

**ANNUAL REPORT**

**1 JANUARY - 31 DECEMBER 2017**

**TELEDYNE RESON A/S**

**Fabriksvangen 13**

**3550 Slangerup**

**CENTRAL BUSINESS REGISTRATION no. 56 67 58 17**

Adopted at the Company's  
Annual General Meeting,  
on 12 June 2018

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Robert Mehrabian

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**Company**

Teledyne RESON A/S  
Fabriksvangen 13  
3550 Slangerup

Central Business Registration no. 56 67 58 17

42nd financial year

Registered in: Frederikssund

**Board of Executives**

Ole Søre-Pedersen

**Board of Directors**

Robert Mehrabian

Susan Lee Main

Aldo Pichelli

**Company auditors**

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
2300 København S  
Central business registration no. 33963556

**Financial highlights**

Amounts in DKK '000	DKK'000 2017	DKK'000 2016	DKK'000 2015	DKK'000 2014	DKK'000 2013
<b>Income statement</b>					
Gross profit	70.385	49.003	49.319	49.284	128.564
Profit/loss from primary activities	24.488	7.614	12.025	-11.811	63.406
Profit/loss before tax	27.754	22.950	13.378	-9.968	59.705
Net financials	-4.169	455	1.353	1.843	-5.193
Profit/loss for the year	26.627	31.243	12.134	-8.493	57.367
<b>Balance sheet</b>					
Balance sheet total	321.702	287.315	218.400	241.758	260.567
Total assets	321.702	287.315	218.400	241.758	260.567
Investments in property, plant and equipment	2.071	5.222	2.006	3.078	6.752
Equity	216.003	214.575	183.332	171.198	179.606
<b>Ratios</b>					
Return on equity (%)	12,4	15,7	6,8	(4,8)	61,8
Equity ratio	67,1	74,7	83,9	70,8	68,9

**Primary activities**

Teledyne RESON develops, produces and sells underwater acoustic systems and solutions. This includes extensive activities within research and development of new products, ensuring high product quality and development of market opportunities as well as comprehensive support of the system users. Quality is key for the company and a driver in ensuring its high market share.

The product program comprises multi-beam sonar systems for shallow water, medium depth and deep water applications, software for sonar systems, hydrophones, transducers, dredge systems and a number of peripheral products.

The market areas are hydrography, offshore, civil engineering & dredge and defense & security. Teledyne RESON continuously ensures that relevant products and services are developed for the market. These products and services are distributed to the customers through Teledyne RESON's own sales companies and through distributors all around the world.

The company is a fully owned entity of the American technology company Teledyne Technologies Inc., organized in its Marine section and through this Teledyne RESON is part of a family of technology companies supplying some of the world's leading high-tech solutions to the marine industry worldwide.

**Development in the Company's activities and finances**

After years with declining oil prices and related significantly reduced market activities within the offshore sectors, the market has stabilized itself during 2017. In 2017 we have gained market share and experienced a pickup in the shallow water system sale driven by the improved market conditions and by the high technology standard we deliver. With sales moving in the right direction and based on the reduced cost base we have seen a significantly improved profit level for the business at the end of 2017.

For 2017 Teledyne RESON A/S experienced a result before tax of DKK 27.754 thousands. This is DKK 4.804 thousands higher than in 2016.

**Outlook**

The market is expected to pick up from 2017 to 2018, with the first months of the year indicating a continued high activity as was seen in the last quarter of 2017. New products are introduced during 2017 and beginning of 2018, which are picking up. Market is up driven by the stabilized and higher oil price and by the higher activity level within defense and security. We are expecting to be able to improve the profit before tax compared to 2017.

**Intellectual capital resources**

Development, production and marketing of high-tech underwater acoustics place great demands on employees' knowledge. Thus, Teledyne RESON attaches great importance to recruiting and retaining competent staff and to improving their strategic skills.

**Environmental affairs**

It is the Group's policy to continue to minimize the use of environmentally sensitive materials in accordance with environmental requirements and legislation as and when new products are launched on the market.

**Research and development activities**

Research and development activities are performed by the company in Denmark and by the subsidiary in the Netherlands. These research and development activities comprise underwater acoustics technology, products, applications, solutions and services.

In recent years, the company has invested significant resources in research and development, aligned with the market needs; setting increasing demands for high quality, improvement of functionality and current launches of new products. While carrying out customer-specific projects, the company is also working on defined product plans for existing and new platforms which will improve the competitive position for the period ahead. On top of this the company has moved technologies from affiliated companies into the Danish site, with further product improvements and stabilization in the tail of it. This has strengthened the entire product portfolio and enhanced the company's position against competition.

**Corporate social responsibility****Corporate social responsibility policies**

The Teledyne RESON Group has implemented a standard of values as an integral part of its business strategy. This standard of values includes central areas of the Entity's operations and is communicated to staff regularly.

The standard of values defines the overall parameters for the Group's code of conduct in relation to customers, suppliers and staff and is evaluated regularly in connection with staff appraisal interviews and meetings with customers and suppliers.

Moreover, all key staff members have signed a set of ethics to ensure that the Group, both in its communication and actions, is perceived as a serious and socially responsible enterprise.

The Group is not obliged to make specific CSR disclosures and has not adopted specific policies for the CSR area.

**Events after the balance sheet date**

In March 2018, a customer cancelled a multi-year contract for delivery of sonars into a large project. Management currently awaits the customer's acceptance of the cancellation terms and expects a positive financial impact in 2018 related to the cancellation. Due to the ongoing negotiation and the uncertainty related to the cancellation, it has not been possible to quantify a specific amount.

The Board of Directors and Board of Executives have today discussed and approved the annual report for the financial year 1 January - 31 December 2017 of Teledyne RESON A/S.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

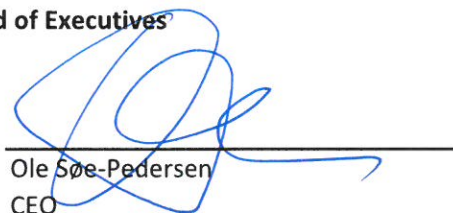
In our opinion the financial statements give a true and fair view of the Company's financial position at 31 December 2017 and of the result of the Company's operation for the financial year 1 January - 31 December 2017.

In our opinion the management's review includes a fair review about the matters the review deals with.

We recommend that the Annual Report be approved at the annual general meeting.

Slangerup, 12 June 2018

**Board of Executives**

  
Ole Søe-Pedersen  
CEO

**Board of Directors**

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Robert Mehrabian  
Chairman

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Susan Lee Main  
Boardmember

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Aldo Pichelli  
Boardmember

**To the shareholders of Teledyne RESON A/S****Opinion**

We have audited the financial statements of Teledyne RESON A/S for the financial year 01.01.2017 - 31.12.2017, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Management's responsibility for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- \* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- \* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- \* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- \* Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- \* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Statement on the Management's review**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen S, 12 June 2018

Deloitte  
Statsautoriseret Revisionspartnerselskab  
(cvr-nr. 33963556)

Keld Juel Danielsen  
State Authorized Public Accountant  
mne26741

Henrik Wolff Mikkelsen  
State Authorized Public Accountant  
mne33747

**Reporting class**

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act as regards medium-sized reporting class C enterprises.

The accounting policies applied for these financial statements are consistent with those applied last year.

**Consolidated financial statements**

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

The Financial Statement for Teledyne RESON A/S and affiliated subsidiaries are included in the consolidated financial statements for Teledyne Technologies Inc., Thousands Oaks, California, US.

**Recognition and measurement**

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

**Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

## **Income statement**

### **Gross profit or loss**

In the income statement, revenue, production costs and other operating income have been aggregated into one item called 'gross margin', cf. section 32 of the Danish Financial Statements Act.

### **Revenue**

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

### **Production costs**

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Further, provisions for loss on contract work in progress are recognised under production costs.

### **Distribution costs**

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

### **Administrative costs**

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

**Income from investments in group enterprises**

Income from investments in group enterprises comprises dividends etc received from the individual associates in the financial year.

**Other financial income**

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under Danish Tax Prepayments Scheme etc.

**Other financial expenses**

Other financial expenses comprise interest expenses including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under Danish Tax Prepayment Scheme etc.

**Income taxes**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with its Danish parent. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning losses).

**Balance sheet****Goodwill**

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection.

Goodwill is written down to the lower of recoverable amount and carrying amount.

**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 5 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. Development projects are written down to the lower of recoverable amount and carrying amount.

Intangible assets acquired from Teledyne Instruments Inc. at Net Booked Value for DKK 25.507 thousand follows the original straight-lined amortization plan, which is:

Customer relations	5 years/12 years
Proprietary Technology	10 years
Trade names	10 years

**Property, plant and equipment**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets, residual value are reestimated on yearly basis:

Buildings	50 years
Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3-10 years

### **Investments in group enterprises**

Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

### **Inventories**

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### **Receivables**

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

### **Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax assets which are not expected utilised within 3 years have been disclosed in notes under contingent assets.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**Cash**

Cash comprises cash in hand and bank deposits.

**Other provisions**

Other provisions comprise anticipated costs of non-recourse guarantee commitments etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Once it is likely that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Prepayments received from customers**

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

**Income tax receivable or payable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

**Deferred income**

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

**Cash flow statement**

Referring to 86(4) of the Danish Financial Statements Act, no cash flow statement are prepared.

**Financial highlights**

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

<b>Ratios</b>	<b>Calculation formula</b>	<b>Ratios reflect</b>
Return on equity (%)	$\frac{\text{Profit or loss for the year}}{\text{Average equity}} * 100$	The Entity's return on capital invested in the Entity by the owners.
Equity ratio	$\frac{\text{Closing equity}}{\text{Equity \& Liabilities at year-end}} * 100$	The financial ratio indicating the relative proportion of equity used to finance a company's assets

**INCOME STATEMENT**  
**1 JANUARY - 31 DECEMBER 2017**

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<u>Notes</u>		DKK'000	DKK'000
		<u>2017</u>	<u>2016</u>
	GROSS PROFIT/LOSS	70.385	49.003
	Distribution costs	-16.934	-16.437
1	Administrative costs	<u>-28.963</u>	<u>-24.952</u>
	OPERATING PROFIT/LOSS	24.488	7.614
	Income from investments in group enterprises	7.435	14.881
2	Other financial income	478	1.136
3	Other financial expenses	<u>-4.647</u>	<u>-680</u>
	PROFIT/LOSS BEFORE TAX	27.754	22.950
4	Tax on profit/loss for the year	<u>-1.126</u>	<u>8.293</u>
	PROFIT/LOSS FOR THE YEAR	<u><u>26.627</u></u>	<u><u>31.243</u></u>

## ASSETS

Notes	DKK'000	
	31/12 2017	31/12 2016
6 Completed development projects	26.725	29.073
6 Acquired rights	20.151	24.821
6 Goodwill	0	0
INTANGIBLE ASSETS	46.876	53.894
7,14 Land and buildings	12.707	13.058
7,14 Plant and machinery	0	21
7,14 Other fixtures and fittings, tools and equipment	7.868	8.998
PROPERTY, PLANT AND EQUIPMENT	20.576	22.076
8 Investments in group enterprises	18.488	18.488
8 Other receivables	468	468
FIXED ASSET INVESTMENTS	18.955	18.955
FIXED ASSETS	86.406	94.925
Raw materials and consumables	33.712	34.037
Work in progress	11.300	11.547
Finished goods and goods for resale	30.343	35.655
INVENTORIES	75.355	81.239
Trade receivables	44.969	37.913
Receivables from group enterprises	67.424	21.091
Other receivables	6.359	3.379
4 Deferred tax assets	15.000	15.000
9 Prepayments	1.229	1.858
RECEIVABLES	134.980	79.240
CASH	24.961	31.911
CURRENT ASSETS	235.296	192.390
TOTAL ASSETS	321.702	287.315

**BALANCE SHEET AT 31 DECEMBER 2017**  
**EQUITY AND LIABILITIES**

**18**

<u>Note</u>	DKK'000	
	<u>31/12 2017</u>	<u>31/12 2016</u>
Share capital	109.796	109.796
Reserve for net revaluation	2.852	2.852
Reserve for development expenditure	12.278	6.723
Retained earnings	91.077	68.611
Proposed dividends for the financial year	<u>0</u>	<u>26.594</u>
EQUITY	<u>216.003</u>	<u>214.575</u>
10 Other provisions	<u>1.239</u>	<u>2.808</u>
PROVISIONS	<u>1.239</u>	<u>2.808</u>
Prepayments received from customers	58.281	36.004
Trade payables	28.004	20.550
4 Income taxes	1.126	0
Other payables	14.126	12.484
11 Deferred income	<u>2.923</u>	<u>894</u>
SHORT-TERM LIABILITIES OTHER THAN PROVISIONS	<u>104.460</u>	<u>69.932</u>
LIABILITIES OTHER THAN PROVISIONS	<u>104.460</u>	<u>69.932</u>
TOTAL EQUITY AND LIABILITIES	<u><u>321.702</u></u>	<u><u>287.315</u></u>
5 Distribution of profit		
12 Contingent assets		
13 Contingent liabilities		
14 Assets charged and security		
15 Events after the balance sheet date		
16 Related parties		
17 Group		

## STATEMENT OF CHANGES IN EQUITY

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	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
	Share capital	Reserve for net revaluation	Reserve for development expenditure	Proposed dividends	Retained earnings	TOTAL	
Equity at 1/1 2016	109.796	2.743	0	0	70.793	183.332	
Regulation previous years	0	109	0	0	-109	0	
Transferred to reserve for development expenditure		0	6.723	0	-6.723	0	
Transferred from distribution of profit/loss	0	0	0	26.594	4.649	31.243	
Equity at 1/1 2017	109.796	2.852	6.723	26.594	68.611	214.575	
Dividends paid	0	0	0	-26.594	1.394	-25.200	
Transferred to reserve for development expenditure	0	0	5.555	0	-5.555	0	
Transferred from distribution of profit/loss	0	0	0	0	26.627	26.627	
Equity at 31/12 2017	109.796	2.852	12.278	0	91.077	216.003	

	DKK'000	DKK'000
1 Staff costs	2017	2016
Wages and salaries	66.438	61.708
Pensions	5.033	4.451
Other social security costs	461	501
Other staff costs	4.739	4.698
TOTAL	76.671	71.358

The average number of full-time employees has represented 120 in this financial year against 110 in the previous financial year.

Referring to section 98 b(3) of the Danish Financial Statements Act, remuneration of the Board of Executives and the Board of Directors have not been disclosed.

	DKK'000	DKK'000
2 Other financial income	2017	2016
Interest income from group enterprises	456	1.068
Interest income, other	23	64
Other financial income (exchange rate adjustments)	0	4
TOTAL	478	1.136

	DKK'000	DKK'000
3 Other financial expenses	2017	2016
Interest expenses	156	119
Other financial expenses (incl. exchange rate adjustments)	4.492	561
TOTAL	4.647	680

#### 4 Corporation tax and deferred tax

	DKK'000	DKK'000	DKK'000	DKK'000
	Income taxes	Deferred tax	Acc. to the inc. statement	2016
Payable at 1/1 2017	0	-15.000		
Tax on profit/loss for the year	<u>1.126</u>	<u>0</u>	<u>1.126</u>	<u>-8.293</u>
PAYABLE AT 31/12 2017	<u>1.126</u>	<u>-15.000</u>		
TAX ON PROFIT/LOSS FOR THE YEAR			<u>1.126</u>	<u>-8.293</u>
			<u>31/12 2017</u>	<u>31/12 2016</u>

Deferred tax is incumbent upon the following assets and liabilities:

	DKK'000	DKK'000
Intangible assets	6.292	7.035
Tangible assets	-1.849	-2.453
Fixed assets investments	-5	-2
Current assets	426	663
Provisions	-221	-545
Liabilities other than provisions	-73	-73
Unutilised losses	<u>-67.590</u>	<u>-71.616</u>
TOTAL	<u>-63.019</u>	<u>-66.991</u>
Deferred tax assets are measured at net realizable value, and are based on Management's best estimate of the ability to use losses carried forward within a 3 years period.		
To be used within 3 years	-15.000	-15.000
Unrecognized deferred tax assets	<u>-48.019</u>	<u>-51.991</u>
TOTAL	<u>-63.019</u>	<u>-66.991</u>

5	Distribution of profit	DKK'000	DKK'000
		2017	2016
	Proposed dividends for the financial year	0	26.594
	Retained earnings	26.627	4.649
	PROFIT/LOSS FOR THE YEAR	26.627	31.243

6	List of fixed assets, amortisation and impairment, intangible assets	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
		Completed development projects	Acquired rights	Goodwill	TOTAL	31/12 2016
	Cost at 1/1 2017 *	168.539	25.507	9.892	203.938	169.812
	Additions for the year **	8.846	0	0	8.846	34.126
	Disposals for the year	0	0	0	0	0
	COST AT 31/12 2017	177.385	25.507	9.892	212.784	203.938
	Amortisation and impairment at 1/1 2017	139.466	686	9.892	150.045	136.566
	Amortisation for the year	11.194	4.670	0	15.864	13.479
	Amortisation and impairment, disposals for the year	0	0	0	0	0
	AMORTISATION AND IMPAIRMENT AT 31/12 2017	150.661	5.356	9.892	165.909	150.045
	CARRYING AMOUNT AT 31/12 2017	26.725	20.151	0	46.876	53.894
	Non-bound development expenses	11.184				

\* The Company has in 2016 capitalised DKK 8.619 thousand in completed development projects. The Technology is incorporated in future product portfolio. Booked value at 31/12 2017: DKK 6.895 thousand.

\*\* The Company has in 2017 capitalised DKK 8.846 thousand in completed development projects. The Technology is incorporated in future product portfolio. Booked value at 31/12 2017: DKK 8.846 thousand.

7 List of fixed assets, amortisation and depreciation,  
property, plant and equipment

	DKK'000 Land and buildings	DKK'000 Plant and machinery	DKK'000 Other fixtures, etc.	DKK'000 TOTAL	DKK'000 31/12 2016
Cost at 1/1 2017	16.321	5.694	30.202	52.217	49.346
Additions for the year	0	0	2.071	2.071	5.222
Disposals for the year	0	-92	-3.937	-4.029	-2.351
COST AT 31/12 2017	16.321	5.602	28.337	50.259	52.217
Revaluations beginning of year	3.657	0	0	3.657	3.657
REVALUATIONS END OF YEAR	3.657	0	0	3.657	3.657
Amortisation, depreciation and impairment at 1/1 2017	6.920	5.673	21.204	33.797	33.308
Amortisation and depreciation for the year	350	21	3.201	3.572	2.841
Amortisation, depreciation and impairment, disposals for the year	0	-92	-3.937	-4.029	-2.351
AMORTISATION, DEPRECIATION AND IMPAIRMENT AT 31/12 2017	7.270	5.602	20.469	33.340	33.798
CARRYING AMOUNT AT 31/12 2017	12.707	0	7.868	20.576	22.076
Carrying amount at 31/12 2017 excluding net revaluations	9.051				

NOTES, continued

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8 List of fixed assets, amortisation  
and depreciation, fixed asset investments

	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
	Investments in group enterprises	Other receivables	Total	31/12 2016	
Cost at 1/1 2017	18.488	468	18.955	19.005	
Additions for the year	0	0	0	0	
Disposals for the year	0	0	0	-50	
COST AT 31/12 2017	18.488	468	18.955	18.955	
CARRYING AMOUNT AT 31/12 2017	18.488	468	18.955	18.955	

## 8 Investments in group enterprises, continued

The Company's group enterprises and associates comprise the following:

	Ownership share	DKK'000 Contributed capital	DKK'000 Profit or loss for the year	DKK'000 Equity
<u>Group enterprises</u>				
Teledyne RESON Inc., USA	100%	16.762	3.463	25.385
Teledyne RESON UK Ltd., GB	100%	101	94	752
Teledyne RESON GmbH, Germany	100%	1.140	2.913	27.547
Teledyne RESON B.V., The Netherlands	100%	134	3.875	45.431
TOTAL		18.137	10.345	99.115

As the subsidiaries are not subject to statutory audit, the above information regarding equity and profit or loss are based on the unaudited internal reporting received from the subsidiaries.

9		DKK'000 31/12 2017	DKK'000 31/12 2016
	Insurance, subscription fees, etc.	1.229	1.858
	TOTAL	1.229	1.858

10		DKK'000 31/12 2017	DKK'000 31/12 2016
	Warranty commitments	1.239	2.808
	TOTAL	1.239	2.808

Statement of warranty commitments is based on an estimate which includes historical data about the individual type of costs adjusted for the development in revenue.

## 11 Deferred income

Short-term deferred income include deferred revenue.

## 12 Contingent assets

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The company has a total deferred tax asset of DKK 67.590 thousand, whereof DKK 15.000 thousand are included under current assets. The company's unrecognized deferred tax assets amount to DKK 52.590 thousand.

## 13 Contingent liabilities

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The company has bank guarantees and payment bonds worth DKK 220 thousand (DKK 936 thousand as 31 December 2016) as security in favour of customers and suppliers.

The company is jointly taxed with other group companies and is jointly liable with the other group companies for payable and unsettled corporation and withholding taxes. The total amount for payable corporate tax is shown in the annual report for Teledyne Denmark A/S. Any subsequent corrections to the corporate tax and withholding taxes can lead to a higher liability for the Company.

In addition, the Company is from time-to-time involved in disputes that are normal for its business. The outcome of ongoing disputes is not expected to have any significant impact on the Company's financial position.

## 14 Assets charged and security

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There has been issued mortgage deed worth DKK 10.000 thousand (DKK 10.000 thousand as 31 December 2016), which the company holds, and therefore not provided as security for any liabilities.

## 15 Events after the balance sheet date

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In March 2018, a customer cancelled a multi-year contract for delivery of sonars into a large project. Management currently awaits the customer's acceptance of the cancellation terms and expects a positive financial impact in 2018 related to the cancellation. Due to the ongoing negotiation and the uncertainty related to the cancellation, it has not been possible to recognize a specific amount.

## 16 Related parties

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The Company's related parties comprise the following:

Controlling influence:

Basis of controlling influence:

Teledyne Denmark A/S, Fabriksvangen 13,  
3550 Slangerup, Denmark.

Main shareholder

Teledyne Technologies Inc.,  
Thousand Oaks, California, USA

Main shareholder

No disclosures of transactions with related parties as Management believes that all transactions with related parties has been carried out on arms length basis.

## 17 Group

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Following parent company compose consolidated financial statements:

For the biggest and smallest group:

Teledyne Technologies Inc., Thousand Oaks, California, USA, [www.teledyne.com](http://www.teledyne.com)