



Teledyne RESON A/S

Fabriksvangen 13
3550 Slangerup
CVR No. 56675817

Annual report 2020

The Annual General Meeting adopted the
annual report on 28.06.2021

Ole Søre-Pedersen

Chairman of the General Meeting

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Entity details

Entity

Teledyne RESON A/S

Fabriksvangen 13

3550 Slangerup

CVR No.: 56675817

Registered office: Frederikssund

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Susan Lee Main, Chairman

Ole Søre-Pedersen

Melanie Susan Cibik

Executive Board

Ole Søre-Pedersen, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Teledyne RESON A/S for the financial year 01.01.2020 - 31.12.2020.

The annual report is presented 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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Slangerup, 28.06.2021

Executive Board

Ole Søre-Pedersen

Chief Executive Officer

Board of Directors

Susan Lee Main

Chairman

Ole Søre-Pedersen

Melanie Susan Cibik

Independent auditor's report

To the shareholder of Teledyne RESON A/S

Opinion

We have audited the financial statements of Teledyne RESON A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. 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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 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 responsibilities 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 responsibilities 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 commentary

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, 28.06.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Flemming Larsen

State Authorised Public Accountant
Identification No (MNE) mne27790

Henrik Wolff Mikkelsen

State Authorised Public Accountant
Identification No (MNE) mne33747

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Revenue	418,332	385.505	364.025	294.614	229.802
Gross profit/loss	125,303	112.286	148.979	71.471	49.003
Operating profit/loss	64,290	36.659	91.838	24.488	7.614
Net financials	(4,646)	17.794	76.588	3.266	15.337
Profit/loss for the year	54,982	49.058	170.293	26.628	31.243
Total assets	635,679	557.062	448.791	321.703	287.315
Investments in property, plant and equipment	3,833	1.692	2.614	2.071	5.222
Equity	555,176	500.194	383.563	216.003	214.575
Average number of employees	129	136	121	120	110
Ratios					
Gross margin (%)	29.95	29.13	40.93	24.26	21.32
EBIT margin (%)	15.37	9.51	25.23	8.31	3.31
Net margin (%)	13.14	12.73	46.78	9.04	13.59
Return on equity (%)	19.79	11.10	56.80	12.37	15,7
Equity ratio (%)	87.34	89.79	85.47	67.14	74.68

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

In connection with changes to the accounting policies in 2019, the comparative figures from 2016 to 2017 have not been restated. See the description under accounting policies.

Gross margin (%):

Gross profit/loss * 100

Revenue

EBIT margin (%):

Operating profit/loss * 100

Revenue

Net margin (%):

Profit/loss for the year * 100

Revenue

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

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

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

The market areas are hydrography, offshore, research, civil engineering & dredge and defense & security. Teledyne RESON continuously ensures that relevant products and services are developed for these 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 activities and finances

The income statement of the Company for 2020 shows a profit of TDKK 54,982, and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 555,167.

The company was only immaterial impacted by COVID 19 in 2020 and we do not see any material impact from COVID 19 in 2021.

Outlook

The market is expected to pick up from 2020 to 2021.

New products and solutions were introduced during 2020, and more are launched in 2021. All new products and solutions are very well received by the markets and keeps Teledyne RESON as the lead manufacturer of bespoke solution. Market is up driven by the higher activity level within offshore, civil engineering and defense & security. We are expecting increased activities and operating profit in 2021 is expected to be DKK 68M compared to operating profit in 2020 of DKK 65M.

Particular risks

Operating risks

The company has generally covered all raw material deliveries with long term supply agreements with key suppliers. And we are on an ongoing basis observing supply of key components. The supply situation is therefore well managed and risk measures are well defined in case of a change in supply.

Market risks

The global markets have been challenging the past 12-18 months, but we have been able to secure and strengthen our position in this period. We are closely monitoring our competitors' movements and securing that our product offerings are competitive.

Foreign exchange risks

The company is operating on a global market scale. Buying from suppliers in different countries and selling to customers all over the world. We are therefore exposed to changes in foreign currency rates, and the company is balancing the risks through a natural hedge stemming from balanced buying and selling in different currencies and active through financial hedging instruments.

Intellectual capital resources

Development, production and marketing of high-tech marine technology is requiring that we have the right know-how in-house. Attracting and retaining that know-how is key for Teledyne RESON and we constantly secure employee development and that we are recruiting the required personnel.

Research and development activities

The research and development activities covers both underwater acoustics and gyro technology for inertial navigation system. We cover hardware, software, solutions and services when developing new applications for our markets.

In recent years, the company has invested in new products and application, to secure that we hold our lead positions in the market for sonar and navigation systems. Technology evolves fast and requires us to constantly move our products in the right direction, among other with artificial intelligence and machine learning algorithms. This is done parallel with the delivery of customer-specific projects and solutions. 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.

Statutory report on corporate social responsibility**Business model**

The business model is to develop, manufacture and sell products and solutions. The products are primarily sold to the Maritime segment and mainly exported.

Social considerations

Social commitment and responsibility is high on our agenda, and we keep this in focus and are very aware of our social obligations with regards to everything from balancing on gender and securing a safe and proper workplace. We expect this of our own company and the companies we are working with externally.

Teledyne RESON A/S believes that all work can be performed incident and injury-free and encourages its employees to report all work injuries, near misses, dangerous observations and hazard spots, which are recorded and tracked in safety statistics. All reported Environmental Health and Safety incidents are investigated and mitigation actions implemented to avoid future incidents. Work injuries are categorized as DAWs (Days Away from Work), Restricted Work Cases, Medical Treatment Cases (beyond local first aid) and Local First Aid Cases. In 2020, Teledyne RESON A/S had one Local First Aid Case only and no environmental incidents.

Environmental performance

It is the Company'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. We do not believe there is any material risk of negatively affecting the environment or climate. The Company works actively to reduce the amount of waste and all sorts of energy waste. Human rights

Anti-corruption

Teledyne RESON A/S operates on the European market and mainly in Western Europe. We do not believe that we are considerably exposed to risks of corruption and bribery in connection with our sales and distribution channels.

Policy on corporate social responsibility

Teledyne RESON A/S and the Teledyne Group have 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 are perceived as a serious and socially responsible enterprise.

Based on the above risk assessments, the size of our organization as well as our limited resources in general, separate policies on corporate social responsibility have not been prepared for which reason this management commentary does not separately account for our work with social responsibility. The company follows Danish legislation in relation to environment and climate, human rights, employee conditions and regarding bribery and corruption. We are not aware of any breaches concerning these areas in Teledyne RESON A/S in 2020.

Statutory report on the underrepresented gender

Teledyne RESON A/S is working and focused on having a balanced gender distribution in the company. We believe that a greater diversity, will have a positive impact in the company. We are encouraging applications from all and welcome them on equal basis. We seek to recruit candidates with the best profiles and qualifications for the company regardless of their gender.

Currently, the Board of Directors consists of two female and one male director, and the company meets the requirements in relation to the underrepresented gender.

On senior management level, currently 25% of employees are female, which is above the company's target figure of 20%. 77% of our entire workforce is male and 23% female.

The company has a focus on the opportunities for underrepresented gender at other management levels. In relation to job postings and hiring's, the company ensures, whenever possible, to have at least one candidate from each gender for the final interview process for a job.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2020

	Notes	2020 DKK'000	2019 DKK '000
Revenue	2	418,332	385,505
Production costs		(293,029)	(273,220)
Gross profit/loss		125,303	112,285
Distribution costs		(22,629)	(34,761)
Administrative expenses	3	(42,032)	(40,865)
Other operating income		3,648	0
Operating profit/loss		64,290	36,659
Income from investments in group enterprises		0	17,450
Other financial income	5	5,373	3,235
Other financial expenses	6	(10,019)	(2,891)
Profit/loss before tax		59,644	54,453
Tax on profit/loss for the year	7	(4,662)	(5,395)
Profit/loss for the year	8	54,982	49,058

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	10	30,732	31,581
Acquired licences		19,477	20,783
Goodwill		33,770	49,357
Intangible assets	9	83,979	101,721
Land and buildings		9,080	9,430
Plant and machinery		650	629
Other fixtures and fittings, tools and equipment		5,474	5,265
Property, plant and equipment	11	15,204	15,324
Investments in group enterprises		16,763	16,763
Deposits		757	475
Financial assets	12	17,520	17,238
Fixed assets		116,703	134,283
Raw materials and consumables		36,398	48,077
Work in progress		14,885	10,913
Manufactured goods and goods for resale		23,769	29,499
Inventories		75,052	88,489
Trade receivables		46,903	35,983
Receivables from group enterprises		268,977	208,554
Deferred tax	13	24,713	22,843
Other receivables		4,311	1,998
Tax receivable		0	564
Prepayments	14	9,040	3,142
Receivables		353,944	273,084
Cash		89,980	61,207
Current assets		518,976	422,780
Assets		635,679	557,063

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	15	109,796	109,796
Reserve for development expenditure		23,971	23,866
Retained earnings		421,409	366,532
Equity		555,176	500,194
Other provisions	16	1,588	1,366
Provisions		1,588	1,366
Other payables		7,515	2,654
Non-current liabilities other than provisions	17	7,515	2,654
Prepayments received from customers		14,301	6,207
Trade payables		25,942	26,152
Payables to group enterprises		6,559	0
Tax payable		1,349	0
Other payables	18	14,464	18,702
Deferred income	19	8,785	1,788
Current liabilities other than provisions		71,400	52,849
Liabilities other than provisions		78,915	55,503
Equity and liabilities		635,679	557,063
Events after the balance sheet date	1		
Staff costs	4		
Unrecognised rental and lease commitments	20		
Contingent liabilities	21		
Transactions with related parties	22		
Group relations	23		

Statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	109,796	23,866	366,532	500,194
Transfer to reserves	0	105	(105)	0
Profit/loss for the year	0	0	54,982	54,982
Equity end of year	109,796	23,971	421,409	555,176

Notes

1 Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

2 Revenue

	2020 DKK'000	2019 DKK'000
Denmark	21,779	9,848
Exports	396,553	375,657
Total revenue by geographical market	418,332	385,505
Underwater Acoustics	418,332	385,505
Total revenue by activity	418,332	385,505

3 Fees to the auditor appointed by the Annual General Meeting

	2020 DKK'000	2019 DKK'000
Statutory audit services	485	477
Other assurance engagements	0	25
Other services	128	38
	613	540

4 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	82,639	75,519
Pension costs	7,109	6,630
Other social security costs	3,705	4,972
	93,453	87,121
Average number of full-time employees	129	136

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.

5 Other financial income

	2020 DKK'000	2019 DKK'000
Financial income from group enterprises	5,295	3,196
Other interest income	78	39
	5,373	3,235

6 Other financial expenses

	2020 DKK'000	2019 DKK'000
Exchange rate adjustments	9,408	2,710
Other financial expenses	611	181
	10,019	2,891

7 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	6,532	5,395
Change in deferred tax	(1,870)	0
	4,662	5,395

8 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Retained earnings	54,982	49,058
	54,982	49,058

9 Intangible assets

	Completed development projects DKK'000	Acquired licences DKK'000	Goodwill DKK'000
Cost beginning of year	96,783	34,217	67,573
Additions	8,660	3,361	0
Disposals	(8,491)	0	0
Cost end of year	96,952	37,578	67,573
Amortisation and impairment losses beginning of year	(65,202)	(13,695)	(18,216)
Amortisation for the year	(9,509)	(4,406)	(15,587)
Reversal regarding disposals	8,491	0	0
Amortisation and impairment losses end of year	(66,220)	(18,101)	(33,803)
Carrying amount end of year	30,732	19,477	33,770

10 Development projects

The Company has in 2020 capitalised TDKK 8,660 in completed development projects. The technology is incorporated in future product portfolio.

11 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	16,321	6,541	29,439
Additions	0	496	3,337
Cost end of year	16,321	7,037	32,776
Depreciation and impairment losses beginning of year	(6,891)	(5,912)	(24,176)
Depreciation for the year	(350)	(475)	(3,124)
Depreciation and impairment losses end of year	(7,241)	(6,387)	(27,300)
Carrying amount end of year	9,080	650	5,476

12 Financial assets

	Investments in group enterprises DKK'000	Deposits DKK'000
Cost beginning of year	16,763	475
Additions	0	282
Cost end of year	16,763	757
Carrying amount end of year	16,763	757

Investments in subsidiaries	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
Teledyne RESON Inc.	USA	Inc.	100	36,182	4,955

13 Deferred tax

	2020 DKK'000	2019 DKK'000
Changes during the year		
Beginning of year	22,843	23,928
Recognised in the income statement	1,870	(1,085)
End of year	24,713	22,843

Deferred tax assets are measured at net realisable value, and are based on Management's best estimate of the ability to use losses carried forward within a 3 years period.

14 Prepayments

Prepayments consist of insurance, subscription fees, etc. in respect of subsequent financial years.

15 Share capital

The share capital consist of 109,796,492 shares of a nominal value of DKK 1. No shares carry any special rights.

16 Other provisions

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.

17 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK'000
Other payables	7,515
	7,515

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt. The debt falls due as specified above. The company has no long-term debt that is due more than 5 years from the balance sheet date.

18 Other payables

	2020 DKK'000	2019 DKK'000
VAT and duties	4,260	2,257
Wages and salaries, personal income taxes, social security costs, etc payable	4,873	4,957
Holiday pay obligation	3,435	6,191
Other costs payable	1,896	5,297
	14,464	18,702

19 Deferred income

Short-term deferred income include deferred revenue.

20 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Liabilities under rental or lease agreements until maturity in total	946	663

21 Contingent liabilities

The company has bank guarantees and payment bonds worth TDKK 5.835 (TDKK 2,318 as of 31 December 2019) as security in favour of customers and suppliers.

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.

22 Transactions with related parties

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

23 Group relations

The company is directly owned by Rhombi Holdings Limited, United Kingdom, and is ultimately owned by Teledyne Technologies Inc., USA.

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Teledyne Technologies Inc. Thousand Oaks, California, USA.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Teledyne Technologies Inc. Thousand Oaks, California, USA.

Copies of the consolidated financial statements of Teledyne Technologies Inc. may be ordered at the following address:

1049 Camino Dos Rios, Thousand Oaks, CA 91360, USA.

The Group Annual Report of Teledyne Technologies Inc. may be obtained at the following address:
www.teledyne.com.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to 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, 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 rate 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

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, and 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, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses

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

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises

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

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

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

Tax on profit/loss for the year

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.

Balance sheet

Goodwill

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. 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.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation period used 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.

Acquired rights relates to Intangibles assets from group enterprises and follows the original straight-lined amortisation plan, which is:

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

Property, plant and equipment

Property, plant 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-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

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:

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

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments 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 of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance 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 in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal values less provision for bad debts.

Deferred tax

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

Tax payable or receivable

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

Prepayments

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

Prepayments received from customers comprise amounts received from customer 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, returns, loss on contract work in progress, decided and published restructuring, 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 probable 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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

With reference 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, US.