Microelectronics Technologies' facility in Marina del Rey, California and began to relocate several of its product lines to other Teledyne locations.

Our ability to dispose of, exit or reconfigure businesses that may no longer be aligned with our growth strategy will depend on many factors, including the terms and conditions of any asset purchase and sale agreement, as well as industry, business and economic conditions. We cannot provide any assurance that we will be able to sell non-strategic businesses on terms that are acceptable to us, or at all. Also, if the sale of any non-strategic business

cannot be consummated or is not practical, alternative courses of action, including relocation of product lines or closure, may not be available to us or may be more costly than anticipated.

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Natural and man-made disasters could adversely affect our business, results of operations and financial condition. Several of our facilities, as a result of their locations could be subject to a catastrophic loss caused by earthquakes, hurricanes, tornados, floods, ice storms or other natural disasters. Many of our production facilities and our headquarters are located in California and thus are in areas with above average seismic activity and may also be at risk of damage in wildfires. Teledyne DALSA's facility in Quebec has in the past been impacted by severe ice storms. In addition, we have manufacturing facilities in the Southeastern United States and Texas that have been threatened and struck by major hurricanes. In October 2012, newly acquired LeCroy and other Teledyne facilities incurred business interruptions and were without power for several days as a result of Hurricane Sandy. Our facilities in Alabama, Florida, Nebraska, Tennessee and Virginia have also been threatened by tornados. On June 1, 2012, a tornado caused substantial damage to and interrupted business at our Teledyne Hastings Instruments facility in Hampton, Virginia. On April 27, 2011, tornados caused substantial damage in Huntsville, Alabama. While Teledyne Brown Engineering's main facility in Huntsville, Alabama incurred minimal building damage and business interruption, the facility was without power for several days. If any of our California facilities, including our California headquarters, were to experience a catastrophic earthquake or wildfire loss or if any of our Alabama, Florida, Louisiana, Nebraska, Tennessee or Texas facilities were to experience a catastrophic hurricane, storm, tornado or other natural disaster, or if DALSA's facilities in Quebec experience long-term loss of electrical power, such event could disrupt our operations, delay production, shipments and revenue and result in large expenses to repair or replace the facility or facilities. While Teledyne has property insurance to partially reimburse it for losses caused by windstorm and earth movement, such insurance would not cover all possible losses. In addition, our existing disaster recovery and business continuity plans (including those relating to our information technology systems) may not be fully responsive to, or minimize losses associated with, catastrophic events.

The environmental disaster triggered by the Deepwater Horizon rig explosion and oil spill in 2010 resulted in a moratorium on offshore oil and gas production in the Gulf of Mexico that adversely affected the results of operations of some of our Teledyne Oil and Gas businesses, although such adverse impact was offset, in part, by the products we manufacture that supported well-capping and environmental clean-up efforts. New environmental regulations enacted in the wake of this oil spill have resulted in increased compliance costs to some of our Teledyne Oil & Gas businesses. Similar future man-made disasters that limit or cease offshore oil and gas production or further exploration in the regions in which we sell our products could have a material adverse effect on our business, results of operations and financial condition.

Disasters that do not directly impact us can have an indirect adverse impact on our business. For example, in 2011 the earthquake in northern Japan and the related tsunami and severe flooding in Thailand resulted in certain of our customers delaying orders for our products because they were unable to obtain critical supplies from vendors in the impacted areas.

We may not be able to enforce or protect our intellectual property rights, which may harm our ability to compete and harm our business.

Our ability to enforce and protect our patents, copyrights, software licenses, trade secrets, know how, and other intellectual property rights is subject to general litigation risks, as well as uncertainty as to the enforceability of our intellectual property rights in various countries. When we seek to enforce our rights, we are often subject to claims that the intellectual property right is invalid, is otherwise not enforceable, or is licensed to the party against whom we are asserting a claim. In addition, as our Teledyne Controls business has experienced, our assertion of intellectual property rights often results in the other party seeking to assert alleged intellectual property rights of its own or assert other claims against us. If we are not ultimately successful in defending ourselves against these claims in litigation, we may not be able to sell a particular product or family of products due to an injunction, or we may have to pay damages that could, in turn, harm our results of operations. Our inability to enforce our intellectual property rights under these circumstances may harm our competitive position and our business.

Our business and operations could suffer in the event of cyber security breaches.

Attempts by others to gain unauthorized access to our information technology systems are becoming more sophisticated and are sometimes successful. These attempts, which might be related to industrial, foreign government espionage, or activism, include covertly introducing malware to our computers and networks, performing

reconnaissance, and impersonating authorized users, among other activities. We continue to update our infrastructure to protect against security incidents and to prevent their recurrence, and company personnel have been tasked to detect and investigate such incidents, but it is possible that we might not be aware of an incident or its magnitude and effects. The theft, unauthorized use or publication of our intellectual property and/or confidential business information could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives or otherwise adversely affect our business. To the extent that any security breach results in inappropriate disclosure of confidential information of third parties or the government, we may incur liability or the loss of security clearances as a result. In addition, we expect to continue devoting additional resources to the security of our information technology systems.

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Increases in our effective tax rate may harm our results of operations.

Our effective tax rate for 2012 was 28.7%, compared with 32.9% for 2011 and 30.9% for 2010. Fiscal years 2012, 2011 and 2010 included net tax credits of $5.4 million, $2.4 million and $12.5 million, respectively. Excluding these items, Teledyne's effective tax rates for 2012, 2011 and 2010 would have been 31.0%, 34.0% and 38.1%, respectively. While there have been Congressional discussion about lowering the corporate tax rate in the U.S. to improve global competitiveness, a number of factors may impact our effective tax rates, which could reduce our net income, including:

- the relative amount of income we earn in jurisdictions;
- changes in tax laws or their interpretation, including changes in the U.S. to the taxation of foreign income and expenses, changes in tax laws in foreign jurisdictions, and changes in U.S. generally accepted accounting principles and governing body pronouncements and interpretations;
- the resolution of issues arising from tax audits;
- changes in valuation of our deferred tax assets and liabilities, including deferred tax valuation allowances;
- adjustments to income taxes upon finalization of tax returns;
- increases in expense not deductible for tax purposes, including write-offs of acquired in process research and development and impairment of and impairments of goodwill;
- changes in available tax credits; and
- any decision to repatriate non-U.S. earnings for which we have not previously provided for U.S. taxes.

Our financial statements are based on estimates required by GAAP, and actual results may differ materially from those estimated under different assumptions or conditions.

Our financial statements are prepared in conformity with generally accepted accounting principles in the United States. These principles require our management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. For example, estimates are used when accounting for items such as asset valuations, allowances for doubtful accounts, allowance for excess and obsolete inventory, depreciation and amortization, impairment assessments, employee benefits, taxes, recall and warranty costs, aircraft product and general liability and contingencies. While we base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances at the time made, actual results may differ materially from those estimated.

While we believe our internal control systems are effective, there are inherent limitations in all control systems, and misstatements resulting from error or fraud may occur and may not be detected.

We continue to take action to assure compliance with the internal controls, disclosure controls and other requirements of the Sarbanes-Oxley Act of 2002. Our management, including our Chief Executive Officer and Chief Financial Officer, cannot guarantee that our internal controls and disclosure controls will prevent all possible errors or all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no system of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements resulting from error or fraud may occur and may not be detected.

Provisions of our governing documents, applicable law, and our Change in Control Severance Agreements could make an acquisition of Teledyne more difficult.

Our Restated Certificate of Incorporation, our Amended and Restated Bylaws and the General Corporation Law of the State of Delaware contain several provisions that could make the acquisition of control of Teledyne, in a transaction not approved by our board of directors, more difficult. We have also entered into Change in Control Severance Agreements with 17 members of our management, which could have an anti-takeover effect. These provisions may prevent or discourage attempts to acquire our company.

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The market price of our Common Stock has fluctuated significantly since we became a public company, and could continue to do so.

Since we became an independent public company on November 29, 1999, the market price of our Common Stock has fluctuated substantially and fluctuations in our stock price could continue. Among the factors that could affect our stock price are:

- quarterly variations in our operating results;
- strategic actions by us or our competitors;
- acquisitions;
- divestitures;
- adverse business developments;
- war in the Middle East or elsewhere;
- terrorists activities;
- military or homeland defense activities;
- changes to the U.S. Federal budget;
- changes in the energy exploration or production, semiconductor, digital imaging, telecommunications, commercial aviation, and electronic manufacturing services markets;
- general market conditions;
- changes in tax laws;
- general economic factors unrelated to our performance;
- changes from analysts' expectations in revenues, earnings or other financial results; and
- one or more of the risk factors described in this report.

The stock markets in general, and the markets for high technology companies in particular, have experienced a high degree of volatility that is not necessarily related to the operating performance of these companies. We cannot provide assurances as to our stock price.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

The Company has 65 principal operating facilities in 17 states and four foreign countries. Of these facilities, 22 are owned by the Company and 43 are leased. The Company's executive offices are located in Thousand Oaks, California. Its principal research and development center is also located in Thousand Oaks, California. Our facilities are considered to be suitable and adequate for the purposes for which they are intended and overall have sufficient capacity to conduct business as currently conducted.

Information on the number, ownership and location of principal operating facilities by segment was as follows at February 22, 2013:

Segment	Owned	Leased	Location of Facilities States	Countries
Instrumentation	6	15	California, Colorado, Florida, Louisiana, Massachusetts, Nebraska, New Hampshire, New York, Ohio, Texas and Virginia	United States and United Kingdom
Digital Imaging	6	4	California, Massachusetts, North Carolina and Pennsylvania	United States, Canada and The Netherlands
Aerospace and Defense Electronics	8	19		United States,

			California, Illinois, New Hampshire, Pennsylvania, Tennessee and Texas	Mexico and United Kingdom
Engineered Systems	2	5	Alabama, Colorado, Maryland, Ohio and Tennessee	United States and United Kingdom
Total	22	43		

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Item 3. Legal Proceedings.

From time to time, we become involved in various lawsuits, claims and proceedings related to the conduct of our business, including those pertaining to product liability, patent infringement, commercial, employment and employee benefits. While we cannot predict the outcome of any lawsuit, claim or proceeding, our management does not believe that the disposition of any pending matters is likely to have a material adverse effect on our financial condition or liquidity. The resolution in any reporting period of one or more of these matters, however, could have a material adverse effect on the results of operations for that period.

In March 2009, Cold Creek Enterprises, Inc. and Bob DaSilva commenced a lawsuit against DALSA Corporation and certain related entities in the Ontario Superior Court of Justice. The claims originate from the interest of Mr. DaSilva's company in DALSA Digital Camera Inc., a joint venture entered into in November 2004 and now a discontinued business of DALSA. The lawsuit seeks various forms of relief, including damages in excess of CAD $20 million. The lawsuit is being vigorously defended, and a counterclaim has been filed against the plaintiff.

Item 4. Mine Safety Disclosures

Not applicable

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

Price Range of Common Stock and Dividend Policy

Our Common Stock is listed on the New York Stock Exchange and traded under the symbol “TDY.” The following table sets forth, for the periods indicated, the high and low sale prices for the Common Stock as reported by the New York Stock Exchange.

	High	Low
2011		
1st Quarter	$53.35	$43.56
2nd Quarter	$52.42	$43.82
3rd Quarter	$55.46	$44.86
4th Quarter	$60.91	$45.59
2012		
1st Quarter	$63.83	$54.74
2nd Quarter	$66.29	$56.90
3rd Quarter	$66.22	$59.07
4th Quarter	$67.03	$59.61
2013		
1st Quarter (through February 22, 2013)	$72.31	$63.00

On February 22, 2013, the closing sale price of our Common Stock as reported by the New York Stock Exchange was $71.47 per share. As of February 22, 2013, there were 4,667 holders of record of the Common Stock.

We currently intend to retain any future earnings to fund the development and growth of our businesses, including through acquisitions. Therefore, we do not anticipate paying any cash dividends in the foreseeable future.

Information relating to compensation plans under which our equity securities are outstanding for issuance is set forth in Part III, Item 12 of this Annual Report on Form 10-K.

Issuer Purchases of Equity Securities

On October 25, 2011, our Board of Directors authorized a stock repurchase program for up to 2,500,000 shares of Teledyne common stock. A total of 658,562 shares were repurchased in the fourth quarter of 2011 at an average price per share of $52.92. No shares were repurchased under the program in 2012. As of December 30, 2012, 1,841,438 shares remain available for repurchase pursuant to this program.

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Item 6. Selected Financial Data.

The following table presents our summary consolidated financial data. We derived the following historical selected financial data from our audited consolidated financial statements. Our fiscal year is determined based on a 52- or 53-week convention ending on the Sunday nearest to December 31. Each fiscal year presented below contained 52 weeks, except fiscal year 2009 which contained 53 weeks. The five-year summary of selected financial data should be read in conjunction with the discussion under “Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operation.”

Five-Year Summary of Selected Financial Data

	2012	2011	2010	2009	2008
	(In millions, except per-share amounts)				
Sales	$2,127.3	$1,941.9	$1,644.2	$1,652.1	$1,722.0
Net income from continuing operations	$161.8	$142.1	$119.9	$115.9	$116.6
Net income (loss) from discontinued operations	$2.3	$113.1	$0.6	$(2.6)	$(5.3)
Net income attributable to Teledyne	$164.1	$255.2	$120.5	$113.3	$111.3
Working capital	$337.5	$268.5	$306.8	$242.6	$274.8
Total assets	$2,406.4	$1,826.1	$1,557.8	$1,421.5	$1,534.5
Long-term debt and capital lease obligations, net of current portion	$556.2	$311.4	$265.3	$251.6	$332.1
Total equity	$1,203.4	$984.1	$787.0	$667.4	$506.9
Basic earnings per common share-continuing operations	$4.41	$3.88	$3.31	$3.22	$3.29
Diluted earnings per common share-continuing operations	$4.33	$3.81	$3.25	$3.17	$3.20
Basic earnings per common share	$4.47	$6.97	$3.33	$3.15	$3.14
Diluted earnings per common share	$4.39	$6.84	$3.27	$3.10	$3.05

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Teledyne Technologies Incorporated provides enabling technologies for industrial growth markets. We have evolved from a company that was primarily focused on aerospace and defense to one that serves multiple markets that require advanced technology and high reliability. These markets include deepwater oil and gas exploration and production, oceanographic research, air and water quality environmental monitoring, factory automation and medical imaging. Our products include monitoring instrumentation for marine and environmental applications, harsh environment interconnects, electronic test and measurement equipment, digital imaging sensors and cameras, aircraft information management systems, and defense electronic and satellite communication subsystems. We also supply engineered systems for defense, space, environmental and energy applications. We differentiate ourselves from many of our direct competitors by having a customer and company sponsored applied research center that augments our product development expertise.

Strategy/Overview

Our strategy continues to emphasize growth in our core markets of instrumentation, digital imaging, aerospace and defense electronics and 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 and through product development. We aggressively pursue operational excellence to continually improve our margins and earnings. At Teledyne, operational excellence includes the rapid integration of the businesses we acquire. Using complementary technology across our businesses and internal research and development, we seek to create new products to grow our company and expand our addressable markets. We continue to evaluate our businesses to ensure that they are aligned with our strategy.

Consistent with this strategy, we made five acquisitions in 2012 and three acquisitions in 2011, as well as one significant divestiture in 2011. Our largest acquisition in 2012, LeCroy Corporation (“LeCroy”), broadened our portfolio

of analytical instrumentation with the addition of electronic test and measurement solutions. We acquired VariSystems Inc. (“VariSystems”) to expand our portfolio of rugged interconnect solutions. We acquired BlueView Technologies, Inc. (“BlueView”) principally to increase our instrumentation content on AUVs and ROVs used in oil and gas and marine survey applications. Through the acquisition of a majority interest in the parent company of Optech Incorporated (“Optech”), we added 3D imaging capability to our portfolio of visible, X-ray and ultraviolet sensors, cameras, Optech's bathymetric LIDAR systems used for coastal mapping and shallow water profiling also complement our marine survey sensors and systems. The acquisition of the parent company of PDM Neptec Limited (“PDM Neptec”) expanded our line of harsh environmental marine connectors. In 2011, we focused on the expansion of our digital imaging capabilities first with the acquisition of DALSA Corporation (“DALSA”), followed by the acquisitions of a majority interest in Nova Sensors, Inc. ("Nova Sensors") and a minority interest investment in Optech. In

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April 2011, we completed the sale of our general aviation piston engine businesses and consequently classified our Aerospace Engines and Components segment as a discontinued operation.

Given the strength of our commercial businesses, as well as our strategic acquisitions, we were able to achieve record sales and earnings in 2012. In 2012, sales and net income from continuing operations increased by 9.5% and 13.9%, respectively over 2011 results. Earnings per share from continuing operations in 2012 increased 13.6% over 2011. In 2012, sales totaled $2,127.3 million, compared with sales of $1,941.9 million in 2011. Net income for 2012, excluding our discontinued operations, was $161.8 million or $4.33 per diluted share, compared with $142.1 million or $3.81 per diluted share in 2011. The increase in revenue included incremental sales from acquisitions of $180.7 million. Our 2012 net income including discontinued operations totaled $164.1 million or $4.39 per diluted share, compared to $255.2 million or $6.84 per diluted share in 2011. In addition, each business segment experienced higher operating profit growth except for the Aerospace and Defense Electronics segment. The operating profit decrease for the Aerospace and Defense Electronics segment primarily reflected the impact of lower sales, as well as $1.7 million of severance and relocation costs, within certain electronic manufacturing service products businesses.

With the recent acquisition of LeCroy in 2012 and DALSA in 2011, as well as growth in our commercial markets, our business mix has continued to change, and for 2012, Teledyne's sales were approximately 68% to commercial customers and 32% to the U.S. Government. This has changed from about 56% commercial and 44% government in 2010. Our international sales also increased to 39% of total sales in 2012, compared to 29% in 2010. We have worked to transform our product portfolio into that of a high technology industrial company that is less dependent on U.S. Government business.

Recent Acquisitions

The Company spent $389.2 million, $366.7 million and $67.9 million on acquisitions in 2012, 2011 and 2010, respectively.

On August 3, 2012, Teledyne acquired the stock of LeCroy for $301.3 million, net of cash acquired. LeCroy, headquartered in Chestnut Ridge, New York is a leading supplier of oscilloscopes, protocol analyzers and signal integrity test solutions. LeCroy had sales of $178.1 million for its fiscal year ended June 30, 2011 and is part of the Instrumentation segment.

Also on August 3, 2012, a subsidiary of Teledyne acquired the parent company of PDM Neptec for $7.4 million in cash, net of cash acquired. PDM Neptec, located in Hampshire, United Kingdom, is part of the Instrumentation segment and operates as Teledyne Impulse-PDM Ltd. PDM Neptec had sales of GBP 5.5 million for its fiscal year ended March 31, 2012.

On July 2, 2012, a subsidiary of Teledyne acquired BlueView for $16.3 million in cash, net of cash acquired. BlueView, located in Seattle, Washington, is part of the Instrumentation segment and operates as Teledyne BlueView, Inc. BlueView had sales of $7.1 million for its fiscal year ended December 31, 2011.

On April 2, 2012, Teledyne acquired a majority interest in the parent company of Optech for $27.9 million, net of cash acquired. The purchase increased Teledyne’s ownership percentage to 51 percent from the original 19 percent interest purchased in the first quarter of 2011. With the April 2012 purchase, we now consolidate Optech’s financial results into Teledyne’s results with an appropriate adjustment for the minority ownership. Optech had sales of CAD $54.7 million for its fiscal year ended March 30, 2012 and is reported as part of the Digital Imaging segment.

On February 25, 2012, Teledyne acquired VariSystems for $34.9 million, net of cash acquired. Teledyne paid a $1.4 million purchase price adjustment in the second quarter of 2012. VariSystems, headquartered in Calgary, Alberta, Canada, is a leading supplier of custom harsh environment interconnects used in energy exploration and production. VariSystems had sales of CAD $27.5 million for its fiscal year ended May 31, 2011 and is part of the Aerospace and Defense Electronics segment.

In 2011, the Company acquired the stock of DALSA for an aggregate purchase price of $339.5 million in cash. DALSA designs and manufactures digital imaging products, primarily consisting of high performance sensors, cameras and software for use in industrial, scientific, medical and professional applications products, as well as specialty semiconductors and micro electro mechanical systems (“MEMS”). In addition to the acquisition of DALSA in 2011, the Company completed the acquisition of a majority interest in Nova Sensors for total consideration of $5.1 million in cash and a minority interest in Optech for $18.9 million. Nova Sensors produces compact short-wave and

mid-wave infrared cameras and operates within the Digital Imaging segment. Optech is a laser-based survey and digital imaging company. We also bought the remaining minority interest in Energy Systems for $3.2 million in 2011. In 2010, Teledyne acquired Intelek plc (“Intelek”) for $43.5 million in cash. Intelek primarily designs and manufactures electronic systems for satellite and microwave communications and aerospace manufacturing. In 2010, Teledyne also acquired Optimum Optical Systems Inc. (“Optimum”), a designer and manufacturer of custom optics and optomechanical assemblies and Hafmynd ehf. (“Gavia”), a designer and manufacturer of the Gavia™ autonomous underwater vehicle. See Note 3 to our Consolidated Financial Statements for additional information about our recent acquisitions. See also Note 17 to our Consolidated Financial Statements for information about our fiscal year 2013 pending acquisition of RESON A/S (“RESON”).

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Our fiscal year is determined based on a 52- or 53-week convention ending on the Sunday nearest to December 31. Fiscal years 2012, 2011 and 2010 each contained 52 weeks. The following is our financial information for 2012, 2011 and 2010 (in millions, except per-share amounts):

	2012	2011	2010
Sales	$2,127.3	$1,941.9	$1,644.2
Costs and Expenses			
Cost of sales	1,379.1	1,290.7	1,148.1
Selling, general and administrative expenses	505.1	424.0	317.6
Total costs and expenses	1,884.2	1,714.7	1,465.7
Income before other income and expense and income taxes	243.1	227.2	178.5
Interest and debt expense, net	(17.8)	(16.2)	(6.5)
Other income, net	2.9	0.6	1.6
Income from continuing operations before income taxes	228.2	211.6	173.6
Provision for income taxes(a)	65.4	69.5	53.6
Net income from continuing operations including noncontrolling interest	162.8	142.1	120.0
Discontinued operations, net of income taxes	2.3	113.1	0.6
Net income	165.1	255.2	120.6
Less: net income attributable to noncontrolling interest	(1.0)	—	(0.1)
Net income attributable to Teledyne	$164.1	$255.2	$120.5
Net income from continuing operations including noncontrolling interest	$162.8	$142.1	$120.0
Less: net income attributable to noncontrolling interest	(1.0)	—	(0.1)
Net income from continuing operations	161.8	142.1	119.9
Discontinued operations, net of income taxes	2.3	113.1	0.6
Net income attributable to Teledyne	$164.1	$255.2	$120.5
Basic earnings per common share:			
Continuing operations	$4.41	$3.88	$3.31
Discontinued operations	0.06	3.09	0.02
Basic earnings per common share:	$4.47	$6.97	$3.33
Diluted earnings per common share:			
Continuing operations	$4.33	$3.81	$3.25
Discontinued operations	0.06	3.03	0.02
Diluted earnings per common share	$4.39	$6.84	$3.27

(a) Fiscal years 2012, 2011 and 2010 include net tax benefits of $5.4 million, $2.4 million and $12.5 million, respectively.

Our businesses are divided into four business segments: Instrumentation, Digital Imaging, Aerospace and Defense Electronics and Engineered Systems. Our four business segments and their respective percentage contributions to our total sales in 2012, 2011 and 2010 are summarized in the following table:

	Percentage of Sales		
Segment	2012	2011	2010
Instrumentation	35 %	32 %	35 %

Digital Imaging	20		18		8	
Aerospace and Defense Electronics	31		34		37	
Engineered Systems	14		16		20	
	100	%	100	%	100	%

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Results of Operations
2012 Compared with 2011

Sales	2012	2011	% Change
	(in millions)		
Instrumentation	$749.4	$616.6	21.5 %
Digital Imaging	415.9	349.9	18.9 %
Aerospace and Defense Electronics	660.6	670.8	(1.5)%
Engineered Systems	301.4	304.6	(1.1)%
Total sales	$2,127.3	$1,941.9	9.5 %

Operating profit and other segment income	2012	2011	% Change
	(in millions)		
Instrumentation	$136.2	$122.8	10.9 %
Digital Imaging	24.8	16.1	54.0 %
Aerospace and Defense Electronics	90.3	93.9	(3.8)%
Engineered Systems	28.5	28.1	1.4 %
Segment operating profit and other segment income	279.8	260.9	7.2 %
Corporate expense	(36.7)	(33.7)	8.9 %
Interest and debt expense, net	(17.8)	(16.2)	9.9 %
Other income, net	2.9	0.6	*
Income from continuing operations before income taxes	228.2	211.6	7.8 %
Provision for income taxes(a)	65.4	69.5	(5.9)%
Net income from continuing operations including noncontrolling interest	162.8	142.1	14.6 %
Discontinued operations, net of income taxes	2.3	113.1	*
Net income	165.1	255.2	(35.3)%
Less: net income attributable to noncontrolling interest	(1.0)	—	*
Net income attributable to Teledyne	$164.1	$255.2	(35.7)%

* not meaningful

(a) Fiscal years 2012 and 2011 include net tax benefits of $5.4 million and $2.4 million, respectively, primarily related to the remeasurement of uncertain tax positions and an expiration of the statute of limitations in the United States.

We reported 2012 sales of $2,127.3 million, compared with sales of $1,941.9 million for 2011, an increase of 9.5%. Net income from continuing operations was $161.8 million ($4.33 per diluted share) for 2012, compared with net income from continuing operations of $142.1 million ($3.81 per diluted share) for 2011, an increase of 13.9%. Net income for 2012 and 2011 also included net tax credits of $5.4 million and $2.4 million, respectively. Net income attributable to Teledyne, including discontinued operations, was $164.1 million ($4.39 per diluted share) for 2012, compared with $255.2 million ($6.84 per diluted share) for 2011. On April 19, 2011, Teledyne completed the sale of its piston engines businesses and recorded a gain on the sale of $113.8 million.

The increase in sales in 2012, compared with 2011, reflected substantially higher sales in both the Instrumentation and Digital Imaging segments, partially offset by slightly lower sales in both the Engineered Systems and Aerospace and Defense Electronics segments. Sales in the Instrumentation segment reflected $80.8 million from the acquisition of

LeCroy, as well as, higher sales of both marine and environmental instrumentation products. Sales of marine products increased by $45.6 million or 12.2% and included incremental sales of $8.0 million from the acquisitions of PDM and BlueView. The increase in the Digital Imaging segment reflected $66.9 million in incremental revenue from recent acquisitions, primarily Optech, Nova Sensors and DALSA. Sales in the Aerospace and Defense Electronics segment reflected lower sales for electronic manufacturing service products partially offset by higher sales of $12.4 million from avionics products and electronic relays, as well as greater sales of $15.3 million from microwave devices and interconnects. Microwave devices and interconnects sales in 2012 included $25.0 million in revenue from the February 2012 acquisition of VariSystems. The decrease in the Engineered Systems segment revenue reflected lower sales of space and defense programs as well as nuclear programs, partially offset by higher sales of energy systems and turbine engines.

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The incremental increase in revenue in 2012 from businesses acquired in 2012 and in 2011 was $180.7 million. The increase in segment operating profit and other segment income for 2012, compared with 2011, reflected improved results in each operating segment except for the Aerospace and Defense Electronics segment. The increase in operating profit primarily reflected the impact of acquisitions. The increase in operating profit also reflected the impact of higher sales for the Instrumentation segment. The decrease in operating profit in the Aerospace and Defense Electronics segment reflected the impact of lower sales, reduced margins, as well as $1.7 million of severance and relocation costs, within certain electronic manufacturing service products businesses. Operating profit included incremental operating profit from acquisitions of $9.4 million, which included acquisition expenses of $7.1 million and intangible amortization of $5.3 million. LIFO income was less than $0.1 million in 2012 compared with LIFO expense of $0.9 million in 2011.

The table below presents sales and cost of sales by segment and total company:

(Dollars in millions)	2012	2011	Change
Instrumentation			
Sales	$749.4	$616.6	$132.8
Cost of sales	$422.3	$354.2	$68.1
Cost of sales % of sales	56.4 %	57.4 %	
Digital Imaging			
Sales	$415.9	$349.9	$66.0
Cost of sales	$266.9	$231.5	$35.4
Cost of sales % of sales	64.2 %	66.2 %	
Aerospace and Defense Electronics			
Sales	$660.6	$670.8	$(10.2)
Cost of sales	$442.6	$458.0	$(15.4)
Cost of sales % of sales	67.0 %	68.3 %	
Engineered Systems			
Sales	$301.4	$304.6	$(3.2)
Cost of sales	$247.3	$247.0	$0.3
Cost of sales % of sales	82.1 %	81.1 %	
Total Company			
Sales	$2,127.3	$1,941.9	$185.4
Cost of sales	$1,379.1	$1,290.7	$88.4
Cost of sales % of sales	64.8 %	66.5 %	

Consolidated cost of sales in total dollars increased by $88.4 million in 2012, compared with 2011, and primarily reflected $94.2 million in cost of sales from recent acquisitions and organic sales increases, partially offset by sales mix differences. Cost of sales from recent acquisitions totaled $37.7 million for the Instrumentation segment, $39.9 million for the Digital Imaging segment and $16.6 million for the Aerospace and Defense Electronics segment. The Instrumentation segment cost of sales increase reflected the impact of higher organic sales. The Aerospace and Defense Electronics segment reflected the impact of lower organic sales. Cost of sales as a percentage of sales for 2012 was 64.8%, compared with 66.5% for 2011. The lower cost of sales percentage reflected the impact of the LeCroy and DALSA cost structure which has a lower cost of sales percentage than the overall Teledyne cost of sales percentage. Excluding the impact of recent acquisitions, cost of sales as a percentage of sales for 2012 would have been 66.7%.

Selling, general and administrative expenses, including research and development and bid and proposal expense, in total dollars were higher in 2012 compared with 2011. The increase reflected the impact of higher sales, higher acquired intangible asset amortization of $3.7 million and higher research and development costs of $28.8 million. Corporate administrative expense in 2012 was higher by $3.0 million compared with 2011 and reflected higher employee compensation and professional fee expenses. For 2012, we recorded a total of $8.0 million in stock option expense, of which $2.4 million was recorded as corporate expense and $5.6 million was recorded in segment results. For 2011, we recorded a total of $5.8 million in stock option expense, of which $2.1 million was recorded as corporate expense and $3.7 million was recorded in segment results. Selling, general and administrative expenses for 2012, as a percentage of sales, increased to 23.7%, compared with 21.8% for 2011 and reflected the impact of acquisition related expenses, higher research and development costs and the LeCroy and DALSA cost structures which have a higher selling, general and

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administrative expense percentage than the overall Teledyne selling, general and administrative expense percentage. Included in operating profit in 2012 was domestic pension expense of $6.6 million. In accordance with U.S. Government Cost Accounting Standards (“CAS”), $12.7 million was recoverable from certain government contracts. Included in operating profit in 2011 was domestic pension expense of $6.7 million. In accordance with CAS, $12.6 million was recoverable from certain government contracts. Pension expense determined under CAS can generally be recovered through the pricing of products and services sold to the U.S. Government.

The Company's effective tax rate for 2012 was 28.7%, compared with 32.9% for 2011. The decrease reflected a remeasurement of uncertain tax positions in 2012, as well as a change in the proportion of domestic and international income. Fiscal year 2012 included tax benefits of $5.4 million primarily related to the remeasurement of uncertain tax positions and an expiration of the statute of limitations in the United States. Fiscal year 2011 included tax benefits of $2.4 million related to research and development tax credits. Excluding the impact of the $5.4 million for 2012 and $2.4 million for 2011 the effective tax rates would have been 31.0% for 2012, compared with 34.0% for 2011.

During the next twelve months, it is reasonably possible that tax audit resolutions and expirations of the statutes of limitations could reduce unrecognized tax benefits by $13.7 million, either because our tax positions are sustained on audit, because the Company agrees to their disallowance, or because of the expiration of the statutes of limitations. Of the $13.7 million, $0.4 million would not impact tax expense as it would be offset by the reversal of deferred tax assets.

Sales under contracts with the U.S. Government were approximately 32% of sales in 2012 and 36% of sales in 2011. Sales to international customers represented approximately 39% of sales in 2012 and 36% of sales in 2011.

Total interest expense, including credit facility fees and other bank charges, was $18.2 million in 2012 and $16.7 million in 2011. Interest income was $0.4 million in 2012 and $0.5 million in 2011. The increase in interest expense primarily reflected the impact of higher outstanding debt levels partially offset by lower overall average interest rates.

Other income and expense in 2012 included foreign currency translation gains of $0.8 million, compared with $2.0 million for 2011 and a $0.6 million gain on the purchase of the majority interest in Optech. Other income and expense in 2011 also included $2.3 million related to the reduction of an environmental reserve determined to be no longer needed and a $4.5 million pretax charge to write off a minority investment in a private company.

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2011 Compared with 2010

Sales	2011	2010	% Change
	(in millions)		
Instrumentation	$616.6	$573.2	7.6 %
Digital Imaging	349.9	122.5	185.6 %
Aerospace and Defense Electronics	670.8	614.7	9.1 %
Engineered Systems	304.6	333.8	(8.7)%
Total sales	$1,941.9	$1,644.2	18.1 %

Operating profit and other segment income	2011	2010	% Change
	(in millions)		
Instrumentation	$122.8	$113.9	7.8 %
Digital Imaging	16.1	5.2	209.6 %
Aerospace and Defense Electronics	93.9	57.8	62.5 %
Engineered Systems	28.1	30.4	(7.6)%
Segment operating profit and other segment income	260.9	207.3	25.9 %
Corporate expense	(33.7)	(28.8)	17.0 %
Interest and debt expense, net	(16.2)	(6.5)	149.2 %
Other income, net	0.6	1.6	(62.5)%
Income from continuing operations before income taxes	211.6	173.6	21.9 %
Provision for income taxes(a)	69.5	53.6	29.7 %
Net income from continuing operations including noncontrolling interest	142.1	120.0	18.4 %
Discontinued operations, net of income taxes	113.1	0.6	*
Net income	255.2	120.6	111.6 %
Less: Net income attributable to noncontrolling interest	—	(0.1)	*
Net income attributable to Teledyne	$255.2	$120.5	111.8 %

* not meaningful

(a) Fiscal years 2011 and 2010 include net tax benefits of $2.4 million and $12.5 million, respectively.

We reported 2011 sales of $1,941.9 million, compared with sales of $1,644.2 million for 2010, an increase of 18.1%. Net income attributable to Teledyne was $255.2 million ($6.84 per diluted share) for 2011, compared with $120.5 million ($3.27 per diluted share) for 2010, an increase of 111.8%. Net income attributable to Teledyne, excluding discontinued operations, was $142.1 million ($3.81 per diluted share) for 2011, compared with $119.9 million ($3.25 per diluted share) for 2010, an increase of 18.4%.

The increase in sales in 2011, compared with 2010, reflected higher sales in each business segment except the Engineered Systems segment. Sales in the Instrumentation segment reflected higher sales of marine and environmental instrumentation products by over 5% and 10%, respectively. Sales of marine products included incremental sales of $3.7 million from the 2010 acquisition of Gavia. Sales in the Aerospace and Defense Electronics segment reflected higher sales of microwave devices and interconnects, as well as, incremental sales of $25.7 million from the 2010 acquisition of Intelek. The increase in the Digital Imaging segment included $214.0 million in revenue from recent acquisitions, primarily the February 2011 acquisition of DALSA, as well as higher organic sales. The decrease in the Engineered Systems segment revenue reflected lower sales of missile defense engineering services, lower sales from NASA programs, lower sales of gas centrifuge service modules and lower sales related to the Joint Air-to-Surface Standoff Missile (“JASSM”) turbine engine program partially offset by incremental sales of $6.2 million from a recent acquisition. The incremental increase in revenue in 2011 from businesses acquired in 2011 and in 2010 was $249.6 million.

The increase in segment operating profit and other segment income for 2011, compared with 2010, reflected improved results in each operating segment except for the Engineered Systems segment. The increase in operating profit reflected the impact of acquisitions as well as improved margins in each operating segment. The increase in operating profit in the Instrumentation segment, Aerospace and Defense Electronics segment and the Digital Imaging segment reflected the impact of higher sales. Operating profit in the Aerospace and Defense Electronics segment in 2010 reflected charges of $8.2 million, primarily to correct inventory valuations incorrectly recorded in previous periods at a business

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unit. The decrease in operating profit in the Engineered Systems segment reflected the impact of lower sales, partially offset by lower pension expense and higher margins. Operating profit included incremental operating profit from acquisitions of $18.6 million, which included acquisition expenses of $2.0 million and intangible amortization of $10.3 million. Segment operating profit in 2011 also reflected LIFO expense of $0.9 million compared with LIFO expense of $0.8 million in 2010.

The table below presents sales and cost of sales by segment and total company:

(Dollars in millions)	2011	2010	Change
Instrumentation			
Sales	$616.6	$573.2	$43.4
Cost of sales	$354.2	$332.4	$21.8
Cost of sales % of sales	57.4 %	58.0 %	
Digital Imaging			
Sales	$349.9	$122.5	$227.4
Cost of sales	$231.5	$91.3	$140.2
Cost of sales % of sales	66.2 %	74.5 %	
Aerospace and Defense Electronics			
Sales	$670.8	$614.7	$56.1
Cost of sales	$458.0	$451.9	$6.1
Cost of sales % of sales	68.3 %	73.5 %	
Engineered Systems			
Sales	$304.6	$333.8	$(29.2)
Cost of sales	$247.0	$272.5	$(25.5)
Cost of sales % of sales	81.1 %	81.6 %	
Total Company			
Sales	$1,941.9	$1,644.2	$297.7
Cost of sales	$1,290.7	$1,148.1	$142.6
Cost of sales % of sales	66.5 %	69.8 %	

Consolidated cost of sales in total dollars increased by $142.6 million in 2011, compared with 2010, and primarily reflected $123.5 million in cost of sales from the DALSA acquisition which is included in the Digital Imaging segment and the impact of higher sales primarily in the Instrumentation and Aerospace and Defense Electronics segments and lower sales in the Engineered Systems segment. Also, cost of sales in 2010 included an $8.2 million inventory write-down in the Aerospace and Defense Electronics segment. Cost of sales as a percentage of sales for 2011 was 66.5%, compared with 69.8% for 2010. The lower cost of sales percentage reflected the impact of the DALSA cost structure which has a lower cost of sales percentage than the overall Teledyne cost of sales percentage and other sales mix changes as well as cost reductions partially offset by the impact of the $8.2 million inventory write-down. Excluding the impact of the DALSA acquisition, cost of sales as a percentage of sales for 2011 would have been 67.3%. The remaining 2.5% decrease in the cost of sales percentage was primarily the result of a lower cost of sales percentage for the Aerospace and Defense Electronics segment due to 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 2011 compared with 2010. The increase reflected the impact of higher sales, higher acquired intangible asset amortization of $9.7 million and higher research and development costs of $41.4 million. Corporate administrative expense in 2011 was higher by $4.9 million compared with 2010 and reflected higher employee compensation and professional fee expenses. For 2011, we recorded a total of $5.8 million in stock option

expense, of which $2.1 million was recorded as corporate expense and $3.7 million was recorded in segment results. For 2010, we recorded a total of $4.7 million in stock option expense, of which $1.7 million was recorded as corporate expense and $3.0 million was recorded in segment results. Selling, general and administrative expenses for 2011, as a percentage of sales, increased to 21.8%, compared with 19.3% for 2010 and reflected the impact of acquisition related expenses, higher research and development costs and the DALSA cost structure which has a higher selling, general and administrative expense percentage than the overall Teledyne selling, general and administrative expense percentage.

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Included in operating profit in 2011 was domestic pension expense of $6.7 million. In accordance with CAS, $12.6 million was recoverable from certain government contracts. Included in operating profit in 2010 was domestic pension expense of $4.8 million. In accordance with CAS, $9.6 million was recoverable from certain government contracts.

The Company's effective tax rate for 2011 was 32.9%, compared with 30.9% for 2010. Fiscal years 2011 and 2010 included net tax credits of $2.4 million and $12.5 million, respectively, which were primarily research and development tax credits. Excluding the net tax credits, the effective tax rates for 2011 and 2010, would have been 34.0% and 38.1%, respectively.

Sales under contracts with the U.S. Government were approximately 36% of sales in 2011 and 44% of sales in 2010. Sales to international customers represented approximately 36% of sales in 2011 and 29% of sales in 2010.

Total interest expense, including credit facility fees and other bank charges, was $16.7 million in 2011 and $6.9 million in 2010. Interest income was $0.5 million in 2011 and $0.4 million in 2010. The increase in interest expense primarily reflected the impact of higher outstanding debt levels and higher overall average interest rates from our new credit facility and our senior notes.

Other income in 2011 included income of $2.3 million related to the reduction of an environmental reserve determined to be no longer needed and a $4.5 million pretax charge to write off the Company's minority investment in a private company. Other income in 2011 and in 2010 each included an insurance benefit of $1.0 million.

Segments

The following discussion of our four segments should be read in conjunction with Note 13 to the Notes to Consolidated Financial Statements.

Instrumentation

(Dollars in millions)	2012		2011		2010	
Sales	$749.4		$616.6		$573.2	
Cost of sales	$422.3		$354.2		$332.4	
Selling, general and administrative expenses	$190.9		$139.6		$126.9	
Operating profit	$136.2		$122.8		$113.9	
Cost of sales % of sales	56.4	%	57.4	%	58.0	%
Selling, general and administrative expenses % of sales	25.4	%	22.7	%	22.1	%
Operating profit % of sales	18.2	%	19.9	%	19.9	%
International sales % of sales	56.0	%	52.4	%	52.3	%
Governmental sales % of sales	5.3	%	6.3	%	6.2	%
Capital expenditures	$13.2		$8.9		$6.4	

Our Instrumentation segment provides monitoring and control instruments for marine, environmental, industrial and other applications, as well as electronic test and measurement equipment. We also provide power and communications connectivity devices for distributed instrumentation systems and sensor networks deployed in mission critical, harsh environments.

2012 compared with 2011

Our Instrumentation segment sales were $749.4 million in 2012, compared with sales of $616.6 million in 2011, an increase of 21.5%. Operating profit was $136.2 million in 2012, compared with $122.8 million in 2011, an increase of 10.9%.

The 2012 sales change resulted primarily from higher sales of marine instrumentation, test and measurement instrumentation, and environmental instrumentation. The higher sales of $45.6 million for marine instrumentation products reflected increased sales of interconnect systems used in offshore energy production and also included a total of $8.0 million in revenue from the acquisitions of PDM Neptec and BlueView. Increased sales of $80.8 million for test and measurement instrumentation resulted from the acquisition of LeCroy. The increase in sales of $6.4 million for environmental instrumentation primarily reflected higher domestic sales of air quality monitoring instrumentation products. The increase in operating profit reflected the impact of higher sales, greater margins for marine instrumentation, partially offset by $6.4 million in acquisition expenses and $2.8 million in additional intangible asset amortization related to the LeCroy, PDM Neptec and BlueView transactions. The incremental operating profit

included in the results for 2012 from recent acquisitions was $1.4 million. Cost of sales in total dollars increased by $68.1 million in 2012, compared with 2011, and reflected the impact of higher sales and product mix differences. The decrease in the cost of sales percentage primarily reflected the impact of the LeCroy acquisition products which carry a lower cost of sales percentage than the average for other products, partially offset by product mix differences. Segment operating profit in 2012 also reflected LIFO income of $0.3 million compared with LIFO expense of $0.5 million in 2011. Selling, general and administrative expenses for 2012, as a percentage of sales, increased to 25.4%, compared with

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22.6% for 2011 and reflected the impact of acquisition related expenses, higher research and development costs and the LeCroy cost structure which has a higher selling, general and administrative expense percentage than other instrumentation businesses.

2011 compared with 2010

Our Instrumentation segment sales were $616.6 million in 2011, compared with sales of $573.2 million in 2010, an increase of 7.6%. Operating profit was $122.8 million in 2011, compared with $113.9 million in 2010, an increase of 7.8%.

The 2011 sales change resulted primarily from $24.0 million in higher sales of environmental instrumentation products and $19.4 million in higher sales of marine instrumentation products. The higher sales for environmental instrumentation reflected improvement for substantially all product offerings. The higher sales for marine instrumentation reflected increased sales of marine interconnect systems, partially offset by reduced sales of geophysical sensors for the energy exploration market. The higher sales for marine instrumentation also included $3.7 million from a recent acquisition. The increase in operating profit reflected the impact of higher sales. Segment operating profit in 2011 also reflected LIFO expense of $0.5 million compared with LIFO expense of $0.2 million in 2010. Cost of sales in total dollars increased by $21.8 million in 2011, compared with 2010, and primarily reflected the increase in sales. Operating profit as a percentage of sales was 19.9% for both 2011 and 2010 and reflected a slightly lower cost of sales percentage due to mix, offset by a slightly higher selling, general and administrative percentage due to increased research and development expenses.

Digital Imaging

(Dollars in millions)	2012		2011		2010	
Sales	$415.9		$349.9		$122.5	
Cost of sales	$266.9		$231.5		$91.3	
Selling, general and administrative expenses	$124.2		$102.3		$26.0	
Operating profit	$24.8		$16.1		$5.2	
Cost of sales % of sales	64.2	%	66.2	%	74.5	%
Selling, general and administrative expenses % of sales	29.8	%	29.2	%	21.3	%
Operating profit % of sales	6.0	%	4.6	%	4.2	%
International sales % of sales	46.1	%	47.1	%	7.1	%
Governmental sales % of sales	31.0	%	31.5	%	76.2	%
Capital expenditures	$23.5		$13.8		$11.3	

Our Digital Imaging segment includes high performance sensors, cameras and systems, within the visible, infrared and X-ray spectra for use in industrial, government and medical applications, as well as MEMS. It also includes our sponsored and centralized research laboratories benefiting government programs and businesses.

2012 compared with 2011

Our Digital Imaging segment sales were $415.9 million in 2012, compared with sales of $349.9 million in 2011, an increase of 18.9%. Operating profit was $24.8 million in 2012, compared with $16.1 million in 2011, an increase of 54.0%. The 2012 sales increase included $66.9 million in incremental revenue from the acquisitions of DALSA, Nova Sensors and Optech. The 2012 sales also reflected increased sales of infrared imaging sensors and optics, offset by lower sales of funded research activities. The increase in operating profit was impacted by the absence of purchase accounting adjustments that were incurred in 2011 for the DALSA acquisition and product mix differences. The incremental operating profit for 2012 from recent acquisitions was $6.2 million. Operating profit in 2011 included $2.6 million of inventory purchase accounting charges resulting from the February 2011 acquisition of DALSA. Cost of sales in total dollars increased by $35.4 million, compared with 2011, and primarily reflected the impact of higher sales, offset by the absence in 2012 of the inventory purchase accounting charges for DALSA made in 2011. The lower cost of sales percentage in 2012 reflected the results of the Optech acquisition, which carries a lower cost of sales percentage, as well as the absence of inventory purchase accounting charges for DALSA in 2011.

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2011 compared with 2010

Our Digital Imaging segment sales were $349.9 million in 2011, compared with sales of $122.5 million in 2010, an increase of 185.6%. Operating profit was $16.1 million in 2011, compared with $5.2 million in 2010, an increase of 209.6%.

The 2011 sales increase included $214.0 million in revenue from recent acquisitions, primarily the February 2011, acquisition of DALSA, as well as higher organic sales. The increase in operating profit reflected the impact of higher sales, partially offset by increased intangible asset amortization of $9.9 million and $25.9 million in higher research and development and bid and proposal spending, primarily from recent acquisitions. The incremental operating profit from recent acquisitions was $10.7 million. Operating profit as a percentage of sales was 4.6% for 2011 and 4.2% for 2010. Cost of sales in total dollars increased by $140.2 million in 2011, compared with 2010, and reflected $123.5 million in cost of sales from the DALSA acquisition, as well as cost of sales on increased organic sales. The cost structure for this segment was significantly impacted by the acquisition of DALSA. Excluding the impact of the DALSA acquisition, cost of sales as a percentage of sales for 2011 would have been 76.0% which reflects a slightly less profitable mix of contracts versus 2010. Excluding the impact of the DALSA acquisition, selling, general and administrative expense as a percentage of sales for 2011 would have been 19.1% versus 21.2% in 2010 which reflected leveraging fixed costs over higher sales.

Aerospace and Defense Electronics

(Dollars in millions)	2012		2011		2010	
Sales	$660.6		$670.8		$614.7	
Cost of sales	$442.6		$458.0		$451.9	
Selling, general and administrative expenses	$127.7		$118.9		$105.0	
Operating profit	$90.3		$93.9		$57.8	
Cost of sales % of sales	67.0	%	68.3	%	73.5	%
Selling, general and administrative expenses % of sales	19.3	%	17.7	%	17.1	%
Operating profit % of sales	13.7	%	14.0	%	9.4	%
International sales % of sales	28.1	%	25.1	%	22.3	%
Governmental sales % of sales	40.9	%	45.3	%	49.2	%
Capital expenditures	$13.8		$13.1		$9.7	

Our Aerospace and Defense Electronics segment provides sophisticated electronic components and subsystems and communications products, including defense electronics, harsh environment interconnects, data acquisition and communications equipment for aircraft, and components and subsystems for wireless and satellite communications, as well as general aviation batteries.

2012 compared with 2011

Our Aerospace and Defense Electronics segment sales were $660.6 million in 2012, compared with sales of $670.8 million in 2011, a decrease of 1.5%. Operating profit was $90.3 million in 2012, compared with $93.9 million in 2010, a decrease of 3.8%.

Sales for 2012 decreased by $10.2 million, which resulted from lower sales of $37.9 million for electronic manufacturing service products, partially offset by $12.4 million of higher sales from avionics products and electronic relays and $15.3 million from microwave devices and interconnects. Microwave devices and interconnects sales in 2012 included $25.0 million from the 2012 acquisition of VariSystems. Operating profit in 2012 decreased due to the decrease in sales, $1.1 million in amortization of acquisition related intangible assets and $0.4 million in other acquisition expenses related to the VariSystems acquisition. Operating profit in 2012 also reflected reduced margins, as well as $1.7 million of severance and relocation costs within certain electronic manufacturing service products businesses. The incremental operating profit for 2012 from recent acquisitions was $1.8 million. Cost of sales for 2012 in total dollars decreased by $15.4 million, compared with 2011, and reflected the impact of lower sales and product mix differences. Cost of sales as a percentage of sales for 2012 decreased to 67.0% from 68.3% in 2011 and reflected increased sales of higher gross margin avionics products, decreased sales of lower gross margin electronic manufacturing service products, as well as the impact of higher gross margin products from VariSystems. Operating

profit included pension expense of $2.7 million for 2012, compared with $3.9 million for 2011. Pension expense allocated to contracts pursuant to CAS was $4.3 million for 2012, compared with $3.9 million for 2011. In the first half of 2013, we expect additional severance and relocation costs of approximately $4.0 million associated with certain electronic manufacturing services businesses.

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2011 compared with 2010

Our Aerospace and Defense Electronics segment sales were $670.8 million in 2011, compared with sales of $614.7 million in 2010, an increase of 9.1%. Operating profit was $93.9 million in 2011, compared with $57.8 million in 2010, an increase of 62.5%.

The 2011 sales increase resulted from $46.1 million of higher sales of microwave devices and interconnects, as well as increased sales of $24.1 million from avionics products and electronic relays, partially offset by a reduction of $14.1 million in sales of electronic manufacturing services products. The increased sales of microwave devices and interconnects included sales of $25.7 million from acquisitions as well as higher organic sales. The increase in operating profit reflected the impact of higher sales and product mix differences and the absence of the $8.2 million inventory write-down. The incremental operating profit from recent acquisitions was $5.9 million. Segment operating profit in 2011 also reflected LIFO expense of $0.3 million compared with LIFO expense of $0.4 million in 2010. Operating profit included pension expense of $3.9 million for 2011, compared with $1.7 million for 2010. Pension expense allocated to contracts pursuant to CAS was $3.9 million for 2011, compared with $2.5 million for 2010. Cost of sales in total dollars increased by $6.1 million in 2011, compared with 2010, and reflected the increase in sales, higher pension expense and product mix differences. The cost of sales percentage improved due to the sales mix which had higher sales from our more profitable avionics and interconnects products as well the absence of the $8.2 million inventory write-down in 2010.

Engineered Systems

(Dollars in millions)	2012		2011		2010	
Sales	$301.4		$304.6		$333.8	
Cost of sales	$247.3		$247.0		$272.5	
Selling, general and administrative expenses	$25.6		$29.5		$30.9	
Operating profit	$28.5		$28.1		$30.4	
Cost of sales % of sales	82.1	%	81.1	%	81.6	%
Selling, general and administrative expenses % of sales	8.5	%	9.7	%	9.3	%
Operating profit % of sales	9.5	%	9.2	%	9.1	%
International sales % of sales	11.6	%	11.1	%	7.6	%
Governmental sales % of sales	81.4	%	79.4	%	88.7	%
Capital expenditures	$4.2		$5.9		$3.6	

Our Engineered Systems segment provides innovative systems engineering and integration, advanced technology development, and manufacturing solutions for defense, space, environmental and energy applications. This segment also designs and manufactures electrochemical energy systems and small turbine engines.

2012 compared with 2011

Our Engineered Systems segment sales were $301.4 million in 2012, compared with sales of $304.6 million in 2011, a decrease of 1.1%. Operating profit was $28.5 million in 2012, compared with $28.1 million in 2011, an increase of 1.4%.

The 2012 sales decrease of $3.2 million reflected lower sales of $4.9 million from engineered products and services, partially offset by higher sales of $0.9 million for energy systems and $0.8 million for turbine engines. The sales decrease from engineered products and services primarily reflected lower sales of space and defense programs as well as nuclear programs. Operating profit in 2012 improved slightly despite the small decrease in sales. Cost of sales in total dollars for 2012 increased by $0.3 million, compared with 2011, and reflected product mix differences. Cost of sales as a percentage of sales for 2012 increased to 82.1%, compared with 81.1% in 2011 and reflected product mix differences. Operating profit included pension expense of $2.7 million for 2012, compared with $2.4 million for 2011. Pension expense allocated to contracts pursuant to CAS was $8.4 million for 2012, compared with $8.7 million for 2011.

2011 compared with 2010

Our Engineered Systems segment sales were $304.6 million in 2011, compared with sales of $333.8 million in 2010, a decrease of 8.7%. Operating profit was $28.1 million in 2011, compared with $30.4 million in 2010, a decrease of 7.6%.

Sales for 2011 reflected lower sales of $33.7 million from engineered products and services and lower energy systems sales of $2.3 million, partially offset by higher sales of $6.8 million of turbine engines resulting from increased sales for the JASSM program. The sales decrease from engineered products and services, primarily reflected lower sales of space and defense programs, partially offset by higher sales of $9.0 million for environmental systems and $6.2 million in sales from acquisitions. The lower operating profit in 2011 primarily reflected the impact of lower sales, partially offset by the impact of higher margins for turbine engines. Operating profit included pension expense of $2.4 million for 2011, compared with $1.6 million for 2010. Pension expense allocated to contracts pursuant to CAS was $8.7 million for 2011, compared with $7.1 million for 2010. Cost of sales in total dollars decreased by $25.5 million in 2011, compared with 2010, and primarily reflected

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the decrease in sales. Both cost of sales as a percentage of sales and selling, general and administrative expense as a percentage of sales were comparable from year to year.

Financial Condition, Liquidity and Capital Resources

Principal Capital Requirements

Our principal capital requirements are to fund working capital needs, capital expenditures, voluntary and required pension contributions, debt service requirements and acquisitions including the pending acquisition of RESON A/S. It is anticipated that operating cash flow, together with available borrowings under the credit facility described below, will be sufficient to meet these requirements and could be used to fund some acquisitions in 2013. To support acquisitions, we may need to raise additional capital. 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.

Revolving Credit Agreement and Senior Notes

On February 25, 2011, Teledyne refinanced the then existing $590.0 million credit facility by terminating the facility and entering into a new facility that has lender commitments totaling $550.0 million that has a termination date of February 25, 2016. Excluding interest and fees, no payments are due under the facility until it matures. Borrowings under our credit facility are at variable rates which are, at our option, tied to a Eurocurrency rate equal to LIBOR (London Interbank Offered Rate) plus an applicable rate or a base rate as defined in our credit agreement. Eurocurrency rate loans may be denominated in U.S. dollars or an alternative currency as defined in the agreement. Eurocurrency or 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 consolidated leverage ratio as defined in the credit agreement. The credit agreement also provides for facility fees that vary between 0.20% and 0.45% of the credit line, depending on our consolidated leverage ratio as calculated from time to time.

On October 22, 2012, Teledyne entered into $200.0 million of term loans that mature in October 2015. The proceeds were applied against the $550.0 million revolving credit facility. On September 15, 2010, the Company issued $250.0 million in aggregate principal amount of private placement Senior Notes at par. The Company used the proceeds of the private placement Senior Notes to pay down amounts outstanding under the Company's then existing $590.0 million credit facility.

Long-term debt consisted of the following (in millions):

Balance at	December 30, 2012	January 1, 2012
4.04% Senior Notes due September 2015	$75.0	$75.0
4.74% Senior Notes due September 2017	100.0	100.0
5.30% Senior Notes due September 2020	75.0	75.0
Term Loans due October 2015, weighted average rate of 1.59%	200.0	—
Other debt at various rates due through 2018	14.3	—
$550.0 million revolving credit facility, weighted average rate of 2.19% at December 30, 2012 and 2.48% at January 1, 2012	79.0	48.0
Total long-term debt	$543.3	$298.0

The Company also has $14.3 million in capital leases, of which $1.5 million is current. At December 30, 2012, Teledyne had $13.6 million in outstanding letters of credit.

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The credit agreements require 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 December 30, 2012, the Company was in compliance with these covenants and we had a significant amount of margin between required financial covenant ratios and our actual ratios. Currently, 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. At December 30, 2012, the required financial covenant ratios and the actual ratios were as follows:

$550.0 million Credit Facility expires February 2016 and $200.0 million term loans due October 2015

Financial Covenant	Requirement	Actual Measure
Consolidated Leverage Ratio (Net Debt/EBITDA) (a)	No more than 3.25 to 1	1.7 to 1
Consolidated Interest Coverage Ratio (EBITDA/Interest) (b)	No less than 3.0 to 1	15.7 to 1

$250.0 million Private Placement Notes due 2015, 2017 and 2020

Financial Covenant	Requirement	Actual Measure
Consolidated Leverage Ratio (Net Debt/EBITDA) (a)	No more than 3.25 to 1	1.6 to 1
Consolidated Interest Coverage Ratio (EBITDA/Interest) (b)	No less than 3.0 to 1	15.7 to 1

(a) The Consolidated Leverage Ratio is equal to Net Debt/EBITDA as defined in our private placement note purchase agreement and our $550.0 million credit agreement.

(b) The Consolidated Interest Coverage Ratio is equal to EBITDA/Interest as defined in our private placement note purchase agreement and our $550.0 million credit agreement.

Available borrowing capacity under the $550.0 million credit facility, which is reduced by borrowings and outstanding letters of credit, was $458.6 million at December 30, 2012. Teledyne also has a $5.0 million uncommitted credit line which permits credit extensions up to $5.0 million plus an incremental $2.0 million solely for standby letters of credit. This credit line is utilized, as needed, for periodic cash needs. No amounts are outstanding under this facility at December 30, 2012. The maximum amount that could be borrowed under our $550.0 million credit facility as of December 30, 2012 while still remaining in compliance with our consolidated leverage ratio covenant was $458.6 million. The Company may amend the $550.0 million credit facility in the first quarter of 2013 to extend the termination date and increase the amount of the facility.

Permanently Reinvested Earnings

We consider the earnings of non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash requirements. At December 30, 2012, the amount of undistributed foreign earnings was $87.5 million. We have not recorded a deferred tax liability of approximately $19.6 million related to the $87.5 million of undistributed foreign earnings. Should we decide to repatriate the foreign earnings, we would need to adjust our income tax provision in the period we determined that the earnings will no longer be indefinitely invested outside the United States.

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Contractual Obligations

The following table summarizes our expected cash outflows resulting from financial contracts and commitments at December 30, 2012. We have not included information on our normal recurring purchases of materials for use in our operations. These amounts are generally consistent from year to year, closely reflect our levels of production and are not long-term in nature (in millions):

Category	2013	2014	2015	2016	2017	2018 and beyond	Total
Long-term debt obligations	$—	$0.6	$275.5	$79.6	$100.5	$87.1	$543.3
Interest expense(a)	17.5	17.4	16.0	9.8	7.9	16.8	85.4
Operating lease obligations	22.3	17.2	14.9	10.9	7.7	14.6	87.6
Capital lease obligations(b)	2.1	1.8	1.7	1.7	1.7	9.1	18.1
Purchase obligations(c)	58.6	6.2	2.9	2.5	0.8	1.7	72.7
Total	$100.5	$43.2	$311.0	$104.5	$118.6	$129.3	$807.1

(a) Interest expense related to the credit facility, including facility fees, is assumed to accrue at the rates in effect at year-end 2012 and is assumed to be paid at the end of each quarter with the final payment in February 2016 when the credit facility expires.

(b) Includes imputed interest and short-term portion.

(c) Purchase obligations generally include long-term contractual obligations for the purchase of goods and services.

Unrecognized tax benefits of $42.6 million are not included in the table above because $9.7 million is offset by deferred tax assets, and the remainder cannot be reasonably estimated to be settled in cash due to a lack of prior settlement history.

At December 30, 2012, we are not required to make any cash contributions to the domestic qualified pension plan for 2012. Teledyne made a voluntary pretax contribution to its domestic qualified pension plan of $83.0 million on January 7, 2013. Teledyne has no required or scheduled contributions to its foreign pension plans for 2013. Our minimum funding requirements after 2012, as set forth by ERISA, are dependent on several factors as discussed under “Accounting for Pension Plans” in the Critical Accounting Policies section of this Management's Discussion and Analysis of Financial Condition and Results of Operation. Estimates beyond 2013 have not been provided due to the significant uncertainty of these amounts, which are subject to change until the Company's pension assumptions can be updated at the appropriate times. In addition, certain pension contributions are eligible for future recovery through the pricing of products and services to the U.S. government under certain government contracts, therefore, the amounts noted are not necessarily indicative of the impact these contributions may have on our liquidity. We also have payments due under our other postretirement benefit plans. These plans are not required to be funded in advance, but are pay as you go. See further discussion in Note 12 of the Notes to Consolidated Financial Statements. In addition, for covered active salaried employees in the domestic pension plan, in 2011 the Company approved a plan amendment to change the rate at which pension benefits will accrue after February 29, 2012. The pension benefit formula was changed from a “final average pay” calculation to a “career average pay” approach. This amendment reduced the pension benefit obligation by $43.3 million in 2011. Teledyne intends to continue to monitor and manage its defined pension benefit plans obligation and may take additional actions in the future.

Operating Activities

In 2012, net cash provided by operating activities from continuing operations was $189.5 million, compared with $219.5 million in 2011 and $127.1 million in 2010. The lower cash provided by operating activities from continuing operations in 2012 reflected the impact of the timing of accounts receivable collections and higher cash contributions to the domestic pension plan, partially offset by lower income tax payments. The 2012 net cash provided by operating activities from continuing operations amount includes voluntary cash contributions of $92.8 million to the domestic pension plan, compared with $69.0 million in voluntary cash contributions to the domestic pension plan for 2011. The higher net cash provided by operating activities from continuing operations for 2011, compared with 2010, reflected the impact of higher net income, lower income tax payments of $33.5 million and lower deferred accounts receivable,

partially offset by higher pretax pension contributions of $24.2 million.

Free cash flow (cash from operating activities from continuing operations less capital expenditures) was $124.2 million in 2012, compared with $177.8 million in 2011 and $96.1 million in 2010. Adjusted free cash flow eliminates the impact of pension contributions on a net of tax basis and was $184.5 million, compared with $221.8 million in 2011 and $124.2 million in 2010.

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Free Cash Flow(a) (in millions, brackets indicate use of funds)	2012