
Teledyne RESON A/S

Fabriksvangen 13, DK-3550 Slangerup

Annual Report for 1 January - 31 December 2019

CVR No 56 67 58 17

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
7 /9 2020

Aldo Pichelli
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Teledyne RESON A/S for the financial year 1 January - 31 December 2019.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Slangerup, 7 September 2020

Executive Board

Ole Søre-Pedersen
CEO

Board of Directors

Aldo Pichelli
Chairman

Melanie Susan Cibik

Susan Lee Main

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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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.

Independent Auditor's Report

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 Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review 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's Review.

Copenhagen, 7 September 2020

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Keld Juel Danielsen
State Authorised Public Accountant
mne26741

Henrik Wolff Mikkelsen
State Authorised Public Accountant
mne33747

Company Information

The Company

Teledyne RESON A/S
Fabriksvangen 13
DK-3550 Slangerup

CVR No: 56 67 58 17
Financial period: 1 January - 31 December
Municipality of reg. office: Frederikssund

Board of Directors

Aldo Pichelli, Chairman
Melanie Susan Cibik
Susan Lee Main

Executive Board

Ole Søre-Pedersen

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 København S

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Revenue	385.505	364.025	294.614	229.802	235.235
Gross profit/loss	112.286	148.979	71.471	49.003	49.319
Profit/loss before financial income and expenses	36.659	91.838	24.488	7.614	12.025
Net financials	17.794	76.588	3.266	15.337	1.353
Net profit/loss for the year	49.058	170.293	26.628	31.243	12.134
Balance sheet					
Balance sheet total	557.062	448.791	321.703	287.315	218.400
Equity	500.194	383.563	216.003	214.575	183.332
Investment in property, plant and equipment	1.692	2.614	2.071	5.222	2.006
Number of employees	136	121	120	110	104
Ratios					
Gross margin	29,1%	40,9%	24,3%	21,3%	21,0%
Profit margin	9,5%	25,2%	8,3%	3,3%	5,1%
Return on equity	11,1%	56,8%	12,4%	15,7%	6,8%
Solvency ratio	89,8%	85,5%	67,1%	74,7%	83,9%

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 2015 to 2017 have not been restated. See the description under accounting policies.

Management's Review

Primary activities

Teledyne RESON develops, produces and sells 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 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.

Market overview

Development in the year

The company has been merged with Teledyne Denmark A/S January 1, 2019.

The income statement of the Company for 2019 shows a profit of TDKK 49.058, and at 31 December 2019 the balance sheet of the Company shows equity of TDKK 500.194. As a result of the merger with Teledyne Denmark A/S, intangible assets have increased with goodwill in the amount of TDKK 49.357 and the income statement in 2019 has been impacted by amortizations of TDKK 18.216.

Further, the company have recognized TDKK 17.450 in income from investments in subsidiaries due to termination of subsidiaries in 2019.

Adjusted for these items, the income statement shows a profit of TDKK 49.824, which also is better than expected for the year.

Outlook

The market is expected to pick up from 2019 to 2020.

New products were introduced during 2019, which have been received very well. Market is up driven by the higher activity level within defense and security. Despite impact from COVID-19, we are expecting increased activities and profit in 2020 compared to ordinary profit in 2019.

Management's Review

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 are 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 recent months, but we have been able to secure our position during this phase against aggressive competition. We are closely monitoring our competitors' movements and securing that our product strategies keeps us in the right position.

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 place great demands on employees' knowledge. Thus, Teledyne RESON attaches great importance to recruiting and retaining competent staff and to improving their strategic skills.

Research and Development activities

The research and development activities comprise underwater acoustics and inertial navigation system 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.

Statement of corporate social responsibility

Business model

The business model is to develop, manufacture and sell. The products are primarily sold to the Maritime segment and is primarily export. For further information about the business activities, please refer to section primary activities on page 7.

Management's Review

Social considerations

The Company generally wants to act with social commitment and responsibility, and we do not believe there is any material risk of having a negative impact on social conditions.

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 2019, Teledyne RESON A/S had one Local First Aid Case only and no environmental incidents.

Environmental performance

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. 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

As a company within the Maritime segment, we do not believe there is any material risk of negatively affecting the human rights of our employees, customers or other stakeholders concerning, for example, health, non-discrimination and privacy.

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

Management's Review

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 2019.

Statement on gender composition

Teledyne RESON A/S is working and focused on having a more 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 women and one man and the company meets the requirements in relation to the underrepresented gender.

In senior management, currently 25% of employees are female, which is above the company's target figure of 20%. 78% of our entire workforce is male and 22% 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.

Subsequent events

The Company is expecting to be negatively impacted by COVID-19 due to the low level of activity on an international scale and the low oil price. For further description on the expected impact of Covid-19. We refer to note 1.

Income Statement 1 January - 31 December

	Note	2019 TDKK	2018 TDKK
Revenue	2	385.505	364.025
Cost of sales	3	-273.219	-215.046
Gross profit/loss		112.286	148.979
Distribution expenses	3	-34.761	-29.772
Administrative expenses	3	-40.866	-27.369
Operating profit/loss		36.659	91.838
Profit/loss before financial income and expenses		36.659	91.838
Income from investments in subsidiaries	4	17.450	76.113
Financial income	5	3.235	1.712
Financial expenses	6	-2.891	-1.237
Profit/loss before tax		54.453	168.426
Tax on profit/loss for the year	7	-5.395	1.867
Net profit/loss for the year		49.058	170.293

Balance Sheet 31 December

Assets

	Note	2019 TDKK	2018 TDKK
Completed development projects		31.581	32.654
Acquired rights		20.783	16.068
Goodwill		49.357	0
Intangible assets	9	101.721	48.722
Land and buildings		9.430	9.725
Plant and machinery		629	656
Other fixtures		5.265	6.625
Property, plant and equipment	10	15.324	17.006
Investments in group enterprises	11	16.762	17.213
Other receivables	12	475	118
Fixed asset investments		17.237	17.331
Fixed assets		134.282	83.059
Raw materials and consumables		48.077	45.135
Work in progress		10.913	12.701
Finished goods and goods for resale		29.499	28.343
Inventories		88.489	86.179
Trade receivables		35.983	34.631
Receivables from group enterprises		208.554	162.443
Other receivables		1.998	4.302
Deferred tax asset	13	22.843	23.928
Corporation tax		564	0
Prepayments	14	3.142	2.122
Receivables		273.084	227.426
Cash at bank and in hand		61.207	52.127
Current assets		422.780	365.732
Assets		557.062	448.791

Balance Sheet 31 December

Liabilities and equity

	Note	2019 TDKK	2018 TDKK
Share capital		109.796	109.796
Reserve for development costs		23.866	22.498
Retained earnings		366.532	251.269
Equity	15	500.194	383.563
Other provisions	16	1.366	1.018
Provisions		1.366	1.018
Other payables		2.654	0
Long-term debt	17	2.654	0
Prepayments received from customers		6.207	5.851
Trade payables		26.152	29.536
Payables to group enterprises		0	7.333
Corporation tax		0	186
Other payables	17	18.701	18.387
Deferred income	18	1.788	2.917
Short-term debt		52.848	64.210
Debt		55.502	64.210
Liabilities and equity		557.062	448.791
Subsequent events	1		
Distribution of profit	8		
Contingent assets, liabilities and other financial obligations	19		
Related parties	20		
Fee to auditors appointed at the general meeting	21		
Accounting Policies	22		

Statement of Changes in Equity

	Share capital	Reserve for net revaluation	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	109.796	2.852	22.498	251.072	386.218
Addition from merger	0	0	0	67.573	67.573
Net effect from change of accounting policy	0	-2.852	0	197	-2.655
Adjusted equity at 1 January	109.796	0	22.498	318.842	451.136
Development costs for the year	0	0	1.368	-1.368	0
Net profit/loss for the year	0	0	0	49.058	49.058
Equity at 31 December	109.796	0	23.866	366.532	500.194

Notes to the Financial Statements

1 Subsequent events

The Company is expecting to be negatively impacted by COVID-19 due to the low level of activity on an international scale and the low oil price.

Business Plan for 2020 assumed a revenue growth of 12% from 2019, but the company is currently expecting a 7% growth revenue development. Orders are expected to end higher than Business Plan as the company has been awarded significant orders for future delivery.

Due to these expectations, the Company has implemented cost reduction measures, and is therefore aiming at delivering the budgeted earnings. The exact development of the world wide markets is unknown at this point, but the Company is closely following the development.

2 Revenue

Geographical segments

	2019 TDKK	2018 TDKK
Revenue, Denmark	9.848	6.241
Revenue, exports	375.657	357.784
	385.505	364.025

Business segments

Underwater Acoustics	385.505	364.025
	385.505	364.025

Notes to the Financial Statements

	2019 TDKK	2018 TDKK
3 Staff		
Wages and Salaries	75.519	71.143
Pensions	6.630	6.146
Other staff expenses	4.972	7.015
	87.121	84.304
Average number of employees	136	121

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.

4 Income from investments in subsidiaries

Share of profits of subsidiaries	17.450	76.113
	17.450	76.113

Notes to the Financial Statements

	2019 TDKK	2018 TDKK		
5 Financial income				
Interest received from group enterprises	3.196	1.649		
Other financial income	39	63		
	3.235	1.712		
6 Financial expenses				
Other financial expenses	181	157		
Exchange adjustments, expenses	2.710	1.080		
	2.891	1.237		
7 Tax on profit/loss for the year				
Current tax for the year	3.899	7.061		
Deferred tax for the year	1.085	-8.928		
Adjustment of tax concerning previous years	411	0		
	5.395	-1.867		
8 Distribution of profit				
Retained earnings	49.058	170.293		
	49.058	170.293		
9 Intangible assets				
	Completed development projects TDKK	Acquired rights TDKK	Goodwill TDKK	Total TDKK
Cost at 1 January	88.217	25.507	9.892	123.616
Addition from merger	0	0	67.573	67.573
Additions for the year	8.566	8.710	0	17.276
Disposals for the year	0	0	-9.892	-9.892
Cost at 31 December	96.783	34.217	67.573	198.573

Notes to the Financial Statements

9 Intangible assets (continued)

	Completed development projects TDKK	Acquired rights TDKK	Goodwill TDKK	Total TDKK
Impairment losses and amortisation at 1 January	55.563	9.439	9.892	74.894
Amortisation for the year	9.639	3.995	18.216	31.850
Reversal of amortisation of disposals for the year	0	0	-9.892	-9.892
Impairment losses and amortisation at 31 December	65.202	13.434	18.216	96.852
Carrying amount at 31 December	31.581	20.783	49.357	101.721

The Company has in 2018 capitalised TDKK 16.595 in completed development projects. The technology is incorporated in future product portfolio. Booked value at 31/12-2018: TDKK 16.595

The Company has in 2019 capitalised TDKK 8.566 in completed development projects. The technology is incorporated in future product portfolio. Booked value at 31/12-2019: TDKK 8.566

10 Property, plant and equipment

	Land and buildings TDKK	Plant and machinery TDKK	Other fixtures TDKK	Total TDKK
Cost at 1 January	16.321	6.322	27.966	50.609
Additions for the year	0	219	1.473	1.692
Cost at 31 December	16.321	6.541	29.439	52.301
Impairment losses and depreciation at 1 January	6.596	5.666	21.341	33.603
Depreciation for the year	295	246	2.833	3.374
Impairment losses and depreciation at 31 December	6.891	5.912	24.174	36.977
Carrying amount at 31 December	9.430	629	5.265	15.324

Notes to the Financial Statements

	2019 TDKK	2018 TDKK
11 Investments in group enterprises		
Cost at 1 January	17.213	18.488
Disposals for the year	-451	-1.275
Carrying amount at 31 December	16.762	17.213

Investments in group enterprises are specified as follows:

Name	Place of registered office	Share capital	Ownership share	Equity	Net profit/loss for the year
Teledyne RESON Inc.	USA	16.763	100%	34.704	4.102

Notes to the Financial Statements

12 Other fixed asset investments

	Other receiv- ables TDKK
Cost at 1 January	118
Additions for the year	357
Cost at 31 December	475
Carrying amount at 31 December	475

13 Deferred tax asset

	2019 TDKK	2018 TDKK
Deferred tax asset at 1 January	23.928	15.000
Amounts recognised in the income statement for the year	-1.085	8.928
Deferred tax asset at 31 December	22.843	23.928

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.

14 Prepayments

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

15 Equity

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

Notes to the Financial Statements

	2019 TDKK	2018 TDKK
16 Other provisions		
Warranty commitments	1.366	1.018
	1.366	1.018

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 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2019 TDKK	2018 TDKK
Other payables		
Between 1 and 5 years	2.654	0
Long-term part	2.654	0
Other short-term payables	18.701	18.387
	21.355	18.387

18 Deferred income

Short-term deferred income include deferred revenue.

Notes to the Financial Statements

	2019	2018
	TDKK	TDKK
19 Contingent assets, liabilities and other financial obligations		

Charges and security

The following assets have been placed as security with mortgage credit institutes:

There has been issued mortgage deed worth TDKK 10.000 (TDKK 10.000 as 31 December 2018), which the company holds, and therefore not provided as security for any liabilities.

Contingent assets

The company has a total deferred tax asset of TDKK 31.350, whereof TDKK 22.843 are included under current assets. The company's unrecognized deferred tax assets amount to TDKK 8.507.

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	887	774
Within 2 and 5 years	399	70
	<u>1.286</u>	<u>844</u>

Other contingent liabilities

The company has bank guarantees and payment bonds worth DKK 2.318 thousand (DKK 220 thousand as 31 December 2018) 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.

Notes to the Financial Statements

20 Related parties

	<u>Basis</u>
Controlling interest	
Rhombi Holdings Ltd.	Parent company
106 Waterhouse Lane, Chelmsford, United Kingdom	
Teledyne Technologies Inc.	Ultimate parent company
Thousand Oaks, California, USA	

Transactions

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

Consolidated Financial Statements

Following parent company compose consolidated financial statements:

<u>Name</u>	<u>Place of registered office</u>
Rhombi Holdings Limited	106 Waterhouse Lane, Chelmsford, United Kingdom

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

21 Fee to auditors appointed at the general meeting

	<u>2019</u>	<u>2018</u>
	<u>TDKK</u>	<u>TDKK</u>
Deloitte		
Audit fee	477	465
Other assurance engagements	25	25
Non-audit assistance	38	230
	<u>540</u>	<u>720</u>

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of Teledyne RESON A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Financial Statements for 2019 are presented in TDKK.

Changes in accounting policies

The accounting policies applied regarding measurement of land and buildings has changed from valuation at fair value to cost. The change has affected the measurement of Property, plant and equipment with TDKK 2.655 and the equity with TDKK 2.071.

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.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Teledyne Technologies Inc. US, the Company has not prepared a cash flow statement.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, 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.

Notes to the Financial Statements

22 Accounting Policies (continued)

Business combinations

Business combinations with the participation of companies under the control of the same parent company (common control) are carried out at the time of acquisition, without adjustment of comparative figures according to the book-value method. With effect from January 2019, Teledyne RESON A/S merged with its parent company Teledyne Denmark A/S in a reverse vertical merger in order to simplify the group structure.

The merger has been conducted in accordance with the book-value method and hence, comparatives have not been restated in this matter. Goodwill amounting to TDKK 67.573 has been recognized as per the merger date.

Translation policies

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.

Revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an out-flow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement.

Notes to the Financial Statements

22 Accounting Policies (continued)

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).

Cost of sales

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 expenses

Distribution expenses 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 expenses

Administrative expenses 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.

Notes to the Financial Statements

22 Accounting Policies (continued)

Other financial income and expenses

Other financial income comprises 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 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.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Notes to the Financial Statements

22 Accounting Policies (continued)

Balance Sheet

Intangible assets

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 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.

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

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

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.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	50 years
Plant and machinery	5 years
Other fixtures	3-10 years

Impairment of fixed assets

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 and are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost under 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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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 in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

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.

Other provisions

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

Other provisions are recognized 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.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

Current tax receivables and liabilities

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.

Other financial liabilities

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

Deferred income

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

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

Financial Highlights

Explanation of financial ratios

Gross margin

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Profit margin

$$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$