TELEDYNE TECHNOLOGIES INC
Form 10-K
March 01, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 3, 2016
OR
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-15295
TELEDYNE TECHNOLOGIES INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	25-1843385
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification Number)
1049 Camino Dos Rios, Thousand Oaks, California	91360-2362
(Address of principal executive offices)	(Zip Code)

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

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

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

The aggregate market value of the registrant's Common Stock held by non-affiliates on June 26, 2015, was $3.4 billion, based on the closing price of a share of Common Stock on such date, which is the last business day of the registrant's most recently completed fiscal second quarter. Shares of Common Stock known by the registrant to be beneficially owned by the registrant's directors and the registrant's executive officers subject to Section 16 of the Securities Exchange Act of 1934 are not included in the computation. The registrant, however, has made no determination that such persons are "affiliates" within the meaning of Rule 12b-2 under the Securities Exchange Act of 1934.

At February 25, 2016, there were 34,467,315 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Selected portions of the registrant's proxy statement for its 2016 Annual Meeting of Stockholders (the "2016 Proxy Statement") are incorporated by reference in Part III of this Report. Information required by paragraphs (d)(1)-(3) and (e)(5) of Item 407 of Regulation S-K shall not be deemed "soliciting material" or to be filed with the Commission as permitted by Item 407 of Regulation S-K.

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PART IV

Explanatory Notes

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

For a discussion of risk factors and uncertainties associated with Teledyne and any forward looking statements made by us, see the discussion beginning on page 13 of this Annual Report on Form 10-K.

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PART I

Item 1. Business

Who We Are

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

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

Total sales in 2015 were $2,298.1 million, compared with $2,394.0 million in 2014 and $2,338.6 million in 2013. Approximately 74% of our total sales in 2015 were to commercial and international customers and the balance was to the U.S. Government, as a prime contractor or subcontractor. Approximately 54% of these U.S. Government sales were attributable to fixed-price type contracts and the balance to cost-plus-fee type contracts. Sales to international customers accounted for approximately 44% of total sales in 2015.

Strategy

Our strategy continues to emphasize growth in our core markets of instrumentation, digital imaging, aerospace and defense electronics and engineered systems. Our core markets are characterized by high barriers to entry and include specialized products and services not likely to be commoditized. We intend to strengthen and expand our core businesses with targeted acquisitions and through product development. We continue to focus on balanced and disciplined capital deployment among capital expenditures, acquisitions and share repurchases. We aggressively pursue operational excellence to continually improve our margins and earnings. At Teledyne, operational excellence includes the rapid integration of the businesses we acquire. Using complementary technology across our businesses and internal research and development, we seek to create new products to grow our company and expand our addressable markets. We continue to evaluate our businesses to ensure that they are aligned with our strategy.

Our Recent Acquisitions

Consistent with our strategy, during 2015, we made acquisitions and investments totaling $66.7 million, which included the following:

To broaden our marine instrumentation capabilities:

- Bowtech Products Limited (“Bowtech”) - Bowtech, based in Aberdeen, Scotland designs and manufactures harsh underwater environment vision systems.

To expand our digital imaging capabilities:

- Industrial Control Machines SA (“ICM”) - ICM, based in Liège, Belgium, is a supplier of portable X-ray generators for non-destructive testing applications, as well as complete X-ray imaging systems for on-site security screening.
- Acquired the remaining 49% noncontrolling interest in the parent company of Optech Incorporated (“Optech”).

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Our Business Segments

Our businesses are aligned in four segments: Instrumentation, Digital Imaging, Aerospace and Defense Electronics, and Engineered Systems. Financial information about our business segments can be found in Note 12 of our Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

The respective percentage contributions of our four business segments to our total sales in 2015, 2014 and 2013 are summarized in the following table:

	Percentage of Sales		
Segment contribution to total sales (a)	2015	2014	2013
Instrumentation	46 %	47 %	44 %
Digital Imaging	16 %	17 %	18 %
Aerospace and Defense Electronics	26 %	25 %	26 %
Engineered Systems	12 %	11 %	12 %
Total	100 %	100 %	100 %

(a) See further discussion of our four segments in Note 12 to the Notes to Consolidated Financial Statements

Instrumentation

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

Marine Instrumentation

We offer a variety of products designed for use in harsh underwater environments, instruments that measure currents and other physical properties in the water column, systems that create acoustic images of objects beneath the water's surface, including the bottom of a body of water, and sensors that determine the geologic structure below the bottom. We also design and manufacture vehicles that utilize and transport these sensors over and beneath the water's surface. We design and manufacture geophysical streamer cables, hydrophones, seismic energy sources and specialty products used in offshore hydrocarbon exploration to locate oil and gas reserves beneath the ocean floor. Through our 2014 acquisition of Bolt Technology Corporation ("Bolt"), we are now a leading supplier of marine seismic energy sources and replacement parts for offshore energy exploration. Our Acoustic Doppler Current Profilers ("ADCPs") precisely measure currents at varying depths in oceans and rivers, and our Doppler Velocity Logs ("DVLs") are used for navigation by civilian and military surface ships, unmanned underwater vehicles and naval divers. In addition to our DVLs, which are acoustic navigation devices, we design and manufacture inertial sensing and navigation products, as well as subsea pipe and cable detection systems for offshore energy, oceanographic and military marine markets. We also design and manufacture remotely-controlled and tethered instrumentation deployment vehicles used for current measurement, seafloor mapping and measurement of physical parameters such as salinity.

Additionally, we design and manufacture hydrographic survey instrumentation used in port surveys, dredging, pre- and post-installation of offshore energy infrastructure and other challenging underwater applications. Our multibeam sonar systems range from portable high-resolution systems used on autonomous underwater vehicles ("AUVs") to full ocean depth vessel-mounted oceanographic systems. Our multibeam sonar systems are used for creating highly accurate maps of underwater offshore constructions, wrecks or quay walls in harbors, and in particular, high-quality maps of the seafloor. With advanced imaging capabilities, our sonars create images of hidden structures on the seafloor and are also used to create real-time images of the environment in the oceans and enable precise navigation of AUVs. Our products are being utilized in both commercial and defense applications where we provide systems for detecting mines in the water.

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We provide a broad range of end-to-end undersea interconnect solutions to the offshore oil and gas, naval defense, oceanographic and telecom markets. We manufacture subsea, wet-mateable electrical and fiber-optic interconnect systems and subsea pressure vessel penetrators and connector systems with glass-to-metal seals. Our water-proof and splash-proof neoprene and glass reinforced epoxy connectors and cable assemblies are used in underwater equipment and submerged monitoring systems. We also manufacture subsea and topside pipeline corrosion and erosion monitoring detectors, subsea pressure and temperature sensors as well as flow integrity monitoring solutions for the oil and gas industry. These flow assurance sensors and equipment rely on our wet-mateable interconnect systems and our sensor feed-through systems. Our Teledyne Marine group and Teledyne Scientific Company continue to work collaboratively to improve the reliability of materials exposed to ultra deep-sea conditions.

Other marine products used by the U.S. Navy and commercial customers include acoustic modems for networked underwater communication and optical underwater cameras and LED lighting sources.

Using our acoustic technology, we also provide quality control and package integrity systems under the Taptone® brand to the food and beverage, personal care and pharmaceutical industries.

We manufacture complete AUVs. Our marine gliders use a silent buoyancy engine for propulsion that takes advantage of changes in buoyancy in conjunction with wings and tail steering to convert vertical motion to horizontal displacement, thereby propelling the system on a programmed route with very low power consumption. Glider applications range from oceanographic research to military persistent surveillance systems as part of a mobile underwater sensing and communication network. The modular design of our battery-powered, man-portable Gavia™ AUV allows for rapid sensor bay reconfiguration and battery replacement capability. Our Slocum gliders, as well as our ADCPs, are being used as part of the National Science Foundation's Ocean Observatories Initiative to collect physical, chemical, geological and biological data from the ocean and the seafloor on coastal, regional and global scales. Through the SeaBotix business, we design and manufacture Inspection Class remotely operated vehicles ("ROVs") used in maritime security, military, search and rescue, aquaculture, and scientific research applications.

Environmental Instrumentation

We offer a wide range of products used for environmental monitoring, instruments that enable measurement and monitoring of key air environmental parameters as well as gas purity and content for industrial and manufacturing applications, sensors for the measurement and monitoring of the physical and chemical properties of untreated water, and laboratory systems that improve sample acquisition, handling, and preparation for analysis.

Our instrumentation monitors trace levels of gases such as sulfur dioxide, carbon monoxide, carbon dioxide, oxides of nitrogen and ozone in order to measure the quality of the air we breathe. Our instrumentation also monitors particulate air pollution, and we supply environmental monitoring systems for the detection, measurement and automated reporting of air pollutants from industrial stack emissions. We serve the process control and monitoring needs of industrial plants with instruments that include gas analyzers, and vacuum and flow measurement devices. We were a pioneer in the development of precision trace oxygen analyzers, and we now manufacture a wide range of process gas and liquid analysis products for the measurement of process contaminants, hydrocarbons, combustibles, oil-in-water, moisture, pH and many other parameters. Our instrumentation is also used to detect a variety of water quality parameters. Our sampler products include portable, refrigerated and specialty samplers used in hazardous location applications. Flow meters include ultrasonic, submerged probe, bubbler and area velocity models. Laser technology is now part of our flow capabilities. Our custom analyzer systems provide turn-key solutions to complex process monitoring and/or control applications found in petrochemical and refinery facilities.

We provide laboratory instrumentation that complements our process or field environmental instrumentation. We manufacture laboratory instrumentation that automates the preparation and concentration of organic samples for the analysis of trace levels of volatile organic compounds by a gas chromatograph and mass spectrometer. We also provide laboratory instrumentation for the detection of total organic carbon and total nitrogen in water and wastewater samples. In addition, we provide inductively coupled plasma laboratory spectrometers, atomic absorption spectrometers, mercury analyzers and calibration standards. We also provide laboratory automation and sample introduction systems. Our advanced elemental analysis products are used by environmental and quality control laboratories to detect trace levels of inorganic contaminants in water, foods, soils and other environmental and geological samples. Our high-precision, high pressure syringe pumps measure process extraction rates of fluids

ranging from liquefied gases to viscous tars. In addition, we manufacture liquid chromatography instruments and accessories for the purification of organic compounds, which since our 2015 acquisition of a product line include highly sensitive evaporative light scanning detectors. Our liquid chromatography customers include pharmaceutical laboratories involved in drug discovery and development.

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Test and Measurement Instrumentation

Since our August 2012 acquisition of LeCroy Corporation ("LeCroy"), we develop, manufacture, sell and license high-performance oscilloscopes and high-speed protocol analyzers for various computer communication links. We also provide related test and measurement equipment, probes, accessories and application solutions. To a lesser extent, we provide extended warranty contracts, maintenance contracts and repairs and calibrations on our instruments after their warranties expire.

Our oscilloscopes are tools used by designers and engineers to measure and analyze complex electronic signals in order to develop high-performance systems, validate electronic designs and improve time to market. We offer eight families of real-time oscilloscopes, which address different needs: HDO4000/HDO6000/HDO8000, our 12-bit, high-definition oscilloscopes; LabMaster and WaveMaster, our industry leading high-end oscilloscope family; WavePro, which is targeted at the mid-to high-range performance sector; WaveRunner, designed for the general purpose and bench-top sector; WaveSurfer designed for users in the lower bandwidth bench-top sector of the market; WaveJet, designed for value-oriented users in the economy sector of the market; and WaveAce, our entry-level oscilloscope products.

In 2014, we released the world's first 100GHz real-time scope, aimed at applications such as high-speed optical communications, and we extended our line of 12-bit oscilloscopes to include an eight channel product with specialized capabilities for analyzing power and efficiency of motors and the associated drive circuitry. In 2015, we introduced the IQS series of Coherent Optical Receivers, featuring the industry's highest bandwidth - these products extend our technology leadership in optical modulation analysis.

Our protocol analyzers are used by designers and engineers to reliably and accurately monitor communications traffic and diagnose operational problems in a variety of communications devices to ensure that they comply with industry standards.

We manufacture torque sensors and automatic data acquisition systems that are used to test critical control valves in nuclear power and industrial plants.

Our test and measurement products are sold into a broad range of industry sectors, including computer, semiconductor, consumer electronics, power electronics, data storage, automotive, industrial, military, aerospace and telecommunications. We believe our test and measurement products address the needs of designers in all of these industry sectors in developing products that rely on increasingly complex electronic signals.

Digital Imaging

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

We design, develop and manufacture image capture products, primarily consisting of high-performance image sensors and digital cameras for use in industrial, scientific, medical and photogrammetry applications. We also design, develop and manufacture image processing products, primarily consisting of hardware and software for image processing in industrial and medical applications. We develop high-resolution, low-dose X-ray sensors for medical, dental and industrial applications. Our high-performance image sensors utilize both charge coupled device ("CCD") and complementary metal-oxide semiconductor ("CMOS") technology. In particular, our CMOS image sensing technology is used in our large flat panel detectors for X-ray imaging and in most of our sensors used for industrial machine vision applications. Our image processing software allows original equipment manufacturers ("OEMs") and systems integrators to develop vision applications using our image acquisition and processing hardware. Our smart camera products are user-friendly, cost-effective vision appliances for task-specific factory floor applications such as gauging, high-precision alignment, inspection, assembly verification and machine guidance. Our smart cameras are designed to be quickly deployed by technicians on the factory floor. The 2015 acquisition of ICM adds lightweight X-ray sources for the inspection of materials and structures, ranging from light aviation parts to thick steel pipelines in harsh and extreme environments. ICM's mobile X-ray inspection systems are provided to government, security and explosive ordinance disposal personnel for the analysis of suspicious objects.

Additionally, we produce and provide manufacturing services for MEMS. The majority of our semiconductor manufacturing capacity is consumed by external customers with the remaining capacity applied towards supplying unique CCD and microbolometer (for long-wave infrared detection) fabrication services for our internal image sensor requirements.

Our Digital Imaging segment also provides Light Detection and Ranging ("LIDAR") systems for airborne terrestrial mapping, mobile mapping, bathymetry and laser-based 3D imaging applications through our now wholly-owned subsidiary, Optech. These imaging and mapping systems are used by commercial and government customers serving energy, natural resources and infrastructure applications.

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We provide research and engineering capabilities primarily in the areas of electronics, materials, optical systems, and information science to military, aerospace and industrial customers, as well as to various businesses throughout Teledyne. We receive funding from the Defense Advanced Research Products Agency ("DARPA"), the Intelligence Advanced Research Projects Activity ("IARPA"), and various other U.S. Department of Defense funding agencies, and we collaborate with researchers at universities and national laboratories to stay at the forefront of emerging technologies. We have developed high-speed electronics, MEMS sensors and actuators, advanced functional and structural materials, liquid-crystal based optical devices, and image processing algorithms.

We produce advanced focal plane arrays, sensors, and subsystems that cover a broad spectrum of frequencies from X-ray wavelengths to 18 micron long-wave infrared wavelengths. We develop image processing algorithms and manufacture compact mid-wave and short-wave infrared camera systems. We are a leader in the development and production of large format focal plane array sensors for astronomy, military, commercial and space science markets. We deliver advanced imaging solutions to the U.S. Department of Defense, NASA, prime system integrators, foreign space agencies and commercial customers. Our sensor technologies are on weather satellites, are orbiting the moon and Mars, are on spacecraft involved in the Pluto flyby and on asteroid missions, and can be found in nearly every major ground-based observatory telescope. In the U.S. defense arena, our sensors are integrated into several major systems for space surveillance, persistent surveillance, chemical detection and target identification, among others. We have developed various sensors, subassemblies and cameras for air- and ground-based applications, including hyperspectral sensors for long-wave infrared and for simultaneous visible-shortwave infrared applications. We also design and manufacture advanced military laser eye protection spectacles. Finally, we develop low-noise, high-performance cameras for use in commercial laboratory instrumentation.

Aerospace and Defense Electronics

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

We provide a range of microwave products ranging from components to highly integrated subsystems and solutions to our customers. Our helix traveling wave tubes, commonly called TWTs, used to provide broadband power amplification of microwave signals. Military applications include radar, electronic warfare and satellite communication. We make TWTs for commercial applications as well, such as electromagnetic compatibility test equipment and satellite communication terminals. We also provide high-power solid-state TWT replacement amplifiers and complete amplifiers that incorporate a TWT and a power supply.

We design and manufacture solid state radio frequency ("RF") and microwave components and subassemblies used in a wide variety of applications. As components which form the building blocks for electronic systems, we produce amplifiers, voltage-controlled oscillators, YIGs, BAWs, low-noise amplifiers ("LNAs"), microwave mixers, and detectors using LDMOS, GaAs, GaN, InP, and SiC technologies. These components form the basis for our line of solid state power amplifiers, RF converters, and modems which are used in systems that provide communications links between ground stations, mobile units, UAVs, and orbiting satellites. Such products are also used in mobile telephone, TV broadcast and commercial data communications networks. In addition, we also provide higher level microwave subsystems and systems for electronic warfare, UAV, radar and military communication applications.

We supply a variety of connectors and cable assemblies, including specialized high voltage connectors and subassemblies and coax microwave cable and connectors, for defense, aerospace and industrial applications.

Additionally, we produce pilot helmet mounted display components and subsystems for the Joint Helmet Mounted Cueing System ("JHMCS") used in the F-15, F-16 and F-18 aircrafts. The JHMCS system is a multi-role system designed to enhance pilot situational awareness and provides visual control of aircraft targeting systems and sensors.

We manufacture microprocessor-controlled aircraft ejection seat sequencers and related support elements to military aircraft programs. We also provide initiators and electronic safe and arm devices for use in military applications.

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We provide specialty electronic manufacturing services. We develop and manufacture custom microelectronic modules that provide both high reliability and extremely dense packaging for military applications. We also develop custom tamper-resistant microcircuits designed to provide enhanced security in military communication. We serve the market for high-mix, low-volume manufacturing of sophisticated military electronics equipment. We manufacture advanced packaging solutions for military and commercial aircraft using rigid and rigid-flex printed circuit boards.
We supply electromechanical relays, solid state power relays and coaxial switching devices to military, aerospace and other industrial markets. Applications include microwave and wireless communication infrastructure, RF and general broadband test equipment, test equipment used in semiconductor manufacturing, and industrial and commercial machinery and control equipment. On commercial aircraft, our solid state and electromechanical relays are used in a variety of applications, including jet engine fuel control, management of control surfaces and other on-board applications.
We are a leading supplier of digital flight data acquisition and analysis systems to the civil aviation market. These systems acquire data for use by the aircraft's flight data recorder as well as record additional data for the airline's operation, such as aircraft and engine condition monitoring. We provide the means to transfer this data, using Teledyne's patented wireless technology, from the aircraft to the airline operation center. We also design and manufacture airborne networking products, including servers, as well as aircraft data loading equipment, flight line maintenance terminals and data distribution software used by commercial airlines and the U.S. military. In 2013, the Boeing Company awarded us a single source contract to develop and supply the next generation of aircraft data acquisition and information management systems for the majority of future Boeing commercial aircraft. The first of these products, a network file server, was certified in January 2016 and production deliveries have begun. An enhanced digital flight data acquisition unit is expected to be certified in the third quarter of 2016, with production deliveries to follow. We also provide lead acid aircraft batteries for general aviation, and business and light jet applications.

Engineered Systems

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

Engineered Products and Services

Teledyne Brown Engineering, Inc. is a well-recognized whole life-cycle space, missile defense, marine systems, and energy company. With changes in U.S. fiscal policy, we have been working to shift its focus from chiefly supporting U.S. Government space and defense programs to increasing its commercial portfolio.
We lead and support air and missile defense programs, including the Objective Simulation Framework ("OSF") and Test Execution Services and Launch Augmentation programs ("TESTLA"). As the Missile Defense Agency ("MDA") prime contractor for the OSF contract, we design, develop, test, implement and maintain the OSF. The OSF is being designed to support full scale simulations, ground tests and live fire events throughout the life cycle of the Ballistic Missile Defense System. Under the 2013-awarded TESTLA contract, we will continue development, manufacturing and integration of product solutions in support of the war-fighter.
We specialize in marine systems design and manufacturing. For the U.S. Special Operations Command, we are the prime contractor engaged to design, develop, test, manufacture and sustain the Shallow Water Combat Submersible ("SWCS") vehicle to replace the current SEAL Delivery Vehicle. With the design of the SWCS engineering development model vehicle having been completed in 2015, we have started the development test phase and expect the low-rate initial production phase to begin later in 2016. We are producing the Littoral Battlespace Sensing Glider ("LBS-G") system for the U.S. Navy Program Executive Office - Command, Control, Communications, Computers and Intelligence ("PEO-C4I"). Teledyne Webb Research is the glider developer and manufacturer on the LBS-G program. We manufacture gun mounts for the Littoral Combat Ship program. Under contract to Raytheon Company, we continue to manufacture advanced mine detection and neutralization systems.
We are active in U.S. space programs and continue to play a vital role in the science operations area of the International Space Station ("ISS") program. We provide 24-hour-per-day payload operations in the ISS Payload Operations and Integration Center located at NASA's Marshall Space Flight Center. In 2012, NASA awarded us a

cooperative agreement to foster the commercial utilization of the ISS. Under this agreement, we continue to work to develop a commercial earth imaging platform known as the Multi-User System for Earth Imaging (“MUSES”); the launch of which is now expected to occur in 2017. We also design, develop, and manufacture components for liquid rocket engines, scientific payloads and human space flight vehicles.

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We operate a full service radiological analysis laboratory in Knoxville, Tennessee, which principally supports nuclear power plants in the United States. We also manage and operate a separation, purification and analysis of atmospheric samples laboratory for the U.S. Government. Additionally, we provide engineering and manufacturing for customers in the commercial nuclear market.

Continuing our historic facilities and plant management services to the commercial arena, in December 2015, we extended by another three years our lab and office facility management contract with The Dow Chemical Company. We currently lead on-site and off-site management and support of research services at three Dow Chemical research facilities.

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

Energy Systems

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

Turbine Engines

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

Customers

We have hundreds of customers in the various industries we serve. No commercial customer accounted for more than 10% of our total sales, nor more than 10% of any segment sales, during 2015, 2014 or 2013. Our largest commercial customer, a customer of our Instrumentation segment, accounted for 2.3%, 2.8% and 3.6% of total sales in 2015, 2014 and 2013, respectively.

Sales to international customers accounted for approximately 44% of total sales in 2015, compared with 45% in 2014 and 44% in 2013. In 2015, we sold products to customers in over 100 foreign countries. Approximately 90% of our sales to foreign-based customers were made to customers in 25 foreign countries. The 2015 top five countries for international sales were the United Kingdom, Norway, China, Germany and South Korea and constituted approximately 21% of our total sales.

Approximately 26%, 25% and 27% of our total sales for 2015, 2014 and 2013, respectively, were derived from contracts with agencies of, and prime contractors to, the U.S. Government. Information on our sales to the U.S. Government, including direct sales as a prime contractor and indirect sales as a subcontractor, is as follows (in millions):

U.S. Government sales by segment:	2015	2014	2013
Instrumentation	$61.2	$38.6	$40.6
Digital Imaging	78.9	102.2	120.2
Aerospace and Defense Electronics	223.5	245.3	260.2
Engineered Systems	234.4	221.8	209.2
Total U.S. Government sales	$598.0	$607.9	$630.2

Our principal U.S. Government customer is the U.S. Department of Defense. These sales represented 19%, 20% and 21% of our total sales for 2015, 2014 and 2013, respectively. In 2015, our largest program with the U.S. Government was the Engineering Solutions and Prototyping contract with the NASA Marshall Space Flight Center, which represented 1.5% of our total sales. In 2014 and 2013, our largest program with the U.S. Government was the

Objective Simulation Framework contract with the Missile Defense Agency, which represented 1.3% and 1.4% of our total sales, respectively.

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As described under risk factors, there are risks associated with doing business with the U.S. Government. In 2015, approximately 54% of our U.S. Government prime contracts and subcontracts were fixed-price type contracts, compared to 58% in 2014 and 60% in 2013. Under these types of contracts, we bear the inherent risk that actual performance cost may exceed the fixed contract price. Such contracts are typically not subject to renegotiation of profits if we fail to anticipate technical problems, estimate costs accurately or control costs during performance. Additionally, U.S. Government contracts are subject to termination by the U.S. Government at its convenience, without identification of any default. When contracts are terminated for convenience, we typically recover costs incurred or committed, settlement expenses and profit on work completed prior to termination. We had eight U.S. Government contracts terminated for convenience in 2015, compared with three in 2014 and four in 2013.

Our total backlog of confirmed orders was approximately $802.8 million at January 3, 2016, compared with $944.6 million at December 28, 2014, and $941.2 million at December 29, 2013. We expect to fulfill 96% of such backlog of confirmed orders during 2016.

Seasonality

No material portion of our business is considered to be seasonal.

Raw Materials and Suppliers

Generally, our businesses have experienced minimal fluctuations in the supply of raw materials, but not without some price volatility. While some of our businesses provide services, for those businesses that sell hardware and product, a portion of the value that we provide is labor-oriented, such as design, engineering, assembly and test activities. In manufacturing our products, we use our own production capabilities and also third party suppliers and subcontractors, including international sources. Some of the items we use for the manufacture of our products, including certain gyro components for some marine navigation applications, certain magnets and helix wire for our traveling wave tubes and certain infrared detectors substrates, certain ceramics and molding compounds used in our sonar systems, as well as certain scintillator materials used in the production of our X-ray detectors, are purchased from limited or single sources, including international sources, due to technical capability, price and other factors. While over the years we have not experienced much difficulty in procuring raw materials, components, sub-assemblies and other supplies required in our manufacturing processes, disruption in the global economy and financial markets could trigger increased pricing or otherwise affect our suppliers and negatively impact our ability to procure such supplies.

Sales and Marketing

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

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

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

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

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

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Competition

We believe that technological capabilities and innovation and the ability to invest in the development of new and enhanced products are critical to obtaining and maintaining leadership in our markets and the industries in which we compete. Although we have certain advantages that we believe help us compete effectively in our markets, each of our markets is highly competitive. With regard to our defense businesses, it is common in the defense industry for work on programs to be shared among a number of companies, including competitors. In any event, because of the diversity of products sold and the number of markets we serve, we encounter a wide variety of competitors, none of which we believe offer all of the same product and service lines or serve all of the same markets as we do. Our businesses vigorously compete on the basis of quality, product performance and reliability, technical expertise, price and service. Many of our competitors have, and potential competitors could have, greater name recognition, a larger installed base of products, more extensive engineering, manufacturing, marketing and distribution capabilities and greater financial, technological and personnel resources than we do.

Research and Development

Our research and development efforts primarily involve engineering and design related to improving existing products and developing new products and technologies in the same or similar fields. We spent a total of $476.6 million in 2015, $428.8 million in 2014 and $388.2 million in 2013 on research and development and bid and proposal costs. Customer-funded research and development, most of which was attributable to work under contracts with the U.S. Government, represented approximately 66% of total research and development costs for 2015, compared with 61% of total research and development costs for 2014 and 57% in 2013.

In 2015, we incurred $163.7 million in Company-funded research and development and bid and proposal costs. We expect the level of Company-funded research and development and bid and proposal costs to be approximately $175.0 million in 2016.

Intellectual Property

While we own and control various intellectual property rights, including patents, trade secrets, confidential information, trademarks, trade names, and copyrights, which, in the aggregate, are of material importance to our business, we believe that our business as a whole is not materially dependent upon any one intellectual property or related group of such properties. We own several hundred active patents and are licensed to use certain patents, technology and other intellectual property rights owned and controlled by others. Similarly, other companies are licensed to use certain patents, technology and other intellectual property rights owned and controlled by us. Patents, patent applications and license agreements will expire or terminate over time by operation of law, in accordance with their terms or otherwise. We do not expect the expiration or termination of these patents, patent applications and license agreements to have a material adverse effect on our business, results of operations or financial condition.

Employees

We consider our relations with our employees to be good. At January 3, 2016, our total workforce consisted of approximately 9,200 employees, of which approximately 7,000 employees were located in the United States.

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Executive Management

Teledyne's executive management includes:

Name and Title	Age	Principal Occupations Last 5 Years
Executive Officers:		
Robert Mehrabian* Chairman, President and Chief Executive Officer; Director	74	Dr. Mehrabian has served as Chairman, President and Chief Executive Officer of Teledyne for more than five years.
Aldo Pichelli* Chief Operating Officer	64	Mr. Pichelli has been the Chief Operating Officer of Teledyne since October 6, 2015. Prior to his promotion, Mr. Pichelli had been an Executive Vice President of Teledyne having responsibility for the Instrumentation and Aerospace and Defense Electronics segments since July 1, 2013. Prior to that, he had been President and Chief Operating Officer of Teledyne's Instrumentation and Aerospace and Defense Electronics segments since January 2, 2011. From September 1, 2007, to that date, he had been President and Chief Operating Officer of the former Electronics and Communications segment.
Melanie S. Cibik* Senior Vice President, General Counsel and Secretary	56	Miss Cibik has been Senior Vice President, General Counsel and Secretary of Teledyne since September 1, 2012. For more than five years prior to that, she had been Vice President, Associate General Counsel and Assistant Secretary of Teledyne.
Susan L. Main* Senior Vice President and Chief Financial Officer	57	Ms. Main has been Senior Vice President and Chief Financial Officer of Teledyne since November 19, 2012. For more than five years prior to that, she had been Vice President and Controller of Teledyne.
Cynthia Belak* Vice President and Controller	59	Ms. Belak has been Vice President and Controller of Teledyne since May 6, 2015. Prior to her promotion, Ms. Belak had been Vice President, Business Risk Assurance of Teledyne since January 24, 2012. Prior to that, since January 4, 2010, Ms. Belak had been Group Controller within the Aerospace and Defense Electronics segment.
Jason VanWees* Senior Vice President, Strategy and Mergers & Acquisitions	44	Mr. VanWees has been Senior Vice President, Strategy and Mergers & Acquisitions since July 1, 2013. Prior to his promotion, he had been Vice President, Strategy and Mergers & Acquisitions since September 1, 2012. Prior to that, he had been Vice President, Corporate Development and Investor Relations of Teledyne for more than five years.
George C. Bobb III* Chief Compliance Officer, Vice President Information Technology and Deputy General Counsel for Litigation	41	Mr. Bobb has been Chief Compliance Officer, Vice President-Information Technology and Deputy General Counsel for Litigation of Teledyne since July 22, 2014. Prior to that he had been Vice President, Chief Compliance Officer and Deputy General Counsel for Litigation since September 1, 2012. Prior to that, he had been an Associate General Counsel of Teledyne and the General Counsel of the Engineered Systems and Digital Imaging segments since August 2011. Since December 20, 2011, he has been Teledyne's Chief Ethics Officer. Prior to that, he held numerous legal roles since he joined Teledyne in July 2008.

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Name and Title	Age	Principal Occupations Last 5 Years
Other Officers:		
Carl Adams Vice President, Business Risk Assurance	46	Mr. Adams has been Vice President, Business Risk Assurance of Teledyne since May 6, 2015. Prior to that, upon joining Teledyne on April 22, 2015, he was Senior Director, Finance. From March 2014 to March 2015, he was the Chief Financial Officer and Vice President of NeuroSigma, Inc., a developer of neurological disorder treatments. From January 2014 to March 2014, he was the Corporate Controller and Vice President for NeuroSigma, Inc. From April 2011 to January 2014, he was a founding partner of Technical Accounting and Controllership Solutions, LLP and from April 2008 to April 2011, he was a practice leader at CNM LLP.
Stephen F. Blackwood Vice President and Treasurer	53	Mr. Blackwood has been Vice President and Treasurer of Teledyne for more than five years.
Anna Segobia Masters Vice President, Human Resources and Deputy General Counsel	57	Ms. Masters has been Vice President, Human Resources and Deputy General Counsel of Teledyne since joining on July 7, 2014. For more than five years prior to that, Ms. Masters served as a partner in the Los Angeles office of the law firm Winston & Strawn LLP, focusing on employment law matters.
Edwin Roks Vice President and President, Teledyne DALSA	51	Mr. Roks has been a Vice President of Teledyne since January 2, 2014 and President of Teledyne DALSA, Inc. since October 6, 2015. From January 2, 2014 to October 6, 2015, Mr. Roks had been the Chief Technology Officer of Teledyne. Prior to that since April 2010, Mr. Roks served as Executive Vice President and General Manager of the professional imaging division of Teledyne DALSA, Inc. (formerly known as DALSA Corporation).

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

Dr. Robert Mehrabian and Teledyne are parties to a Fifth Amended and Restated Employment Agreement dated as of October 22, 2013, which was amended on September 28, 2015. Under the amended agreement, we will employ Dr. Mehrabian as the Chairman, President and Chief Executive Officer of Teledyne through December 31, 2019, at an annual base salary that is currently $955,000. The agreement provides that Dr. Mehrabian is entitled to participate in Teledyne's annual incentive bonus plan ("AIP") and other executive compensation and benefit programs. The agreement provides Dr. Mehrabian with a non-qualified pension arrangement, under which Teledyne will pay him annually starting six months following his retirement and for a period of 10 years, as payments supplemental to any accrued pension under our qualified pension plan, an amount equal to 50% of his base compensation as in effect on retirement.

On May 16, 2014, Rex Geveden, a former executive vice president, and Teledyne had entered into a letter agreement in connection with Mr. Geveden's appointment as President of DALSA and his temporary relocation to Ontario, Canada. Pursuant to the letter agreement, effective May 16, 2014, Mr. Geveden's annual base salary was $435,000 (from his 2014 beginning base salary of $410,000), he was entitled to participate in the AIP and other executive compensation and benefit programs, he was eligible for reimbursement of up to $200,000 to cover all relocation costs for his move to Canada and up to $200,000 to cover all relocation costs for his move back to the United States to further his employment with Teledyne, in each case net of taxes, and Teledyne was to make an additional tax equalization payment to compensate Mr. Geveden for any additional Canadian income tax liability which he may have incurred as a result of the performance of his duties in Canada. Mr. Geveden resigned from his positions with Teledyne and its subsidiaries effective October 6, 2015. Following his resignation, Mr. Geveden repaid to the Company $188,983 of reimbursements and advances made to him in connection with his 2014 relocation to Canada. He also forfeited his 2014-2016 restricted stock award, 2015-2017 restricted stock unit award, his 2015-2017 PSP

award, the remaining payments under the 2012-2014 PSP awards and unvested stock options. As a result of his resignation, Mr. Geveden was not entitled to an AIP bonus award for 2015.

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

- A cash payment equal to three times in the case of Dr. Mehrabian or two times in the other cases the sum of (i) the executive's highest annual base salary within the year preceding the change in control and (ii) the Annual Incentive Plan bonus target for the year in which the change in control occurs or the average actual bonus payout for the three years immediately preceding the change in control, whichever is higher.
- A cash payment for the current Annual Incentive Plan bonus cycle based on the fraction of the year worked times the Annual Incentive Plan target objectives at 100%.
- Payment in cash for unpaid performance share program awards, assuming applicable goals are met at 120% of performance targets.

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- Continued equivalent health and welfare (e.g., medical, dental, vision, life insurance and disability) benefits at our expense for a period of up to 36 months (24 months in some agreements) after termination (with the executive bearing any portion of the cost the executive bore prior to the change in control); provided, however, such benefits would be discontinued to the extent the executive receives similar benefits from a subsequent employer.
- Removal of restrictions on restricted stock issued under our restricted stock award programs.
- Full vesting under the Company's pension plans (within legal parameters) such that the executive shall be entitled to receive the full accrued benefit under all such plans in effect as of the date of the change in control, without any actuarial reduction for early payment.
- Up to $25,000 ($15,000 in some agreements) reimbursement for actual professional outplacement services.
- Immediate vesting of all stock options, with options being exercisable for the full remainder of the term.
- There is no "gross up payment" to hold the executive harmless against the impact, if any, of federal excise taxes imposed on executive as a result of "excess parachute" payments as defined in Section 280G of the Internal Revenue Code. The executive will receive the better of, on an after-tax basis, (a) the unreduced excess parachute payment with no tax gross up payment, or (b) a parachute payment reduced to a level below which an excise tax is imposed.
- Certain payments are deferred for six months following a separation of service to assure compliance with Section 409A of the Internal Revenue Code.

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

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

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

Under the Indemnification Agreements, in the event of a change in control or we reduce or do not renew our director's and officer's insurance coverage, we are required to purchase (or cause the acquirer or successor to the

Company to purchase or maintain) a six-year tail policy, subject to a 200% premium cap. The agreements continue until the later of (i) 10 years after the indemnitee ceases to serve as a director or officer, and (ii) one year following the final termination of any proceeding subject to the agreement.

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Available Information

Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, any Current Reports on Form 8-K, and any amendments to these reports, are available on our website as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the Securities and Exchange Commission (the "SEC"). The SEC also maintains a website that contains these reports and other information we file, including our proxy statements, at www.sec.gov. Any materials we file with the SEC may be viewed at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, our Corporate Governance Guidelines, our Global Code of Ethical Business Conduct, our Codes of Ethics for Financial Executives, Directors and Service Providers and the Charters of the standing committees of our Board of Directors are available on our website. We intend to post any amendments to or waivers of these policies, guidelines and charters on our website. Our website address is www.teledyne.com. This information on our website is available free-of-charge. Alternatively, if you would like a paper copy of any report we file with the SEC (without exhibits) or other document, please write to Melanie S. Cibik, Senior Vice President, General Counsel and Secretary, at Teledyne Technologies Incorporated, 1049 Camino Dos Rios, Thousand Oaks, California 91360-2362, and a copy of such requested document will be provided to you, free-of-charge.

Item 1A. Risk Factors

Risk Factors; Cautionary Statement as to Forward-Looking Statements

The following text highlights various risks and uncertainties associated with Teledyne. These factors could materially affect "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995) that we may make from time to time, including forward-looking statements contained in "Item 1. Business" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K and in Teledyne's 2015 Annual Report to Stockholders. It is not possible for management to predict all such factors, and new factors may emerge. Additionally, management cannot assess the impact of each such factor on Teledyne or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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

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

We develop and manufacture products for customers in the energy exploration and production markets, domestic and international commercial aerospace markets, the semiconductor industry, the consumer electronics, telecommunications and automotive industries, each of which has been cyclical, exhibited rapid changes and suffered from fluctuating market demands. A cyclical downturn in these markets may materially affect future operating results. In 2015, for example, our revenue and income were negatively impacted by the downturn in energy markets.

In addition, we sell products and services to customers in industries that are sensitive to the level of general economic activity and consumer spending habits and in more mature industries that are sensitive to capacity. Adverse economic conditions affecting these industries may reduce demand for our products and services, which may reduce our revenues, profits or production levels. For example, in 2014 several of our major customers reduced their marine seismic operations in connection with a general slowdown in the marine seismic exploration industry. Some of our

businesses serve industries such as power generation and petrochemical refining, which may be negatively impacted by reductions in global capital expenditures and manufacturing capacity.

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A material amount of our total revenues is derived from companies in the oil and gas industry, especially the offshore oil and gas industry, a historically cyclical industry with levels of activity that are significantly affected by the levels and volatility of oil and gas prices.

A material amount of our total revenues is derived from customers in or connected to the oil and gas exploration, development and production, especially the offshore oil and gas industry. Our largest commercial customer is in the offshore oil and gas industry and accounted for 2.3%, 2.8% and 3.6% of total sales in 2015, 2014 and 2013, respectively. The oil and gas industry is a historically cyclical industry characterized by significant changes in the levels of exploration and development activities. In 2014 and again in 2015 and 2016, the price of Brent crude oil experienced dramatic declines, from a high of $116 in June 2014, to a low of $27 in January 2016. Oil and gas prices, and market expectations of potential changes in those prices, significantly affect the levels of those activities. Worldwide political, economic and military events have contributed to oil and gas price volatility and are likely to continue to do so in the future. Any prolonged reduction in the overall level of offshore oil and gas exploration and development activities, whether resulting from changes in oil and gas prices or otherwise, could materially and adversely affect our financial condition and results of operations of our businesses within our Instrumentation segment. Some factors that have affected and are likely to continue affecting oil and gas prices and the level of demand for our services and products include the following:

- worldwide demand for oil and gas;
- general economic and business conditions and industry trends;
- the ability of the Organization of Petroleum Exporting Countries, or OPEC, to set and maintain production levels;
- the level of production by non-OPEC countries;
- the ability of oil and gas companies to generate funds for capital expenditures;
- domestic and foreign tax policy;
- laws and governmental regulations that restrict exploration and development of oil and gas in various offshore jurisdictions;
- laws and governmental regulation that restrict the use of hydraulic fracturing;
- technological changes;
- the political environment of oil-producing regions;
- the price and availability of alternative fuels;
- climate change regulation that provide incentives to conserve energy or use alternative energy sources; and
- the recent proposal by the President to impose a tax on each barrel of oil produced.

Our 2014 acquisition of Bolt increased our exposure to offshore oil and gas exploration markets. Teledyne manufactures seismic sources, interconnects and data acquisition products used in offshore energy exploration. When crude oil and natural gas prices are low, the level of marine seismic exploration activity typically decreases, potentially resulting in reduced demand for our products used in offshore energy exploration. In addition, a decline in the level of capital spending by oil and natural gas companies may result in a reduced pace of development of new energy reserves, which could adversely affect demand for our products related to energy production, and, in certain instances, result in the cancellation, modification or rescheduling of existing orders.

We are subject to the risks associated with international sales and international operations, which could harm our business or results of operations.

During 2015, sales to international customers accounted for approximately 44% of our total revenues, compared with 45% in 2014 and 44% in 2013. In 2015, we sold products to customers in over 100 countries. The 2015 top five countries for international sales were the United Kingdom, Norway, China, Germany and South Korea, constituting 21% of our total sales. Our acquisitions, including Bowtech and ICM in 2015, Bolt in 2014, RESON in 2013, LeCroy in 2012 and DALSA in 2011, contributed to greater international sales. We anticipate that future sales to international customers will continue to account for a significant and increasing percentage of our revenues, particularly since business and growth plans for many Teledyne businesses focus on sales outside of the United States, including to emerging markets such as China, Brazil and West Africa.

Risks associated with international sales include, but are not limited to:

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

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- transportation, including piracy in international waters; and
- exchange rate fluctuations.

Any of these factors could have a material adverse effect on our business, results of operations and financial condition. Exchange rate fluctuations may negatively affect the cost of our products to international customers and therefore reduce our competitive position. Given our several Canada-based businesses, volatility in the value of the Canadian dollar relative to the U.S. dollar, or other foreign currencies, could adversely affect the business, operations and the financial condition of our Digital Imaging segment. Our United Kingdom ("U.K.")-based businesses and sales to customers in the U.K. could be adversely impacted by uncertainty related to continued U.K. membership in the European Union and continued austerity measures imposed by the U.K. Government.

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

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

Our international operations are subject to risks customarily encountered in foreign operations, including interruption to transportation flows for delivery of parts to us and finished goods to our customers, changes in a specific country's or region's political or economic conditions, trade protection measures, import or export licensing requirements, consequences from changes in tax laws and regulatory requirements, difficulty in staffing and managing widespread operations, differing labor regulations, differing protection of intellectual property and geopolitical turmoil, including terrorism and war. We are also exposed to foreign currency exchange rate risk inherent in our sales commitments, anticipated sales and expenses, and assets and liabilities denominated in currencies other than the local functional currency, and may also become subject to interest rate risk inherent in any debt we incur, or financial investments we hold.

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

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

- our ability to assess accurately the value, strengths, weaknesses, internal controls, contingent and other liabilities and potential profitability of acquisition candidates;
- the potential loss of key personnel of an acquired business;
- our ability to integrate acquired businesses and to achieve identified financial, operating and other synergies anticipated to result from an acquisition;
- our ability to assess, integrate and implement internal controls of acquired businesses in accordance with Section 404 of the Sarbanes-Oxley Act of 2002;
- the distraction of management resulting from the need to integrate acquired businesses;
- increased competition for acquisition targets, which may increase acquisition costs;
- the potential impairment of assets;
- potential unknown liabilities associated with a business we acquire or in which we invest, including environmental liabilities;
- the risks associated with acquiring privately-held companies, which generally do not have as formal or comprehensive internal controls and compliance systems in place as public companies;
- production delays associated with consolidating acquired facilities and manufacturing operations;

- risks associated with owning and operating businesses internationally, including those arising from U.S. and foreign government policy changes or actions and exchange rate fluctuations; and
- unanticipated changes in business and economic conditions affecting an acquired business.

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

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As they have over the last few years, acquisitions may also change the nature and level of various risks faced by Teledyne. For example, our acquisition of Bolt in 2014 increased our exposure to the offshore energy exploration market. The Bolt acquisition, the DALSA acquisition in 2011 and the LeCroy acquisition in 2012 increased the percentage of sales attributable to commercial customers as opposed to the U.S. Government. These acquisitions, coupled with our other recently acquired companies, located outside of the United States, also increased the percentage of revenues and expenses that arise from international sources and consequently our exposure to U.S. and foreign policy changes and exchange rate fluctuations. Additionally, both DALSA's and LeCroy's businesses have been more capital intensive than other Teledyne businesses, increasing Teledyne's capital requirements.

Under SEC rules, Teledyne must issue a report on management's assessment of the effectiveness of internal controls over financial reporting. The SEC permits a limited time-based exclusion for acquisitions to give a company an opportunity to evaluate more fully the internal controls of acquired companies and correct deficiencies and institute new or additional internal controls. Our 2015 management's report specifically excludes from its scope and coverage our 2015 acquisitions of Bowtech and ICM, allowing us additional time to evaluate existing internal controls and implement additional controls as appropriate. With regard to future acquisitions, we can provide no assurance that we will be able to provide a report that contains no significant deficiencies or material weaknesses with respect to these acquired companies or other acquisitions.

In connection with our acquisitions, including ones which we do not complete, we may incur significant transaction costs. We are required to expense, as incurred, such transaction costs, which may have a material adverse impact on our quarterly financial results. Further, the acquisitions of public companies, such as Bolt and LeCroy, now routinely trigger purported class action lawsuits, filed by shareholders of the target companies, the defense of which has increased transaction costs, among other things.

Changes in future business conditions could cause business investments, goodwill and other long-lived assets to become impaired, resulting in significant losses and write-downs that would reduce our operating income.

On January 3, 2016, Teledyne's goodwill was $1,140.2 million and net acquired intangible assets were $243.3 million. Under current accounting guidance, we are required to test annually both acquired goodwill and other indefinite-lived intangible assets for impairment based upon a fair value approach, rather than amortizing them over time. We have chosen to perform our annual impairment reviews of goodwill and other indefinite-lived intangible assets during the fourth quarter of each fiscal year. We also are required to test goodwill for impairment between annual tests if events occur or circumstances change that would more likely than not reduce our enterprise fair value below its book value. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in an entity's market value, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business, or other factors. If the fair market value is less than the carrying value, including goodwill, we could be required to record an impairment charge. The valuation of reporting units requires judgment in estimating future cash flows, discount rates and estimated product life cycles. In making these judgments, we evaluate the financial health of the business, including such factors as industry performance, changes in technology and operating cash flows. As we have grown through acquisitions, the amount of goodwill and net acquired intangible assets is significant compared with our total assets. As a result, the amount of any annual or interim impairment could be significant and could have a material adverse effect on our reported financial results for the period in which the charge is taken. We also may be required to record an earnings charge or incur unanticipated expenses if, as a result of a change in strategy or other reason, we were to determine the value of other assets had been impaired.

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

United States' and global responses to terrorism, continuing turmoil in Middle Eastern countries and nuclear proliferation concerns increase uncertainties with respect to U.S. and other business and financial markets and could adversely affect our business and operations.

Air travel declines have occurred after terrorist attacks and heightened security alerts, as well as after the high-profile outbreaks of disease. While travel by our sales and service personnel to various regions has been affected by such factors, additional declines in air travel resulting from such factors and other factors could adversely affect the financial condition of many of our commercial airline and aircraft manufacturer customers and, in turn, could adversely affect our Aerospace and Defense Electronics segment. The 2015 Paris terrorist attacks or the Syrian refugee crisis could result in governments in Europe imposing greater restrictions on the movement of personnel or goods, which could adversely impact our businesses located within the European Union or our ability to sell products in that region. In addition, a prolonged virus epidemic or pandemic, or the threat thereof, could result in worker absences, lower productivity, voluntary closure of our offices and manufacturing facilities, disruptions in our supply chain, travel restrictions on our employees, and other disruptions to our businesses.

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Moreover, health epidemics may force local health and government authorities to mandate the temporary closure of our offices and manufacturing facilities.

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

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

Our revenue from government contracts subjects us to many risks:

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

We perform work on a number of contracts with the U.S. Department of Defense and other agencies and departments of the U.S. Government including sub-contracts with government prime contractors. Sales under contracts with the U.S. Government as a whole, including sales under contracts with the U.S. Department of Defense, as prime contractor or subcontractor, represented approximately 26% of our total revenue in 2015, compared with 25% in 2014 and 27% in 2013. Performance under government contracts has inherent risks that could have a material effect on our business, results of operations, and financial condition.

Government contracts are conditioned upon the continuing availability of Congressional appropriations and the failure of Congress to appropriate funds for programs in which we participate could negatively affect our results of operations. The U.S. Government shutdown during 2013 negatively affected many of our businesses, and the failure by Congress to approve future budgets on a timely basis could delay procurement of our products and services and cause us to lose future revenues. Additionally, defense spending is expected to continue to decline in some areas over the next few years. A continued emphasis on Federal deficit and debt reduction could lead to a further decrease in overall defense spending. The continued war on terrorism also could result in a diversion of funds from programs in which Teledyne participates. Budgetary concerns could result in future contracts being awarded more on price than on other competitive factors, and smaller defense budgets could result in government in-sourcing of programs and more intense competition on programs that are not in-sourced, which could result in lower revenues and profits.

The sequestration provision of the Budget Control Act of 2011 originally imposed $500 billion of defense cuts over nine years starting in fiscal year 2013, which represented approximately 9% of planned defense funding over the period. On November 2, 2015, the President signed the Bipartisan Budget Act of 2015 (the Budget Act). The Budget Act raises the statutory limit on the amount of permissible federal debt (the debt ceiling) until March 2017 and raises the sequester caps imposed by the Budget Control Act of 2011 by $80.0 billion, split equally between defense and domestic spending, over the next two years. On December 18, 2015, Congress passed and the President signed the Consolidated Appropriations Act of 2016, which provides funding for the U.S. government for the government's 2016 fiscal year, providing $1.1 trillion in discretionary funding for federal agencies through September 2016.

Continued defense spending does not necessarily correlate to continued business for us, because not all of the programs in which we participate or have current capabilities may be provided with continued funding. Changes in policy and budget priorities by the President, his Administration and the U.S. Congress for various Defense and NASA programs could continue to impact our Engineered Systems, Aerospace and Defense Electronics and Digital Imaging segments. For example, changes in national space policy that affect NASA's budget have occurred. There have also been significant reductions in missile defense budgets. Our Engineered Systems segment may be further impacted by delays in production runs under the JASSM and Harpoon missile programs, as well as U.S. Department of Defense directives to introduce competitive bidding for programs on which we have previously served as sole source. The timing of program cycles can affect our results of operations for a particular quarter or year, and cancellations of significant programs such as the Objective Simulation Framework ("OSF") or the Shallow Water Combat Submersible ("SWCS") would affect our results. It is also not uncommon for the U.S. Department of Defense to

delay the timing of awards for major programs for six to twelve months. Reductions and delays in research and development funding by the U.S. Government may continue to impact our revenues. As DARPA reviews its programs aimed to technologically enhance U.S. military capabilities and national security, changes to the DARPA research and technology development programs in which we participate could occur. The upcoming 2016 Presidential election could also generate uncertainty or Congressional inaction that results in further delay in funding and timing of awards that could have a material impact on our revenues in 2016. Finally, various U.S. Department of Defense initiatives, such as the emphasis on in-sourcing positions to the Government and anticipated reductions or cancellations of existing programs, could negatively impact our Engineered Systems segment.

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

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

Over time, and for a variety of reasons, programs can evolve and affect the extent of our participation. We have been a significant participant in NASA programs, primarily through our Engineered Systems segment and through Teledyne Scientific Company. The current Administration introduced significant changes to the national space policy, including the cancellation of the NASA's Constellation Program which includes Ares launch vehicles. Teledyne Brown Engineering is developing the MUSES, an Earth imaging platform, as part of our commercial space-based digital imaging business. The MUSES platform depends on continued operation of the ISS, and we may not be successful in developing the technology or commercial relationships necessary to make this investment profitable. While most recently, in early 2014, we were awarded a five-year $60 million contract by NASA's Marshall Space Flight Center to develop and manufacture the Launch Vehicle Stage Adapter for the Space Launch System, failure to further transition our business successfully could result in reduced sales. In addition, delayed funding and changes in support for NASA's current space policy could negatively impact our business. The outcome of the upcoming 2016 Presidential election could also lead to changes to the nation's space policy, some or all of which could materially impact our results.

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

Most of our U.S. Government contracts are subject to termination by the U.S. Government either at its convenience or upon the default of the contractor. Termination for convenience provisions provide only for the recovery of costs incurred or committed, settlement expenses, and profit on work completed prior to termination. Termination for default clauses impose liability on the contractor for excess costs incurred by the U.S. Government in re-procuring undelivered items from another source. We had eight U.S. Government contracts terminated for convenience in 2015, compared with three in 2014 and four in 2013. No contracts were terminated for default during such three-year period.

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

There is no guarantee that U.S. Government contracts will be profitable. A number of our U.S. Government prime contracts and subcontracts are fixed-price type contracts (54% of our total U.S. Government contracts were fixed-price in 2015, 58% in 2014 and 60% in 2013). Under these types of contracts, we bear the inherent risk that actual performance cost may exceed the fixed contract price. Under such contracts, we must absorb cost overruns, notwithstanding the difficulty of estimating all of the costs we will incur in performing these contracts. We cannot assure that our contract loss provisions in our financial statements will be adequate to cover all actual future losses. We may lose money or generate lower profits on some contracts if we fail to meet these estimates.

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

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

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

As of January 3, 2016, we had $765.5 million in total outstanding indebtedness. This indebtedness included $425.0 million in senior unsecured notes, $190.0 million in term loans and $150.5 million under our $750.0 million 2015-amended credit facility. Our indebtedness could harm our business by, among other things, reducing the funds available to make new strategic acquisitions or reducing our flexibility in planning for or reacting to changes in our business and market conditions. Our indebtedness exposes us to interest rate risk since a portion of our debt obligations are at variable rates. Our indebtedness could also have a material adverse effect on our business by increasing our vulnerability to general adverse economic and industry conditions or a downturn in our business. General adverse economic and industry conditions or a downturn in our business could result in our inability to repay this indebtedness in a timely manner.

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

We have a defined benefit qualified pension plan covering most of our U.S. employees hired prior to 2004 or approximately 18% of our active employees. The value of the combined pension assets is currently greater than our qualified pension benefit obligation. The accounting rules applicable to our qualified pension plan require that amounts recognized in the financial statements be determined on an actuarial basis, rather than as contributions are made to the plan. Two significant elements in determining our pension income or pension expense are the expected return on plan assets and the discount rate used in projecting pension benefit obligations. Declines in the stock market and lower rates of return could increase required contributions to our qualified pension plan and/or result in a change to shareholders' equity. Our investment strategy may not produce the expected returns if the credit, financial or stock markets deteriorate. Any decreases or increases in market interest rates will affect the discount rate assumption used in projecting pension benefit obligations. In addition, changes in other actuarial assumptions such as mortality assumptions or change due to legislative or regulatory actions could impact our pension income or expense as well as funding obligations. Recently, the Society of Actuaries released revised mortality tables, which update life expectancy assumptions. In consideration of these tables, we modified the mortality assumptions used in determining our pension and post-retirement benefit obligations as of December 28, 2014, which will have a related impact on our future pension and post-retirement benefit expense. In 2013, we made a voluntary pretax cash contribution of $83.0 million to the domestic pension plan. No contributions were made to the domestic pension plan in 2015 or 2014. If, and to the extent, decreases in our pension assets are not offset by voluntary contributions, recovered through future asset returns, mitigated by an increase in the rate at which the benefit obligation is discounted, or other actions, our required cash contributions and pension expense could increase under the plans. For additional discussion of pension matters, see the discussion under "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition" and Notes 2 and 11 to our Notes to Consolidated Financial Statements.

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

Attempts by others to gain unauthorized access to our information technology systems have become more sophisticated and are sometimes successful. These attempts, which might be related to industrial or foreign government espionage, activism, or other motivations, include covertly introducing malware to our computers and networks, performing reconnaissance, impersonating authorized users, stealing, corrupting or restricting our access to data, among other activities. We continue to update our infrastructure, security tools and processes to protect against security incidents, including both external and internal threats, and to prevent their recurrence. Company personnel and third parties have been tasked to detect and investigate such incidents, but it is possible that we might not prevent or be aware of an incident or its magnitude and effects. The theft, corruption, unauthorized use or publication of our intellectual property and/or confidential business information could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives or otherwise adversely affect our business. We are subject to U.S. Department of Defense regulations applicable to certain types of data residing on or transiting through certain information systems, and we expect these regulations will be incorporated into certain contracts we hold. To the extent that any security breach results in inappropriate disclosure of confidential or controlled information of employees, third parties or the U.S. Government, we may incur liability or the loss of contracts or

security clearances as a result. In addition, we expect to continue devoting additional resources to the security of our information technology systems. More resources may be required in the defense arena to the extent the U.S. Government increases its cyber security mandates.

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

In order to remain competitive, we must make substantial investments in research and development of new or enhanced products and continuously upgrade our process technology and manufacturing capabilities. Our Teledyne Scientific Company subsidiary, which serves as our primary research center, has been actively promoting and funding joint research and development projects with other Teledyne businesses, including our Teledyne Oil & Gas businesses, Teledyne Reynolds, Inc., Teledyne Brown Engineering, Inc., DALSA and LeCroy. Additionally, some of our businesses are actively pursuing governmental support and funding for some of their research and development initiatives, including DALSA with respect to its CMOS and uncooled infrared image sensor development efforts. Nonetheless, we may be unable to fund all of our research and development and capital investment needs or possible acquisitions. Our ability to raise additional capital will depend on a variety of factors, some of which will not be within our control, including the existence of bank and capital markets, investor perceptions of us, our businesses and the industries in which we operate, and general economic conditions. Failure to successfully raise needed capital or generate cash flow on a timely or cost-effective basis could have a material adverse effect on our business, results of operations and financial condition. In addition, if we fail to accurately predict future customer needs and preferences or fail to produce viable technologies, we may invest heavily in research and development of products that do not lead to significant revenue, which would adversely affect our profitability.

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

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

Our operating results depend in part on our ability to introduce new and enhanced products on a timely basis. In order to improve our product development capabilities we purchased the research center that is now Teledyne Scientific Company in 2006 and in 2011 we purchased DALSA, which has access to a well-equipped MEMS research and development center. In 2013, we opened a 52,000-square-foot technology development center in Daytona Beach, Florida primarily to serve the offshore oil and gas production and exploration industries. Successful product development and introduction depend on numerous factors, including our ability to anticipate customer and market requirements, changes in technology and industry standards, our ability to differentiate our offerings from offerings of our competitors, and market acceptance. We may not be able to develop and introduce new or enhanced products in a timely and cost-effective manner or to develop and introduce products that satisfy customer requirements.

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

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

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

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

The markets for some of our products and services are characterized by rapid technological development, evolving industry standards, changes in customer requirements and new product introductions and enhancements. A faster than anticipated change in one or more of the technologies related to our products or services, or in market demand for products or services based on a particular technology, could result in faster than anticipated obsolescence of certain of our products or services and could lead to reduced sales of those products, which could have a material adverse effect on our business, results of operations and financial condition. Currently accepted industry and regulatory standards are

also subject to change, which may contribute to the obsolescence of our products or services.

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

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

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

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

From time to time, the FAA or equivalent regulatory agencies in other countries propose new regulations or changes to existing regulations, which are usually more stringent than existing regulations. If these proposed regulations are adopted and enacted, we may incur significant additional costs to achieve compliance, which could have a material adverse effect on our business, financial condition and results of operations. Recent trends by China's aviation authority to relax restrictions on airspace may be reversed, and anticipated new regulations loosening airspace restrictions may not materialize, which could impact the future prospects of our commercial aerospace businesses. China's aviation authorities are also proposing new safety regulations for airlines that could result in increased sales of our avionics products in China. If these regulations are not adopted, or are not adopted in a manner that benefits us, the growth prospects of our commercial aerospace business in China may be limited.

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

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

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

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

While we have general liability and other insurance policies concerning product liabilities, we have self-insured retentions or deductibles under such policies with respect to a portion of these liabilities. Awarded damages could be more than our accruals. We could incur losses above the aggregate annual policy limit as well. We cannot assure that, for 2016 and in future years, insurance carriers will be willing to renew coverage or provide new coverage for product liability.

Product recalls can be expensive and tarnish our reputation and have a material adverse effect on the sales of our products. We cannot assure that we will not have additional product liability claims or that we will not recall any products.

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

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

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

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Our Teledyne Brown Engineering, Inc.'s laboratory in Knoxville, Tennessee performs radiological analyses. Our Teledyne DALSA Professional Imaging unit develops image sensors used in medical and dental X-ray applications along with portable X-ray generators used in non-destructive testing and security applications. In addition, our Teledyne DALSA Digital Imaging unit develops equipment and sensors used in eye examination and general surgical vision applications. Errors and omissions in analyses may occur or erroneous images could be captured. Our insurance coverage or indemnities may not be adequate to cover potential problems associated with faulty radiological analyses.

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

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

Some items we purchase for the manufacture of our products are purchased from limited or single sources of supply due to technical capability, price and other factors. For example, DALSA has a single source of supply for CCD semiconductor wafers used to assemble image sensors and an external single source of supply for CMOS semiconductor wafers used to assemble X-ray panel products. LeCroy continues to outsource a portion of its research and development activities to a third party engineering firm in Malaysia where it may be more difficult for us to enforce our intellectual property rights. We have also outsourced from time to time the manufacturing of certain parts, components, subsystems and even finished products to single or limited sources, including international sources. Disruption of these sources could cause delays or reductions in shipments of our products or increases in our costs, which could have an adverse effect on our financial condition or operations. International sources possess additional risks, some of which are similar to those described above in regard to international sales. With any continuing disruption in the global economy and financial markets, some of our suppliers may also continue to face issues gaining access to sufficient credit and materials to maintain their businesses, which could reduce the availability of some components and, to the extent such suppliers are single source suppliers, could adversely affect our ability to continue to manufacture and sell our products. Continuing economic pressure on suppliers may also trigger increased pricing or workforce reductions or reduced workweeks and a shrinking supply base, possibly creating longer lead times to obtain needed components for our products, delays in material acceptance and a greater risk of receiving counterfeit parts.

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

While no commercial customer accounted for more than 10% of our total sales during 2015, 2014 and 2013 and we have hundreds of customers in the various industries that we serve, some of our product lines may have one or a few key customers the loss of which could adversely affect our business or financial results. Teledyne's largest commercial customer, a customer of our Instrumentation segment, accounted for 2.3%, 2.8% and 3.6% of total sales in 2015, 2014 and 2013, respectively.

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

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

We sell a portion of our products through third parties such as distributors, value-added resellers and OEMs (collectively "distributors"). Using third parties for distribution exposes Teledyne to many risks, including concentration, credit risk and compliance risks. We may rely on one or more key distributors for a product, and the loss of these distributors could reduce our revenue. Distributors may face financial difficulties, including bankruptcy,

which could harm our collection of accounts receivables and financial results. Violations of the FCPA or similar anti-bribery laws by distributors or other third party intermediaries could have a material impact on our business. Failing to manage risks related to our use of distributors may reduce sales, increase expenses, and weaken our competitive position, and could result in sanctions against us.

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

We, like other industry participants, are subject to various federal, state, local and international environmental laws and regulations. We may be subject to increasingly stringent environmental standards in the future, particularly as greenhouse gas emissions and climate change regulations and initiatives increase. Future developments, administrative actions or liabilities relating to environmental and climate change matters could have a material adverse effect on our business, results of operations or financial condition. Environmental regulations on hydraulic fracturing and the use of seismic energy sources for offshore energy exploration could adversely affect some product lines of our Instrumentation segment.

Our manufacturing operations could expose us to material environmental liabilities and companies we acquire may have environmental liabilities that are not accurately assessed or brought to our attention at the time of the acquisition. In 2013, we established an environmental reserve related to potential soil remediation activities at a former leased facility, which as of January 3, 2016, was $4.6 million.

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

For additional discussion of environmental matters, see the discussion under the caption "Other Matters - Environmental" of "Item 7. Management's Discussion and Analysis of Results of Operation and Financial Condition" and Note 14 to our Notes to Consolidated Financial Statements.

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

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

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

Consistent with our strategy to emphasize growth in our core markets, we continually evaluate our businesses to ensure that they are aligned with our strategy. This review led to the decision to sell our general aviation piston engine businesses, which sale was completed in April 2011. As a result of our review and declines in our electronic manufacturing services businesses, in 2013, we closed our Teledyne Microelectronics Technologies' facility in Marina del Rey, California and relocated several of its product lines to other Teledyne locations. In further response to downturns in our defense businesses, in 2013, we also began consolidating some of our microelectronic component operations into our Mountain View, California facility and also our Shipley, England facility, and relatedly sold a former manufacturing site in Sunnyvale, California. Additionally, we closed Teledyne CML Group Limited's precision machining and fabrications business in Birkenhead, England to focus more on its advanced composites manufacturing business.

In 2015, we began to consolidate some of the businesses units and facilities in our Instrumentation segment, which is expected to continue in 2016. We may not be able to realize efficiencies and cost savings from these consolidation activities. There is no assurance that our efforts will be successful. If we do not successfully manage our current consolidation activities, or any other similar activities that we may undertake in the future, expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. Our ability to dispose of, exit or reconfigure businesses that may no longer be aligned with our growth strategy will depend on many factors, including the terms and conditions of any asset purchase and sale agreement, as well as industry, business and

economic conditions. We cannot provide any assurance that we will be able to sell non-strategic businesses on terms that are acceptable to us, or at all. In addition, if the sale of any non-strategic business cannot be consummated or is not practical, alternative courses of action, including relocation of product lines or closure, may not be available to us or may be more costly than anticipated.

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Natural and man-made disasters could adversely affect our business, results of operations and financial condition. Several of our facilities, as a result of their locations, could be subject to a catastrophic loss caused by earthquakes, hurricanes, tornados, floods, ice storms or other natural disasters. Many of our production facilities and our headquarters are located in California and thus are in areas with above average seismic activity and may also be at risk of damage in wildfires. Teledyne DALSA's semiconductor facilities in Quebec, Canada have been impacted by severe ice storms, including a storm in 2013. In addition, we have manufacturing facilities in the Southeastern United States and Texas that have been threatened and struck by major hurricanes. In October 2012, LeCroy and other Teledyne facilities incurred business interruptions and were without power for several days as a result of Hurricane Sandy. Our facilities in Alabama, Florida, Nebraska, Tennessee and Virginia have also been threatened by tornados. In June 2012, a tornado caused substantial damage to and interrupted business at our Teledyne Hastings Instruments facility in Hampton, Virginia. In April 2011, tornados caused substantial damage in Huntsville, Alabama. While Teledyne Brown Engineering's main facility in Huntsville, Alabama incurred minimal building damage and business interruption, the facility was without power for several days. If any of our California facilities, including our California headquarters, were to experience a catastrophic earthquake or wildfire loss or if any of our Alabama, Florida, Louisiana, Nebraska, Tennessee or Texas facilities were to experience a catastrophic hurricane, storm, tornado or other natural disaster, or if DALSA's facilities in Quebec experience long-term loss of electrical power, such event could disrupt our operations, delay production, shipments and revenue, and result in large expenses to repair or replace the facility or facilities. While Teledyne has property insurance to partially reimburse it for losses caused by windstorm and earth movement, such insurance would not cover all possible losses. In addition, our existing disaster recovery and business continuity plans (including those relating to our information technology systems) may not be fully responsive to, or minimize losses associated with, catastrophic events.

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

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

Teledyne Brown Engineering, Inc. is building an imaging platform to be affixed to the ISS. For the program to be financially successful, the 17 year-old ISS must continue to fly in a safe and human tended condition. While certain spaceflight risks, such as a high-velocity debris impact to the station causing significant structural damage or necessitating the evacuation of the ISS, have been regarded as small, if such event were to occur, the ISS program continuation could be threatened, jeopardizing our investment and potential revenue generation from ISS-based Earth imaging.

We may not be able to enforce or protect our intellectual property rights, or third parties may claim infringement of their intellectual rights, each which may harm our ability to compete and thus harm our business.

Our ability to enforce and protect our patents, copyrights, software licenses, trade secrets, know-how, and other intellectual property rights is subject to general litigation risks, as well as uncertainty as to the enforceability of our intellectual property rights in various countries. When we seek to enforce our rights, we have found that various claims may be asserted against us, including claims that our intellectual property right is invalid, is otherwise not enforceable or is licensed to the party against whom we are asserting a claim. In addition, we may be the target of aggressive and opportunistic enforcement of patents by third parties. If we are not ultimately successful in defending ourselves against these claims in litigation, we may not be able to sell a particular product or family of products due to an injunction, or we may have to pay damages that could, in turn, harm our results of operations. Our inability to

enforce our intellectual property rights under these circumstances may harm our competitive position and our business.

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

Our effective tax rate for 2015 was 24.3%, compared with 23.6% for 2014 and 17.7% for 2013. While there continues to be Congressional discussion about lowering the corporate tax rate in the U.S. to improve global competitiveness, a number of factors may impact our effective tax rates, which could reduce our net income and increase our tax payments, including:

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

Our inability to efficiently implement changes to our enterprise resource planning software could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

We are implementing enterprise resource planning software systems, which are intended to improve our business processes in certain business units. The costs associated with such systems can be significant and we could incur costs in excess of budgeted costs. Any technical or other difficulties in developing or implementing this initiative may increase the costs of the project and have an adverse effect on our operations and reporting processes, including our internal controls over financial reporting. As we make adjustments to operations as a result of this project, we may incur incremental expenses prior to realizing the benefits of a more efficient workforce and operating structure. Although implementation has occurred in only selected business units to date and efforts have been made to minimize adverse impacts on our controls, we cannot assure that all such impacts have been mitigated. Further, we may not realize anticipated cost improvements and greater efficiencies from the project.

Our financial statements are based on estimates required by Generally Accepted Accounting Principles in the United States (“GAAP”), and actual results may differ materially from those estimated under different assumptions or conditions.

Our financial statements are prepared in conformity with GAAP. These principles require our management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. For example, estimates are used when accounting for items such as asset valuations, allowances for doubtful accounts, allowance for excess and obsolete inventory, depreciation and amortization, impairment assessments, employee benefits, taxes, recall and warranty costs, product and general liability and contingencies. While we base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances at the time made, actual results may differ materially from those estimated. Our most critical accounting estimates are described in the Management Discussion in this Form 10-K under “Critical Accounting Estimates.”

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

We continue to take action to assure compliance with the internal controls, disclosure controls and other requirements of the Sarbanes-Oxley Act of 2002. Our management, including our Chief Executive Officer and Chief Financial Officer, cannot guarantee that our internal controls and disclosure controls will prevent all possible errors or all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no system of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that

judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements resulting from error or fraud may occur and may not be detected.

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

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

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

Since we became an independent public company on November 29, 1999, the market price of our Common Stock has fluctuated substantially and fluctuations in our stock price could continue. In fiscal 2015, our stock price declined 15%. Among the factors that could affect our stock price are:

- quarterly variations in our operating results;
- strategic actions by us or our competitors;
- acquisitions;
- divestitures;
- stock repurchases;
- adverse business developments;
- war in the Middle East or elsewhere;
- terrorists activities;
- military or homeland defense activities;
- changes to the U.S. Federal budget;
- changes in the energy exploration or production, semiconductor, digital imaging, telecommunications, commercial aviation, and electronic manufacturing services markets;
- general market conditions;
- changes in tax laws;
- general economic factors unrelated to our performance;
- changes from analysts' expectations in revenues, earnings or other financial results;
- the outcome of the 2016 U.S. Presidential election; and
- one or more of the risk factors described in this report.

The stock markets in general, and the markets for high-technology companies in particular, have experienced a high degree of volatility that is not necessarily related to the operating performance of these companies. We cannot provide assurances as to our stock price. We have in the past repurchased shares of our stock pursuant to board-approved stock repurchase programs. We cannot provide assurances that we will continue to repurchase shares under those programs, or that our board will authorize new repurchase programs.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

The Company has 65 principal operating facilities in 18 states and five foreign countries. Of these facilities, 27 are owned by the Company and 38 are leased. The Company's executive offices are located in Thousand Oaks, California. Its principal research and development center is also located in Thousand Oaks, California. Our facilities are considered to be suitable and adequate for the purposes for which they are intended and overall have sufficient capacity to conduct business as currently conducted.

Information on the number, ownership and location of principal operating facilities by segment was as follows at February 25, 2016:

Principal operating facilities by segment:			Location of Facilities	
Segment	Owned	Leased	States	Countries
Instrumentation	12	16	California, Colorado, Connecticut, Florida, Massachusetts, Nebraska, New Hampshire, New York, Ohio, Texas and Virginia	United States, Canada, Denmark and United Kingdom
Digital Imaging	7	4	California, Massachusetts, North Carolina and Pennsylvania	United States, Belgium, Canada and The Netherlands
Aerospace and Defense Electronics	7	14	California, Illinois, New Hampshire, Pennsylvania, Tennessee and Texas	United States and United Kingdom
Engineered Systems	1	4	Alabama, Colorado, Maryland, Ohio and Tennessee	United States and United Kingdom
Total	27	38		

Item 3. Legal Proceedings

From time to time, we become involved in various lawsuits, claims and proceedings arising out of, or incident to, our ordinary course of business including lawsuits, claims or proceedings pertaining to product liability, patent infringement, commercial contracts, employment and employee benefits. While we cannot predict the outcome of any lawsuit, claim or proceeding, our management does not believe that the disposition of any pending matters is likely to have a material adverse effect on our business, financial condition or liquidity.

Item 4. Mine Safety Disclosures

No information is required in response to this item.

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PART II

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

Price Range of Common Stock and Dividend Policy

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

High and low stock price:	High	Low
2014		
1st Quarter	$102.40	$87.50
2nd Quarter	$101.43	$91.46
3rd Quarter	$100.23	$90.54
4th Quarter	$109.18	$91.17
2015		
1st Quarter	$105.77	$93.19
2nd Quarter	$110.08	$100.29
3rd Quarter	$111.81	$91.13
4th Quarter	$94.35	$83.08
2016		
1st Quarter (through February 24, 2016)	$88.38	$73.66

On February 25, 2016, the closing sale price of our Common Stock as reported by the New York Stock Exchange was $83.32 per share. As of February 25, 2016, there were 3,740 holders of record of the Common Stock. Because many of our shares of common stock are held by brokers and institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners of our stock represented by these stockholders of record.

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

In January 2015, our Board of Directors authorized a stock repurchase program to repurchase 2,500,000 shares of our common stock. In January 2016, our Board of Directors authorized a stock repurchase program to repurchase 3,000,000 shares of our common stock. The following table sets forth the shares repurchased during each fiscal month during the fourth quarter of 2015:

Shares repurchased - Fourth Quarter 2015	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
October 28 - November 1	—	$—	—	1,441,626
November 2 - November 29	1,045,000	$91.39	1,045,000	396,626
November 30 - January 3	—	$—	—	396,626
Total	1,045,000	$91.39	1,045,000	

See Note 8 to our Consolidated Financial Statements for additional information about our stock repurchase program.

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

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Item 6. Selected Financial Data

The following table presents our summary consolidated financial data. We derived the following historical selected financial data from our audited consolidated financial statements. Our fiscal year is determined based on a 52- or 53-week convention ending on the Sunday nearest to December 31. Each fiscal year presented below contained 52 weeks except for fiscal year 2015 which contained 53 weeks. The five-year summary of selected financial data should be read in conjunction with the discussion under "Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operation" and the Notes to the Consolidated Financial Statements.

Five-Year Summary of Selected Financial Data

	2015	2014	2013	2012	2011
	(In millions, except per-share amounts)				
Sales	$2,298.1	$2,394.0	$2,338.6	$2,127.3	$1,941.9
Net income from continuing operations	$195.8	$217.7	$185.0	$161.8	$142.1
Net income from discontinued operations	$—	$—	$—	$2.3	$113.1
Net income attributable to Teledyne	$195.8	$217.7	$185.0	$164.1	$255.2
Basic earnings per common share - continuing operations	$5.55	$5.87	$4.96	$4.41	$3.88
Diluted earnings per common share - continuing operations	$5.44	$5.75	$4.87	$4.33	$3.81
Basic earnings per common share	$5.55	$5.87	$4.96	$4.47	$6.97
Diluted earnings per common share	$5.44	$5.75	$4.87	$4.39	$6.84
Weighted average diluted common shares outstanding	36.0	37.9	38.0	37.4	37.3
Working capital	$434.6	$402.7	$381.0	$337.5	$268.5
Total assets	$2,718.5	$2,862.2	$2,751.1	$2,406.4	$1,826.1
Long-term debt and capital lease obligations, net of current portion	$762.9	$618.9	$549.0	$556.2	$311.4
Total equity	$1,344.1	$1,468.5	$1,518.7	$1,203.4	$984.1

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

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

Strategy/Overview

Our strategy continues to emphasize growth in our core markets of instrumentation, digital imaging, aerospace and defense electronics and engineered systems. Our core markets are characterized by high barriers to entry and include specialized products and services not likely to be commoditized. We intend to strengthen and expand our core businesses with targeted acquisitions and through product development. We continue to focus on balanced and disciplined capital deployment among capital expenditures, acquisitions and share repurchases. We aggressively pursue operational excellence to continually improve our margins and earnings. At Teledyne, operational excellence includes the rapid integration of the businesses we acquire. Using complementary technology across our businesses

and internal research and development, we seek to create new products to grow our company and expand our addressable markets. We continue to evaluate our businesses to ensure that they are aligned with our strategy.

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Consistent with this strategy, we made three acquisitions in 2015, four acquisitions in 2014 and four acquisitions in 2013. On June 5, 2015, Teledyne DALSA BV, a Netherlands-based subsidiary, acquired Industrial Control Machines SA ("ICM") a leading supplier of portable X-ray generators for non-destructive testing applications, as well as complete X-ray imaging systems for on-site security screening. On April 29, 2015, Teledyne DALSA, Inc. acquired the remaining 49% noncontrolling interest in the parent company of Optech Incorporated ("Optech"). On February 2, 2015, Teledyne acquired Bowtech Products Limited ("Bowtech") through a U.K.-based subsidiary. Bowtech designs and manufactures harsh underwater environment vision systems. In 2015, Teledyne made an additional investment in Ocean Aero, Inc. ("Ocean Aero") and now owns a 36.9% interest in Ocean Aero which is accounted for under the equity method. Also in 2015, we acquired a product line for $3.0 million of which an initial payment of $2.7 million was made in 2015.

Our largest acquisition in 2014, Bolt Technology Corporation ("Bolt") expanded our capabilities related to offshore oil and natural gas exploration, as well as increased our offerings of remotely operated robotic vehicles systems. We acquired the assets of The Oceanscience Group Ltd. ("Oceanscience") to enhance our capabilities related to marine sensor platforms and unmanned surface vehicles. We acquired assets of Atlas Hydrographic GmbH ("Atlas") to add marine sonar systems for mid and deep water applications. We acquired Photon Machines, Inc. ("Photon") to supplement our offerings of laser-based sample introduction equipment for laboratory instrumentation. In addition, in 2014 we made an initial investment in Ocean Aero, Inc.

During 2013 and continuing into 2014 and 2015, in an effort to reduce ongoing costs and improve operating performance we took actions to consolidate and relocate certain facilities and reduce headcount across various businesses, reducing our exposure to weak end markets and high cost locations. In connection with these efforts, in 2013, we incurred pretax charges totaling $24.0 million for severance and facility consolidation expense and environmental reserves. The charges were comprised of $10.4 million in severance related costs and $13.6 million in facility closure and relocation costs, which included $5.3 million of environmental reserves. In 2015 and 2014, we incurred $8.4 million and $4.4 million, respectively, primarily for severance related costs. While the 2015 actions and related cash payments were substantially completed by year-end, we continue to seek cost reductions in our businesses.

With our recent acquisitions, as well as growth in our commercial markets, our business mix has continued to evolve. We have worked to transform our product portfolio into that of a high-technology industrial company that is less dependent on U.S. Government business. For 2015, Teledyne's sales were approximately 74% to commercial and international customers and 26% to the U.S. Government compared with about 75% commercial and international customers and 25% U.S. government in 2014. Our international sales have increased to 44% of total sales in 2015, compared with 39% in 2012.

Recent Acquisitions

The Company spent $66.7 million, $195.8 million and $128.2 million on acquisitions and investments in 2015, 2014 and 2013, respectively.

On June 5, 2015, Teledyne DALSA BV, a Netherlands-based subsidiary, acquired Industrial Control Machines SA ("ICM") for an initial payment of $21.4 million, net of cash acquired. The Company paid a $0.4 million purchase price adjustment in 2015. An additional $2.6 million of the purchase price is subject to an indemnification holdback, all or a portion of which is payable in December 2016. Based in Liège, Belgium, ICM is a leading supplier of portable X-ray generators for non-destructive testing applications, as well as complete X-ray imaging systems for on-site security screening and is part of the Digital Imaging segment.

On April 29, 2015, Teledyne DALSA, Inc. acquired the remaining 49% noncontrolling interest in the parent company of Optech Incorporated ("Optech") for $22.0 million in cash. As a result of the purchase, the difference between the cash paid and the balance of noncontrolling interest was recorded to additional paid-in capital. The balance of the noncontrolling interest of $41.2 million at December 28, 2014 decreased by $0.3 million for the net loss and $1.3 million in translation adjustments prior to the purchase which eliminated the remaining balance. The balance of the noncontrolling interest of $47.0 million at December 29, 2013 decreased by $2.1 million for the net loss and $3.7 million in translation adjustments, resulting in a balance of $41.2 million at December 28, 2014. Teledyne no longer has any noncontrolling interests. Optech is part of the Digital Imaging segment.

On February 2, 2015, Teledyne acquired Bowtech Products Limited (“Bowtech”) through a U.K.-based subsidiary for $18.9 million in cash, net of cash acquired and including an estimated working capital adjustment. Based in Aberdeen, Scotland, Bowtech designs and manufactures harsh underwater environment vision systems and is part of the Instrumentation segment.

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Also in 2015, Teledyne made an additional $1.3 million investment in Ocean Aero, Inc. (“Ocean Aero”) and now owns a 36.9% interest in Ocean Aero which is accounted for under the equity method. Based in Poway, California, Ocean Aero is designing an unmanned surface vehicle that will also have the ability to descend subsea. Also in 2015, we acquired a product line for $3.0 million of which an initial payment of $2.7 million was made in 2015.

Teledyne funded the purchases from borrowings under its credit facility and cash on hand. The ICM, Bowtech and Optech acquisitions were funded with cash held by foreign subsidiaries. The results of the acquisitions have been included in Teledyne’s results since the dates of the respective acquisition.

During 2014, Teledyne made 4 acquisitions, the largest of which was Bolt Technology Corporation (“Bolt”) in November 2014.

On November 18, 2014, Teledyne acquired all of the outstanding common shares of Bolt for $22.00 per share payable in cash. The aggregate value for the transaction was $171.0 million, excluding transaction costs and taking into account Bolt’s stock options, other liabilities and net cash on hand. Bolt is a developer and manufacturer of marine seismic data acquisition equipment used for offshore oil and natural gas exploration. Bolt is also a developer and manufacturer of remotely operated robotic vehicles systems used for a variety of underwater tasks. Bolt had sales of $67.5 million for its fiscal year ended June 30, 2014.

On October 22, 2014, a subsidiary of Teledyne acquired the assets of Oceanscience for $14.7 million, net of cash acquired, to enhance our capabilities related to marine sensor platforms and unmanned surface vehicles. On August 18, 2014, a subsidiary of Teledyne acquired assets of Atlas Hydrographic GmbH (“Atlas”) for $5.2 million. We acquired assets of Atlas to add marine sonar systems for mid and deep water applications. On March 31, 2014, a subsidiary of Teledyne acquired Photon Machines, Inc. (“Photon”) for an initial payment of $3.3 million. We acquired Photon to supplement our offerings of laser-based sample introduction equipment for laboratory instrumentation. On July 1, 2014, Teledyne made an initial investment in Ocean Aero.

All of the 2014 acquisitions are part of the Instrumentation segment.

On March 1, 2013, a subsidiary of Teledyne acquired all the outstanding shares of RESON A/S (“RESON”) for $69.7 million, net of cash acquired. RESON, headquartered in Slangerup, Denmark, provides multibeam sonar systems and specialty acoustic sensors for hydrography, global marine infrastructure and offshore energy operations. RESON is part of the Instrumentation segment.

On October 22, 2013, a subsidiary of Teledyne acquired C.D. Limited (“CDL”) for $21.8 million in cash, net of cash acquired. CDL is headquartered in Aberdeen, Scotland, is a leading supplier of subsea inertial navigation systems and motion sensors for a variety of marine applications. We acquired CDL to obtain additional inertial sensing and navigation products, and to accelerate the development of real-time motion sensing and communication systems for our subsea oil and gas customers. CDL is part of the Instrumentation segment.

On August 30, 2013, a subsidiary of Teledyne acquired SD Acquisition, Inc. d/b/a CETAC Technologies (“CETAC”) for $26.4 million. Teledyne paid a $0.4 million purchase price adjustment in the fourth quarter. CETAC, headquartered in Omaha, Nebraska, is a designer and manufacturer of automated sample handling and sample introduction equipment for laboratory instrumentation. We acquired CETAC to expand our automated sample handling and sample introduction equipment for laboratory instrumentation capabilities. CETAC is part of the Instrumentation segment.

On July 8, 2013, a subsidiary of Teledyne purchased the remaining 49% interest in Nova Research, Inc. (“Nova Sensors”) that it did not already own for $4.9 million. Nova Sensors produces compact short-wave and mid-wave infrared cameras and operates within the Digital Imaging segment. Also in 2013, the Company spent $1.4 million on the purchase of a product line.

On May 8, 2013, a subsidiary of Teledyne acquired Axiom IC B.V. (“Axiom”), for an initial payment of $4.0 million, net of cash acquired. Axiom, located in the Netherlands, is a fabless semiconductor company that develops high-performance CMOS mixed-signal integrated circuits and is part of the Digital Imaging segment.

See Note 3 to our Consolidated Financial Statements for additional information about our recent acquisitions.

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Consolidated Operating Results

Our fiscal year is determined based on a 52- or 53-week convention ending on the Sunday nearest to December 31. Fiscal year 2015 contained 53 weeks and fiscal years 2014 and 2013 each contained 52 weeks. The following are selected financial highlights for 2015, 2014 and 2013 (in millions, except per-share amounts):

	2015	2014	2013
Sales	$2,298.1	$2,394.0	$2,338.6
Costs and Expenses			
Cost of sales	1,427.8	1,487.1	1,500.0
Selling, general and administrative expenses	588.6	612.4	598.3
Total costs and expenses	2,016.4	2,099.5	2,098.3
Operating Income	281.7	294.5	240.3
Interest and debt expense, net	(23.9)	(19.0)	(20.4)
Other income, net	0.4	6.6	4.1
Income before income taxes	258.2	282.1	224.0
Provision for income taxes	62.7	66.5	39.5
Net income	195.5	215.6	184.5
Noncontrolling interest	0.3	2.1	0.5
Net income attributable to Teledyne	$195.8	$217.7	$185.0
Basic earnings per common share	$5.55	$5.87	$4.96
Diluted earnings per common share	$5.44	$5.75	$4.87

Our businesses are aligned in four business segments: Instrumentation, Digital Imaging, Aerospace and Defense Electronics and Engineered Systems. Our four business segments and their respective percentage contributions to our total sales in 2015, 2014 and 2013 are summarized in the following table:

	Percentage of Total Sales		
Segment contribution to total sales:	2015	2014	2013
Instrumentation	46%	47%	44%
Digital Imaging	16%	17%	18%
Aerospace and Defense Electronics	26%	25%	26%
Engineered Systems	12%	11%	12%
	100%	100%	100%

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Results of Operations
2015 compared with 2014

Sales	2015	2014	% Change
	(in millions)		
Instrumentation	$1,051.1	$1,115.5	(5.8)%
Digital Imaging	379.0	403.6	(6.1)%
Aerospace and Defense Electronics	593.4	603.0	(1.6)%
Engineered Systems	274.6	271.9	1.0 %
Total sales	$2,298.1	$2,394.0	(4.0)%

Results of operations	2015	2014	% Change
	(in millions)		
Instrumentation	$171.0	$181.6	(5.8)%
Digital Imaging	40.0	37.1	7.8 %
Aerospace and Defense Electronics	84.8	88.3	(4.0)%
Engineered Systems	26.1	31.4	(16.9)%
Corporate expense	(40.2)	(43.9)	(8.4)%
Operating income	281.7	294.5	(4.3)%
Interest and debt expense, net	(23.9)	(19.0)	25.8 %
Other income, net	0.4	6.6	(93.9)%
Income before income taxes	258.2	282.1	(8.5)%
Provision for income taxes	62.7	66.5	(5.7)%
Net income	195.5	215.6	(9.3)%
Noncontrolling interest	0.3	2.1	(85.7)%
Net income attributable to Teledyne	$195.8	$217.7	(10.1)%

Sales and cost of sales by segment and total company:

	2015	2014	Change
Instrumentation	(dollars in millions)		
Sales	$1,051.1	$1,115.5	$(64.4)
Cost of sales	$589.8	$630.0	$(40.2)
Cost of sales % of sales	56.1 %	56.5 %	

Digital Imaging