

MOOG INC
Form 10-Q
August 09, 2011
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 2, 2011

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: 1-5129

MOOG INC.

(Exact name of registrant as specified in its charter)

New York State

(State or other jurisdiction of incorporation or organization)

16-0757636

(I.R.S. Employer Identification No.)

East Aurora, New York

(Address of principal executive offices)

14052-0018

(Zip Code)

Telephone number including area code: **(716) 652-2000**

Former name, former address and former fiscal year, if changed since last report.

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or

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for such shorter period that the registrant was required to submit and post such files). Yes No

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.

Large accelerated filer Accelerated filer Non-accelerated filer 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

The number of shares outstanding of each class of common stock as of August 3, 2011 was:

Class A common stock, \$1.00 par value 41,891,126 shares

Class B common stock, \$1.00 par value 4,014,292 shares

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MOOG Inc.

QUARTERLY REPORT ON FORM 10-Q

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****Moog Inc.****Consolidated Condensed Balance Sheets****(Unaudited)**

| (dollars in thousands) | 00000000000 July 2, 2011 | 00000000000 October 2, 2010 |
|---|--------------------------------|-----------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 127,251 | \$ 112,421 |
| Receivables | 683,714 | 619,861 |
| Inventories | 514,645 | 460,857 |
| Other current assets | 112,875 | 99,140 |
| TOTAL CURRENT ASSETS | 1,438,485 | 1,292,279 |
| PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$508,179 and \$457,916, respectively | 496,885 | 486,944 |
| GOODWILL | 746,068 | 704,816 |
| INTANGIBLE ASSETS, net | 209,994 | 205,874 |
| OTHER ASSETS | 24,636 | 22,221 |
| TOTAL ASSETS | \$ 2,916,068 | \$ 2,712,134 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Notes payable | \$ 10,071 | \$ 1,991 |
| Current installments of long-term debt | 1,713 | 5,405 |
| Accounts payable | 154,596 | 154,321 |
| Customer advances | 102,938 | 74,703 |
| Contract loss reserves | 48,396 | 40,810 |
| Other accrued liabilities | 224,824 | 202,244 |
| TOTAL CURRENT LIABILITIES | 542,538 | 479,474 |
| LONG-TERM DEBT, excluding current installments | | |
| Senior debt | 360,477 | 378,707 |
| Senior subordinated notes | 378,601 | 378,613 |
| LONG-TERM PENSION AND RETIREMENT OBLIGATIONS | 270,757 | 281,830 |

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| | | |
|---|---------------------|---------------------|
| DEFERRED INCOME TAXES | 90,385 | 69,541 |
| OTHER LONG-TERM LIABILITIES | 2,102 | 3,013 |
| TOTAL LIABILITIES | 1,644,860 | 1,591,178 |
| SHAREHOLDERS' EQUITY | | |
| Common stock | 51,280 | 51,280 |
| Other shareholders' equity | 1,219,928 | 1,069,676 |
| TOTAL SHAREHOLDERS' EQUITY | 1,271,208 | 1,120,956 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 2,916,068 | \$ 2,712,134 |

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents**Moog Inc.****Consolidated Condensed Statements of Earnings****(Unaudited)**

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------------|---------------------|---------------------|
| | July 2, | July 3, | July 2, | July 3, |
| | 2011 | 2010 | 2011 | 2010 |
| (dollars in thousands, except per share data) | | | | |
| NET SALES | \$ 582,959 | \$ 536,775 | \$ 1,711,619 | \$ 1,542,441 |
| COST OF SALES | 414,075 | 380,828 | 1,210,934 | 1,094,191 |
| GROSS PROFIT | 168,884 | 155,947 | 500,685 | 448,250 |
| Research and development | 25,723 | 25,780 | 77,352 | 75,166 |
| Selling, general and administrative | 89,285 | 79,296 | 262,042 | 233,521 |
| Restructuring | 378 | 1,653 | 954 | 4,792 |
| Interest | 8,831 | 9,387 | 27,012 | 29,363 |
| Other | (980) | (163) | (1,407) | 467 |
| EARNINGS BEFORE INCOME TAXES | 45,647 | 39,994 | 134,732 | 104,941 |
| INCOME TAXES | 11,809 | 10,762 | 36,872 | 29,147 |
| NET EARNINGS | \$ 33,838 | \$ 29,232 | \$ 97,860 | \$ 75,794 |
| NET EARNINGS PER SHARE | | | | |
| Basic | \$ 0.74 | \$ 0.64 | \$ 2.15 | \$ 1.67 |
| Diluted | \$ 0.73 | \$ 0.64 | \$ 2.13 | \$ 1.66 |
| AVERAGE COMMON SHARES OUTSTANDING | | | | |
| Basic | 45,625,499 | 45,371,995 | 45,477,837 | 45,356,752 |
| Diluted | 46,187,026 | 45,753,917 | 46,050,856 | 45,692,348 |

See accompanying Notes to Consolidated Condensed Financial Statements.

Table of Contents**Moog Inc.****Consolidated Condensed Statements of Cash Flows****(Unaudited)**

| (dollars in thousands) | 00000000 Nine Months Ended July 2, 2011 | 00000000 July 3, 2010 |
|--|--|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net earnings | \$ 97,860 | \$ 75,794 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation | 47,953 | 45,330 |
| Amortization | 22,991 | 22,386 |
| Provisions for non-cash losses on contracts, inventories and receivables | 57,785 | 34,410 |
| Equity-based compensation expense | 5,919 | 4,669 |
| Other | 2,240 | 2,454 |
| Changes in assets and liabilities providing cash, excluding the effects of acquisitions: | | |
| Receivables | (51,566) | (35,364) |
| Inventories | (54,183) | (6,641) |
| Accounts payable | (5,090) | 4,674 |
| Customer advances | 27,196 | 14,361 |
| Accrued expenses | (32,193) | (27,393) |
| Accrued income taxes | 15,018 | 10,833 |
| Pension assets and liabilities | (4,666) | (10,585) |
| Other assets and liabilities | (6,089) | 28 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 123,175 | 134,956 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of businesses, net of acquired cash | (38,541) | (28,569) |
| Purchase of property, plant and equipment | (52,235) | (44,717) |
| Other | 195 | (2,247) |
| NET CASH USED BY INVESTING ACTIVITIES | (90,581) | (75,533) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds (repayments) of notes payable | 6,092 | (14,260) |
| Net repayments of revolving lines of credit | (15,140) | (29,724) |
| Payments on long-term debt | (7,806) | (2,457) |
| Excess tax benefits from equity-based payment arrangements | 135 | 58 |
| Other financing transactions | (5,081) | 1,081 |
| NET CASH USED BY FINANCING ACTIVITIES | (21,800) | (45,302) |
| Effect of exchange rate changes on cash | 4,036 | (4,498) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 14,830 | 9,623 |

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| | | |
|--|------------|-----------|
| Cash and cash equivalents at beginning of period | 112,421 | 81,493 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 127,251 | \$ 91,116 |
| CASH PAID FOR: | | |
| Interest | \$ 26,625 | \$ 29,018 |
| Income taxes, net of refunds | 21,735 | 17,377 |

See accompanying Notes to Consolidated Condensed Financial Statements.

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MOOG Inc.

Notes to Consolidated Condensed Financial Statements

Nine Months Ended July 2, 2011

(Unaudited)

(dollars in thousands, except per share data)

Note 1 - Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting of normal recurring adjustments considered necessary for the fair presentation of results for the interim period have been included. The results of operations for the nine months ended July 2, 2011 are not necessarily indicative of the results expected for the full year. The accompanying unaudited consolidated condensed financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the fiscal year ended October 2, 2010. All references to years in these financial statements are to fiscal years.

Note 2 - Acquisitions

During the nine months ended July 2, 2011, we completed three business combinations within two of our segments. We completed two business combinations within our Aircraft Controls segment, both of which are located in the U.S. We acquired Crossbow Technology Inc., based in California, for \$31,999, net of cash acquired. Crossbow designs and manufactures acceleration sensors that are integrated into inertial navigation and guidance systems used in a variety of aerospace, defense and transportation applications. We also acquired a business that complements our military aftermarket business for \$3,073 in cash. Combined sales of these acquisitions for the 2010 calendar year were approximately \$19,000. We completed one business combination within our Components segment by acquiring Animatics Corporation, based in California. The purchase price, net of cash acquired, was \$24,091, which includes 467,749 shares of Moog Class A common stock valued at \$18,785 on the day of closing and \$1,837 of debt assumed. Animatics supplies integrated servos, linear actuators and control electronics that are used in a variety of industrial, medical and defense applications and had approximately \$15,000 of sales for the twelve months preceding the acquisition.

The purchase price allocations for the 2011 acquisitions are substantially complete with the exception of Crossbow, which is based on preliminary estimates of fair value of assets acquired and liabilities assumed. Allocations for the 2011 acquisitions are subject to subsequent adjustment as we obtain additional information for our estimates during the respective measurement periods.

In 2010, we completed four business combinations within three of our segments. We completed one acquisition in our Aircraft Controls segment for \$8,100 in cash, issuance of a \$1,200 unsecured note and contingent consideration with an initial fair value of \$1,400. This acquisition complements our military aftermarket business. We acquired two businesses in our Space and Defense Controls segment for \$20,273, net of cash acquired, issuance of a \$1,000 unsecured note and contingent consideration with an initial fair value of \$1,600. One business specializes in turret design, fire control systems and vehicle electronics and the other expands our capabilities in the security and surveillance market. We completed one acquisition in our Industrial Systems segment for \$1,050 in cash and issuance of a \$150 unsecured note. Combined sales of these acquisitions for the 2009 calendar year were approximately \$34,000. The purchase price allocations for the 2010 acquisitions are complete.

Note 3 Inventories

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| | 0000000000 July 2, 2011 | 0000000000 October 2, 2010 |
|-----------------------------------|-------------------------------|----------------------------------|
| Raw materials and purchased parts | \$ 200,293 | \$ 179,375 |
| Work in progress | 242,046 | 221,128 |
| Finished goods | 72,306 | 60,354 |
| Total | \$ 514,645 | \$ 460,857 |

Table of Contents**Note 4 - Goodwill and Intangible Assets**

The changes in the carrying amount of goodwill are as follows:

| | Balance as of October 2, 2010 | Current Year Acquisitions | Adjustment To Prior Year Acquisitions | Foreign Currency Translation | Balance as of July 2, 2011 |
|----------------------------|-------------------------------------|---------------------------------|---|------------------------------------|----------------------------------|
| Aircraft Controls | \$ 173,507 | \$ 22,402 | \$ (903) | \$ 1,012 | \$ 196,018 |
| Space and Defense Controls | 121,623 | - | 22 | 426 | 122,071 |
| Industrial Systems | 122,120 | - | 86 | 3,527 | 125,733 |
| Components | 160,896 | 12,409 | - | 1,768 | 175,073 |
| Medical Devices | 126,670 | - | (138) | 641 | 127,173 |
| Total | \$ 704,816 | \$ 34,811 | \$ (933) | \$ 7,374 | \$ 746,068 |

The components of acquired intangible assets are as follows:

| | Weighted - Average Life (years) | July 2, 2011 Gross Carrying Amount | Accumulated Amortization | October 2, 2010 Gross Carrying Amount | Accumulated Amortization |
|----------------------------|---------------------------------------|---|-----------------------------|--|-----------------------------|
| Customer-related | 10 | \$ 163,470 | \$ (61,806) | \$ 148,722 | \$ (49,781) |
| Program-related | 18 | 66,833 | (8,361) | 63,796 | (5,275) |
| Technology-related | 9 | 61,913 | (27,394) | 54,743 | (22,117) |
| Marketing-related | 9 | 23,883 | (13,337) | 22,256 | (11,548) |
| Contract-related | 3 | 3,339 | (1,945) | 3,312 | (1,104) |
| Artistic-related | 10 | 25 | (24) | 25 | (22) |
| Acquired intangible assets | 11 | \$ 319,463 | \$ (112,867) | \$ 292,854 | \$ (89,847) |

All acquired intangible assets other than goodwill are being amortized. Customer-related intangible assets primarily consist of customer relationships. Program-related intangible assets consist of long-term programs. Technology-related intangible assets primarily consist of technology, patents, intellectual property and engineering drawings. Marketing-related intangible assets primarily consist of trademarks, trade names and non-compete agreements. Contract-related intangible assets consist of favorable operating lease terms.

Amortization of acquired intangible assets was \$7,252 and \$21,207 for the three and nine months ended July 2, 2011 and \$7,090 and \$21,067 for the three and nine months ended July 3, 2010. Based on acquired intangible assets recorded at July 2, 2011, amortization is expected to be approximately \$29,000 in 2011, \$30,000 in 2012, \$26,000 in 2013, \$24,000 in 2014 and \$21,000 in 2015.

Table of Contents**Note 5 - Product Warranties**

In the ordinary course of business, we warrant our products against defects in design, materials and workmanship typically over periods ranging from twelve to thirty-six months. We determine warranty reserves needed by product line based on historical experience and current facts and circumstances. Activity in the warranty accrual is summarized as follows:

| | 000000000 | 000000000 | 000000000 | 000000000 |
|---|--------------------|-----------------|-------------------|-----------------|
| | Three Months Ended | | Nine Months Ended | |
| | July 2, 2011 | July 3, 2010 | July 2, 2011 | July 3, 2010 |
| Warranty accrual at beginning of period | \$ 18,570 | \$ 14,182 | \$ 14,856 | \$ 14,675 |
| Additions from acquisitions | 120 | 148 | 120 | 148 |
| Warranties issued during current period | 2,214 | 1,580 | 8,960 | 5,007 |
| Adjustments to pre-existing warranties | 6 | (158) | 396 | (259) |
| Reductions for settling warranties | (1,508) | (1,520) | (5,151) | (4,945) |
| Foreign currency translation | 145 | (261) | 366 | (655) |
| Warranty accrual at end of period | \$ 19,547 | \$ 13,971 | \$ 19,547 | \$ 13,971 |

Note 6 - Derivative Financial Instruments

We principally use derivative financial instruments to manage interest rate risk associated with long-term debt and foreign exchange risk related to foreign operations and foreign currency transactions. We enter into derivative financial instruments with a number of major financial institutions to minimize counterparty credit risk.

Derivatives designated as hedging instruments

Interest rate swaps are used to adjust the proportion of total debt that is subject to variable and fixed interest rates. The interest rate swaps are designated as hedges of the amount of future cash flows related to interest payments on variable-rate debt that, in combination with the interest payments on the debt, convert a portion of the variable-rate debt to fixed-rate debt. At July 2, 2011, we had interest rate swaps with notional amounts totaling \$50,000. The interest rate swaps effectively convert this amount of variable-rate debt to fixed-rate debt at 2.9%, including the applicable margin of 175 basis points as of July 2, 2011. The interest will revert back to variable rates based on LIBOR plus the applicable margin upon the maturity of the interest rate swaps in 2012.

We use foreign currency forward contracts as cash flow hedges to effectively fix the exchange rates on future payments. To mitigate exposure in movements between various currencies, primarily the Philippine peso, we had outstanding foreign currency forwards with notional amounts of \$15,698 at July 2, 2011. These contracts mature at various times through the fourth quarter of 2012.

These interest rate swaps and foreign currency forwards are recorded in the consolidated balance sheet at fair value and the related gains or losses are deferred in shareholders' equity as a component of Accumulated Other Comprehensive Income (Loss) (AOCI). These deferred gains and losses are reclassified into expense during the periods in which the related payments or receipts affect earnings. However, to the extent the interest rate swaps and foreign currency forwards are not perfectly effective in offsetting the change in the value of the payments being hedged, the ineffective portion of these contracts is recognized in earnings immediately. Ineffectiveness was not material in 2011 or 2010.

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Activity in AOCI related to these derivatives is summarized below:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------------|-------------------|-----------------|
| | July 2, 2011 | July 3, 2010 | July 2, 2011 | July 3, 2010 |
| Balance at beginning of period | \$ 10 | \$ (201) | \$ 144 | \$ (189) |
| Net deferral in AOCI of derivatives: | | | | |
| Net increase (decrease) in fair value of derivatives | 72 | (852) | 118 | (736) |
| Tax effect | (29) | 306 | (45) | 255 |
| | 43 | (546) | 73 | (481) |
| Net reclassification from AOCI into earnings: | | | | |
| Reclassification from AOCI into earnings | (49) | 294 | (304) | 206 |
| Tax effect | 19 | (74) | 110 | (63) |
| | (30) | 220 | (194) | 143 |
| Balance at end of period | \$ 23 | \$ (527) | \$ 23 | \$ (527) |

Activity and classification of derivatives are as follows:

| | 00000000 | 00000000 | 00000000 | 00000000 | 00000000 |
|---------------------------|--------------------------------------|---|----------|-------------------|----------|
| | | Net deferral in AOCI of derivatives (effective portion) | | | |
| | | Three Months Ended | | Nine Months Ended | |
| | | July 2, | July 3, | July 2, | July 3, |
| | Statement of earnings classification | 2011 | 2010 | 2011 | 2010 |
| Interest rate swaps | Interest expense | \$ (25) | \$ (219) | \$ (83) | \$ (512) |
| Foreign currency forwards | Cost of sales | 97 | (633) | 201 | (224) |
| Net gain (loss) | | \$ 72 | \$ (852) | \$ 118 | \$ (736) |

| | 00000000 | 00000000 | 00000000 | 00000000 | 00000000 |
|---------------------------|--------------------------------------|--|----------|-------------------|----------|
| | | Net reclassification from AOCI into earnings (effective portion) | | | |
| | | Three Months Ended | | Nine Months Ended | |
| | | July 2, | July 3, | July 2, | July 3, |
| | Statement of earnings classification | 2011 | 2010 | 2011 | 2010 |
| Interest rate swaps | Interest expense | \$ (106) | \$ (97) | \$ (316) | \$ (530) |
| Foreign currency forwards | Cost of sales | 155 | (197) | 620 | 324 |
| Net gain (loss) | | \$ 49 | \$ (294) | \$ 304 | \$ (206) |

Derivatives not designated as hedging instruments

We also have foreign currency exposure on intercompany balances that are denominated in foreign currencies and are adjusted to current values using period-end exchange rates. The resulting gains or losses are recorded in the statements of earnings. To minimize foreign currency exposure, we had foreign currency forwards with notional amounts of \$166,097 at July 2, 2011. The foreign currency forwards are recorded in the consolidated balance sheet at fair value and resulting gains or losses are recorded in the statements of earnings. We recorded the following gains and losses on foreign currency forwards which are included in other income or expense and generally offset the gains or losses from the foreign currency adjustments on the intercompany balances:

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| | Three Months Ended | | Nine Months Ended | |
|-----------------|--------------------|-----------------|-------------------|-----------------|
| | July 2, 2011 | July 3, 2010 | July 2, 2011 | July 3, 2010 |
| Net gain (loss) | \$ (158) | \$ 3,178 | \$ (833) | \$ (326) |

Table of Contents**Summary of derivatives**

The fair value and classification of derivatives on the consolidated balance sheets are summarized as follows:

| | | July 2, 2011 | October 2, 2010 |
|---|-----------------------------|-----------------|--------------------|
| Derivatives designated as hedging instruments: | | | |
| Foreign currency forwards | Other current assets | \$ 266 | \$ 498 |
| Foreign currency forwards | Other assets | - | 92 |
| | | \$ 266 | \$ 590 |
| Foreign currency forwards | Other accrued liabilities | \$ 50 | \$ - |
| Foreign currency forwards | Other long-term liabilities | 26 | - |
| Interest rate swaps | Other accrued liabilities | 214 | 381 |
| Interest rate swaps | Other long-term liabilities | - | 63 |
| | | \$ 290 | \$ 444 |
| Derivatives not designated as hedging instruments: | | | |
| Foreign currency forwards | Other current assets | \$ 1,381 | \$ 3,101 |
| Foreign currency forwards | Other assets | - | 74 |
| | | \$ 1,381 | \$ 3,175 |
| Foreign currency forwards | Other accrued liabilities | \$ 458 | \$ 2,346 |
| Foreign currency forwards | Other long-term liabilities | - | 61 |
| | | \$ 458 | \$ 2,407 |

Note 7 Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate fair value. The definition of the fair value hierarchy is as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than quoted prices in active markets for similar assets and liabilities.

Level 3 Inputs for which significant valuation assumptions are unobservable in a market and therefore value is based on the best available data, some of which is internally developed and considers risk premiums that a market participant would require.

Our derivatives are valued using various pricing models or discounted cash flow analyses that incorporate observable market data, such as interest rate yield curves and currency rates, classified as Level 2 within the valuation hierarchy. Our Level 3 fair value liabilities represent contingent consideration recorded for acquisitions to be paid if various financial targets are met. The amounts recorded were calculated for each payment scenario in each period using an estimate of the probability of the future cash outflows. The varying contingent payments were then discounted to the present value at the weighted average cost of capital.

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The following table presents the fair values and classification of our financial assets and liabilities measured on a recurring basis as of July 2, 2011:

| | Classification | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|-----------------------------|---------|----------|----------|----------|
| Foreign currency forwards | Other current assets | \$ - | \$ 1,647 | \$ - | \$ 1,647 |
| | | \$ - | \$ 1,647 | \$ - | \$ 1,647 |
| Foreign currency forwards | Other accrued liabilities | \$ - | \$ 508 | \$ - | \$ 508 |
| Foreign currency forwards | Other long-term liabilities | - | 26 | - | 26 |
| Interest rate swaps | Other accrued liabilities | - | 214 | - | 214 |
| Acquisition contingent consideration | Other accrued liabilities | - | - | 1,256 | 1,256 |
| Acquisition contingent consideration | Other long-term liabilities | - | - | 1,160 | 1,160 |
| | | \$ - | \$ 748 | \$ 2,416 | \$ 3,164 |

During 2010, we recorded contingent purchase price consideration for acquisitions. The following is a roll forward of financial liabilities classified as Level 3 within the fair value hierarchy related to the contingent consideration:

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------|-------------------|--------------|
| | July 2, 2011 | July 3, 2010 | July 2, 2011 | July 3, 2010 |
| Balance at beginning of period | \$ 2,416 | \$ - | \$ 3,112 | \$ - |
| Additions from acquisitions | - | 3,000 | - | 3,000 |
| Increase in discounted future cash flows recorded as interest expense | 95 | - | 394 | - |
| Increase (decrease) in earn out provisions recorded as other income (expense) | (95) | - | (1,090) | - |
| Balance at end of period | \$ 2,416 | \$ 3,000 | \$ 2,416 | \$ 3,000 |

Our only financial instrument for which the carrying value differs from its fair value is long-term debt. At July 2, 2011, the fair value of long-term debt was \$754,107 compared to its carrying value of \$740,791. The fair value of long-term debt was estimated based on quoted market prices.

Note 8 - Restructuring

In 2009, we initiated restructuring plans to better align our cost structure with lower sales activity associated with the global recession. The restructuring actions taken resulted in workforce reductions, primarily in the U.S., the Philippines and Europe.

Restructuring expense by segment related to severance is summarized as follows:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------|-------------------|--------------|
| | July 2, 2011 | July 3, 2010 | July 2, 2011 | July 3, 2010 |
| | | | | |

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| | | | | |
|----------------------------|---------|----------|--------|----------|
| Aircraft Controls | \$ (16) | \$ 144 | \$ 27 | \$ 2,308 |
| Space and Defense Controls | (27) | 1,039 | 38 | 1,039 |
| Industrial Systems | 59 | 85 | 512 | 566 |
| Components | 23 | 95 | 38 | 512 |
| Medical Devices | 339 | 290 | 339 | 367 |
| Total | \$ 378 | \$ 1,653 | \$ 954 | \$ 4,792 |

Included above is \$339 of expense initiated in the third quarter of 2011 associated with a restructuring of our Medical Devices segment in the U.S. We do not anticipate additional amounts for the remainder of 2011. Payments related to these severance benefits are expected to be paid in full by the end of 2011.

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Restructuring activity for the nine months ended July 2, 2011 is as follows:

| | Severance |
|--|-----------|
| Restructuring accrual at beginning of period | \$ 3,389 |
| Restructuring charges | 1,104 |
| Expense adjustments for prior year accruals | (150) |
| Cash payments | (3,365) |
| Foreign currency translation | 22 |
| Restructuring accrual at end of period | \$ 1,000 |

Included above are \$216 of cash payments and an ending accrual of \$123 for the 2011 Medical Devices restructuring plan.

Note 9 - Employee Benefit Plans

Net periodic benefit costs for U.S. pension plans consist of:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------------|-------------------|-----------------|
| | July 2, 2011 | July 3, 2010 | July 2, 2011 | July 3, 2010 |
| Service cost | \$ 5,642 | \$ 4,680 | \$ 16,925 | \$ 14,039 |
| Interest cost | 7,171 | 6,767 | 21,513 | 20,300 |
| Expected return on plan assets | (9,772) | (8,836) | (29,317) | (26,508) |
| Amortization of prior service cost | 2 | 51 | 7 | 152 |
| Amortization of actuarial loss | 2,823 | 1,236 | 8,470 | 3,711 |
| Pension expense for defined benefit plans | 5,866 | 3,898 | 17,598 | 11,694 |
| Pension expense for defined contribution plans | 2,002 | 1,704 | 5,227 | 5,177 |
| Total pension expense for U.S. plans | \$ 7,868 | \$ 5,602 | \$ 22,825 | \$ 16,871 |

Net periodic benefit costs for non-U.S. pension plans consist of:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------------|-------------------|-----------------|
| | July 2, 2011 | July 3, 2010 | July 2, 2011 | July 3, 2010 |
| Service cost | \$ 1,221 | \$ 754 | \$ 3,582 | \$ 2,358 |
| Interest cost | 1,598 | 1,389 | 4,677 | 4,431 |
| Expected return on plan assets | (991) | (864) | (2,915) | (2,710) |
| Amortization of prior service credit | (15) | (13) | (44) | (40) |
| Amortization of actuarial loss | 393 | 126 | 1,156 | 387 |
| Pension expense for defined benefit plans | 2,206 | 1,392 | 6,456 | 4,426 |
| Pension expense for defined contribution plans | 1,286 | 1,980 | 3,535 | 4,859 |
| Total pension expense for non-U.S. plans | \$ 3,492 | \$ 3,372 | \$ 9,991 | \$ 9,285 |

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Net periodic benefit costs for the post-retirement health care benefit plan consist of:

| | 000000000 Three Months Ended July 2, 2011 | 000000000 July 3, 2010 | 000000000 Nine Months Ended July 2, 2011 | 000000000 July 3, 2010 |
|---|--|------------------------------|---|------------------------------|
| Service cost | \$ 123 | \$ 142 | \$ 368 | \$ 428 |
| Interest cost | 276 | 337 | 828 | 1,009 |
| Amortization of transition obligation | 99 | 98 | 296 | 296 |
| Amortization of prior service cost | - | 53 | - | 161 |
| Amortization of actuarial loss | 149 | 211 | 446 | 631 |
| Total periodic post-retirement benefit cost | \$ 647 | \$ 841 | \$ 1,938 | \$ 2,525 |

Actual contributions for the nine months ended July 2, 2011 and anticipated additional 2011 contributions to our defined benefit pension are as follows:

| | 000000000 U.S. Plans | 000000000 Non-U.S. Plans | 000000000 Total |
|-------------|-------------------------|-----------------------------|--------------------|
| Actual | \$ 23,119 | \$ 5,755 | \$ 28,874 |
| Anticipated | 7,707 | 1,499 | 9,206 |
| | \$ 30,826 | \$ 7,254 | \$ 38,080 |

Note 10 - Income Taxes

The effective tax rates of 25.9% and 27.4% for the three and nine months ended July 2, 2011 and 26.9% and 27.8% for the three and nine months ended July 3, 2010 are lower than would be expected by applying the U.S. federal statutory tax rate to earnings before income taxes primarily as a result of a significant portion of our earnings that come from foreign operations with lower tax rates.

Table of Contents**Note 11 - Shareholders' Equity**

The changes in shareholders' equity for the nine months ended July 2, 2011 are summarized as follows:

| | Amount | Number of Shares Class A Common Stock | Class B Common Stock |
|--|-----------|--|----------------------------|
| COMMON STOCK | | | |
| Beginning of period | \$ 51,280 | 43,485,417 | 7,794,296 |
| Conversion of Class B to Class A | - | 36,460 | (36,460) |
| End of Period | 51,280 | 43,521,877 | 7,757,836 |
| ADDITIONAL PAID-IN CAPITAL | | | |
| Beginning of period | 389,376 | | |
| Equity-based compensation expense | 5,919 | | |
| Issuance of treasury shares at more than cost | 17,183 | | |
| Income tax effect of equity-based compensation | 99 | | |
| Adjustment to market - SECT | 3,253 | | |
| End of period | 415,830 | | |
| RETAINED EARNINGS | | | |
| Beginning of period | 880,733 | | |
| Net earnings | 97,860 | | |
| End of period | 978,593 | | |
| TREASURY STOCK | | | |
| Beginning of period | (47,724) | (2,221,635) | (3,305,971) |
| Issuance of treasury shares | 3,269 | 612,942 | - |
| Purchase of treasury shares | (1,192) | (28,015) | - |
| End of period | (45,647) | (1,636,708) | (3,305,971) |
| STOCK EMPLOYEE COMPENSATION TRUST (SECT) | | | |
| Beginning of period | (13,381) | | (374,502) |
| Issuance of shares | 1,349 | | 32,461 |
| Purchase of shares | (3,992) | | (94,579) |
| Adjustment to market - SECT | (3,253) | | - |
| End of period | (19,277) | - | (436,620) |
| ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME | | | |
| Beginning of period | (139,328) | | |
| Foreign currency translation adjustment | 24,033 | | |
| Retirement liability adjustment | 5,845 | | |

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| | | | |
|---|---------------------|-------------------|------------------|
| Decrease in accumulated income on derivatives | (121) | | |
| End of period | (109,571) | | |
| TOTAL SHAREHOLDERS EQUITY | \$ 1,271,208 | 41,885,169 | 4,015,245 |

Table of Contents**Note 12 - Stock Employee Compensation Trust**

The Stock Employee Compensation Trust (SECT) assists in administering and provides funding for equity-based compensation plans and benefit programs, including the Moog Inc. Retirement Savings Plan. The shares in the SECT are not considered outstanding for purposes of calculating earnings per share. However, in accordance with the trust agreement governing the SECT, the SECT trustee votes all shares held by the SECT on all matters submitted to shareholders.

Note 13 - Earnings per Share

Basic and diluted weighted-average shares outstanding are as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-----------------|-------------------|-----------------|
| | July 2, 2011 | July 3, 2010 | July 2, 2011 | July 3, 2010 |
| Weighted-average shares outstanding - Basic | 45,625,499 | 45,371,995 | 45,477,837 | 45,356,752 |
| Dilutive effect of equity-based awards | 561,527 | 381,922 | 573,019 | 335,596 |
| Weighted-average shares outstanding - Diluted | 46,187,026 | 45,753,917 | 46,050,856 | 45,692,348 |

Note 14 Comprehensive Income

The components of comprehensive income, net of tax, are as follows:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-----------------|-------------------|-----------------|
| | July 2, 2011 | July 3, 2010 | July 2, 2011 | July 3, 2010 |
| Net earnings | \$ 33,838 | \$ 29,232 | \$ 97,860 | \$ 75,794 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustment | 8,308 | (17,200) | 24,033 | (31,022) |
| Retirement liability adjustment, net of tax of \$1,266, \$704, \$3,792 and \$2,025, respectively | 1,880 | 398 | 5,845 | 2,080 |
| Increase (decrease) in accumulated income or loss on derivatives | 13 | (326) | (121) | (338) |
| Comprehensive income | \$ 44,039 | \$ 12,104 | \$ 127,617 | \$ 46,514 |

The components of accumulated other comprehensive income (loss), net of tax, are as follows:

| | July 2, 2011 | October 2, 2010 |
|--|-----------------|--------------------|
| Cumulative foreign currency translation adjustment | \$ 66,897 | \$ 42,864 |
| Accumulated retirement liability adjustments | (176,491) | (182,336) |
| Accumulated income on derivatives | 23 | 144 |
| Accumulated other comprehensive loss | \$ (109,571) | \$ (139,328) |

Table of Contents**Note 15 - Segment Information**

Below are sales and operating profit by segment for the three and nine months ended July 2, 2011 and July 3, 2010 and a reconciliation of segment operating profit to earnings before income taxes. Operating profit is net sales less cost of sales and other operating expenses, excluding interest expense, equity-based compensation expense and other corporate expenses. Cost of sales and other operating expenses are directly identifiable to the respective segment or allocated on the basis of sales, number of employees or profit.

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------------|--------------------|-------------------|
| | July 2, 2011 | July 3, 2010 | July 2, 2011 | July 3, 2010 |
| Net sales: | | | | |
| Aircraft Controls | \$ 220,691 | \$ 191,172 | \$ 622,672 | \$ 554,985 |
| Space and Defense Controls | 79,689 | 87,466 | 263,226 | 236,041 |
| Industrial Systems | 156,404 | 128,998 | 456,000 | 385,791 |
| Components | 87,940 | 95,684 | 264,639 | 270,429 |
| Medical Devices | 38,235 | 33,455 | 105,082 | 95,195 |
| Net sales | \$ 582,959 | \$ 536,775 | \$ 1,711,619 | \$ 1,542,441 |
| Operating profit (loss) and margins: | | | | |
| Aircraft Controls | \$ 22,935 10.4% | \$ 17,262 9.0% | \$ 62,298 10.0% | \$ 54,447 9.8% |
| Space and Defense Controls | 8,751 11.0% | 8,367 9.6% | 37,649 14.3% | 24,564 10.4% |
| Industrial Systems | 13,864 8.9% | 12,244 9.5% | 44,129 9.7% | 31,564 8.2% |
| Components | 13,365 15.2% | 18,315 19.1% | 41,423 15.7% | 44,833 16.6% |
| Medical Devices | 1,157 3.0% | (683) (2.0%) | (1,838) (1.7%) | (532) (0.6%) |
| Total operating profit | 60,072 10.3% | 55,505 10.3% | 183,661 10.7% | 154,876 10.0% |
| Deductions from operating profit: | | | | |
| Interest expense | 8,831 | 9,387 | 27,012 | 29,363 |
| Equity-based compensation expense | 744 | 991 | 5,919 | 4,669 |
| Corporate expenses and other | 4,850 | 5,133 | 15,998 | 15,903 |
| Earnings before income taxes | \$ 45,647 | \$ 39,994 | \$ 134,732 | \$ 104,941 |

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Note 16 - Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued new standards on consolidation as codified in Accounting Standards Codification (ASC) 810-10. The new standard amends the consolidation guidance applicable to variable interest entities and affects the overall consolidation analysis. The new standard is effective for fiscal years beginning after November 15, 2009. We adopted this standard at the beginning of 2011. The adoption of this standard did not have a material impact on our consolidated financial statements.

In October 2009, the FASB issued new standards for allocating revenue to multiple deliverables in a contract as codified in ASC 605-25. The new standard allows entities to allocate consideration in a multiple element arrangement in a manner that better reflects the transaction economics. When vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, entities will be allowed to develop their best estimate of the selling price for each deliverable and allocate arrangement consideration using the relative selling price method. Additionally, use of the residual method has been eliminated. We adopted this standard at the beginning of 2011. The adoption of this standard did not have a material impact on our consolidated financial statements.

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, Fair Value Measurements and Disclosures (ASC Topic 820) - Improving Disclosures About Fair Value Measurements. This amendment requires new disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. This standard is effective for us beginning in the second quarter of 2010 for Level 1 and 2 disclosures and in the first quarter of 2012 for Level 3 disclosures. Other than requiring additional disclosures, the adoption of this new guidance will not have a material impact on our consolidated financial statements.

In April 2010, the FASB issued ASU 2010-17, Milestone Method of Revenue Recognition. This ASU allows entities to make a policy election to use the milestone method of revenue recognition and provides guidance on defining a milestone and the criteria that should be met to applying the milestone method. The scope of this ASU is limited to the transactions involving milestones related to research and development deliverables. We adopted this standard at the beginning of 2011. The adoption of this standard did not have a material impact on our consolidated financial statements.

In July 2010, the FASB issued new disclosure requirements about the credit quality of financing receivables and allowance for credit losses, as codified in ASC 310. The objective of the new standard is to facilitate financial statement users' evaluation of the nature of the credit risk inherent in an entity's portfolio, how that risk is analyzed and assessed in arriving at the allowance for credit losses and explanations for changes in the allowance for credit losses. In addition, the amendment requires entities to disclose credit quality indicators, past due information and modification to financing receivables. The new standard is effective for interim and annual periods ending on or after December 15, 2010. We adopted this standard at the beginning of 2011. The adoption of this standard did not have a material impact on our consolidated financial statements.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Form 10-K for the fiscal year ended October 2, 2010. All references to years in this Management's Discussion and Analysis of Financial Condition and Results of Operations are to fiscal years.

OVERVIEW

We are a worldwide designer, manufacturer and integrator of high performance precision motion and fluid controls and control systems for a broad range of applications in aerospace and defense, industrial and medical markets. Our aerospace and defense products and systems include military and commercial aircraft flight controls, satellite positioning controls, controls for steering tactical and strategic missiles, thrust vector controls for space launch vehicles, controls for gun aiming, stabilization and automatic ammunition loading for armored combat vehicles, and security and surveillance products. Our industrial products are used in a wide range of applications, including injection molding machines, pilot training simulators, wind energy, power generation, material and automotive testing, metal forming, heavy industry and oil exploration. Our medical products include infusion therapy pumps, enteral clinical nutrition pumps, slip rings used on CT scanners and motors used in sleep apnea devices. We operate under five segments, Aircraft Controls, Space and Defense Controls, Industrial Systems, Components and Medical Devices. Our principal manufacturing facilities are located in the United States, including facilities in New York, California, Utah, Virginia, North Carolina, Pennsylvania, Ohio, Georgia and Illinois, and in England, Germany, Italy, Japan, the Philippines, Ireland, India and China.

We have long-term contracts with some of our customers. These contracts are predominantly within Aircraft Controls and Space and Defense Controls and represent approximately one-third of our sales. We recognize revenue on these contracts using the percentage of completion, cost-to-cost method of accounting as work progresses toward completion. The remainder of our sales are recognized when the risks and rewards of ownership and title to the product are transferred to the customer, principally as units are delivered or as service obligations are satisfied. This method of revenue recognition is predominantly used within the Industrial Systems, Components and Medical Devices segments, as well as with aftermarket activity.

We concentrate on providing our customers with products designed and manufactured to the highest quality standards. In achieving a leadership position in the high performance, precision controls market, we have capitalized on our strengths, which include:

- superior technical competence and customer intimacy breeding market leadership,
- customer diversity and broad product portfolio,
- well-established international presence serving customers worldwide, and
- proven ability to successfully integrate acquisitions.

We intend to increase our revenue base and improve our profitability and cash flows from operations by building on our market leadership positions, by strengthening our niche market positions in the principal markets we serve and by extending our participation on the platforms we supply by providing more systems solutions. We also expect to maintain a balanced, diversified portfolio in terms of markets served, product applications, customer base and geographic presence. Our strategy to achieve our objectives includes:

- maintaining our technological excellence by building upon our systems integration capabilities while solving our customers' most demanding technical problems,
- taking advantage of our global capabilities,
- growing our profitable aftermarket business,
- capitalizing on strategic acquisitions and opportunities,
- entering and developing new markets, and
- striving for continuing cost improvements.

Challenges facing us include improving shareholder value through increased profitability while experiencing pricing pressures from customers, strong competition, increases in costs such as retirement and health care benefits and adjusting to global economic conditions. We address these challenges by focusing on strategic revenue growth and by continuing to improve operating efficiencies through various process, manufacturing and restructuring initiatives and using low cost manufacturing facilities without compromising quality.

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Acquisitions

All of our acquisitions are accounted for under the purchase method and, accordingly, the operating results for the acquired companies are included in the consolidated statements of earnings from the respective dates of acquisition. Under purchase accounting, we record assets and liabilities at fair value on the balance sheet. The purchase price described for each acquisition below is net of any cash acquired and includes debt issued or assumed.

During the nine months ended July 2, 2011, we completed three business combinations within two of our segments. We completed two business combinations within our Aircraft Controls segment, both of which are located in the U.S. We acquired Crossbow Technology Inc., based in California, for \$32 million. Crossbow designs and manufactures acceleration sensors that are integrated into inertial navigation and guidance systems used in a variety of aerospace, defense and transportation applications. We also acquired a business that complements our military aftermarket business for \$3 million in cash. Combined sales of these acquisitions for the 2010 calendar year were approximately \$19 million. We completed one business combination within our Components segment by acquiring Animatics Corporation, based in California. The purchase price was \$24 million, which includes 467,749 shares of Moog Class A common stock valued at \$19 million on the day of closing. Animatics supplies integrated servos, linear actuators and control electronics that are used in a variety of industrial, medical and defense applications and had approximately \$15 million of sales for the twelve months preceding the acquisition.

In 2010, we completed four business combinations within three of our segments. We completed one acquisition in our Aircraft Controls segment for \$11 million. This acquisition complements our military aftermarket business. We completed two acquisitions in our Space and Defense Controls segment for a total of \$23 million. One business specializes in turret design, fire control systems and vehicle electronics and the other expands our capabilities in the security and surveillance market. We completed one acquisition in our Industrial Systems segment for \$1 million.

CRITICAL ACCOUNTING POLICIES

There have been no changes in critical accounting policies in the current year from those disclosed in our 2010 Form 10-K.

Reviews for Impairment of Goodwill

Our most recent test of goodwill for impairment was our annual test as of the beginning of our fourth quarter in 2010. The results of that test indicated that goodwill was not impaired and the fair value of each reporting unit exceeded its carrying value by over 10%.

The most significant assumptions in determining fair value are projected revenue growth rates, operating profit margins and cash flows, the terminal growth rate and the discount rate. Management projects revenue growth rates, operating margins and cash flows based on each reporting unit's current business, expected developments and operational strategies over a five-year period. In estimating the terminal growth rate, we consider our historical and projected results, as well as the economic environment in which our reporting units operate. Significant program delays, changes in demand due to economic pressures or unfavorable terms in our contracts could have a negative effect on the fair value of a reporting unit.

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RECENT ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (ASC Topic 820) - Improving Disclosures About Fair Value Measurements. This amendment requires new disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. This standard is effective for us beginning in the second quarter of 2010 for Level 1 and 2 disclosures and in the first quarter of 2012 for Level 3 disclosures. Other than requiring additional disclosures, the adoption of this new guidance will not have a material impact on our consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-28, Intangibles - Goodwill and Other (ASC Topic 350) - When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. This amendment modifies the criteria for performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts, and it requires performing Step 2 if qualitative factors indicate that it is more likely than not that an impairment exists. The new standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Any goodwill impairment resulting from the initial adoption of the amendments should be recorded as a cumulative effect adjustment to beginning retained earnings. Any goodwill impairments occurring after the initial adoption of the amendments should be included in earnings. We will adopt this standard in the first quarter of 2012. We do not expect the adoption of this standard will have a material impact on our consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-29, Business Combinations (ASC Topic 805) - Disclosure of Supplementary Pro Forma Information for Business Combinations. This amendment expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. This amendment is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. We will adopt this standard during the first quarter of 2012. Other than requiring additional disclosures, the adoption of this amendment will not have a material impact on our consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820) - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. The amendments provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. The amendments also change certain fair value measurement principles and enhance the disclosure requirements, particularly for Level 3 fair value measurements. The amendments are effective during interim and annual periods after December 15, 2011 and should be applied prospectively. Early adoption is not permitted. We will adopt this standard during the second quarter of 2012. We are currently evaluating the impact of the adoption of these amendments on our consolidated financial statements.

In July 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220) - Presentation of Comprehensive Income. The amendment eliminates the option to present other comprehensive income and its components in the statement of stockholders' equity. The amendment requires all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendment, which must be applied retrospectively, is effective for interim and annual periods beginning after December 15, 2011, with early adoption permitted. Other than requiring a change in the format of our current financial statement presentation, the adoption of this amendment will not have a material impact on our consolidated financial statements.

Table of Contents**CONSOLIDATED RESULTS OF OPERATIONS AND OUTLOOK**

| | Three Months Ended | | | | Nine Months Ended | | | |
|---|--------------------|-----------------|----------|-------|-------------------|-----------------|----------|-------|
| | July 2, 2011 | July 3, 2010 | \$ | % | July 2, 2011 | July 3, 2010 | \$ | % |
| (dollars in millions, except per share data) | | | | | | | | |
| Net sales | \$ 583.0 | \$ 536.8 | \$ 46.2 | 9% | \$ 1,711.6 | \$ 1,542.4 | \$ 169.2 | 11% |
| Gross margin | 29.0% | 29.1% | | | 29.3% | 29.1% | | |
| Research and development expenses | \$ 25.7 | \$ 25.8 | \$ (0.1) | 0% | \$ 77.4 | \$ 75.2 | \$ 2.2 | 3% |
| Selling, general and administrative expenses as a percentage of sales | 15.3% | 14.8% | | | 15.3% | 15.1% | | |
| Restructuring expense | \$ 0.4 | \$ 1.7 | \$ (1.3) | (77%) | \$ 1.0 | \$ 4.8 | \$ (3.8) | (80%) |
| Interest expense | \$ 8.8 | \$ 9.4 | \$ (0.6) | (6%) | \$ 27.0 | \$ 29.4 | \$ (2.4) | (8%) |
| Effective tax rate | 25.9% | 26.9% | | | 27.4% | 27.8% | | |
| Net earnings | \$ 33.8 | \$ 29.2 | \$ 4.6 | 16% | \$ 97.9 | \$ 75.8 | \$ 22.1 | 29% |
| Diluted earnings per share | \$ 0.73 | \$ 0.64 | \$ 0.09 | 14% | \$ 2.13 | \$ 1.66 | \$ 0.47 | 28% |

Net sales increased in the third quarter of 2011 compared to 2010 with increases coming from our Aircraft Controls, Industrial Systems and Medical Devices segments, which more than offset declines in Space and Defense Controls and Components.

Net sales also increased in the first nine months of 2011 compared to 2010 in all of our segments except Components, with the largest increases coming from Industrial Systems and Aircraft Controls.

Our gross margin was relatively unchanged in the third quarter and first nine months of 2011 compared to 2010, reflecting volume increases and a more favorable product mix, offset by additions to contract loss reserves. The loss reserves are primarily related to our Aircraft Controls segment.

Research and development expenses were about the same in the third quarter of 2011 as in 2010. For the first nine months of 2011, research and development expense increased on multiple programs, including the Airbus A350 program, but were offset by \$9 million of reimbursements for a commercial transport program.

Selling, general and administrative expenses as a percentage of sales were higher in the third quarter of 2011 compared to 2010 as a result of increased marketing efforts and bid and proposal activity for aerospace programs. For the first nine months of 2011 the increase as a percentage of sales resulting from higher marketing and bid and proposal costs were partially offset by the efficiencies gained from our higher sales volume.

Interest expense decreased in the third quarter and first nine months of 2011 from the same periods in 2010 as a result of lower average borrowings and lower interest rates.

2011 Outlook We expect sales in 2011 to increase by 9% to \$2.30 billion reflecting increases in all of our segments except Components. We expect operating margins to improve to 10.7% in 2011 compared to 10.2% in 2010. We expect operating margins to increase in Space and Defense Controls, Medical Devices and Industrial Systems, remain relatively flat in Aircraft Controls and decrease in Components. We expect net earnings to increase to \$132 million and diluted earnings per share to increase by 21% to \$2.85.

2012 Outlook We expect sales in 2012 to increase by 9% to \$2.52 billion reflecting increases in all of our segments. We expect operating margins to be approximately 11.1% in 2012 compared to 10.7% in 2011. We expect operating margins to increase in Medical Devices, Aircraft Controls and Industrial Systems, remain relatively flat in Components and decrease in Space and Defense Controls. We expect net earnings to increase to \$152 million and diluted earnings per share to increase by 14% to \$3.25.

Table of Contents**SEGMENT RESULTS OF OPERATIONS AND OUTLOOK**

Operating profit, as presented below, is net sales less cost of sales and other operating expenses, excluding interest expense, equity-based compensation expense and other corporate expenses. Cost of sales and other operating expenses are directly identifiable to the respective segment or allocated on the basis of sales, number of employees or profit. Operating profit is reconciled to earnings before income taxes in Note 15 of the Notes to Consolidated Condensed Financial Statements included in this report.

Aircraft Controls

| | Three Months Ended | | | | Nine Months Ended | | | |
|---------------------------------|--------------------|-----------------|----------------|---------------|-------------------|-----------------|----------------|---------------|
| | July 2, 2011 | July 3, 2010 | \$ Variance | % Variance | July 2, 2011 | July 3, 2010 | \$ Variance | % Variance |
| (dollars in millions) | | | | | | | | |
| Net sales - military aircraft | \$ 126.7 | \$ 115.7 | \$ 11.0 | 10% | \$ 363.4 | \$ 338.4 | \$ 25.0 | 7% |
| Net sales - commercial aircraft | 85.0 | 66.1 | 18.9 | 29% | 233.1 | 188.3 | 44.8 | 24% |
| Net sales - navigation aids | 9.0 | 9.4 | (0.4) | (4%) | 26.2 | 28.3 | (2.1) | (7%) |
| | \$ 220.7 | \$ 191.2 | \$ 29.5 | 15% | \$ 622.7 | \$ 555.0 | \$ 67.7 | 12% |
| Operating profit | \$ 22.9 | \$ 17.3 | \$ 5.6 | 32% | \$ 62.3 | \$ 54.5 | \$ 7.8 | 14% |
| Operating margin | 10.4% | 9.0% | | | 10.0% | 9.8% | | |
| Backlog | | | | | \$ 630.1 | \$ 523.6 | \$ 106.5 | 20% |

Within military aircraft sales, aftermarket sales increased \$16 million, or 44%, in the third quarter of 2011 compared to 2010. The increase in the military aftermarket was unusually large due to the timing of orders and we do not expect the sales levels to be as high for the remainder of the year. This increase was partially offset by a \$5 million decrease on the V-22 Osprey and \$2 million decrease on the F-35 program as it shifts from development to production. Commercial aircraft sales were strong as sales increased \$7 million on the Boeing 787, including the impact from the settlement of open scope changes, \$4 million in aftermarket up from depressed levels in 2010 and \$3 million in business jets as that market recovers.

Military aircraft sales increased \$45 million in aftermarket for the first nine months of 2011 compared to 2010, partially offset by \$7 million decreases on both the F-15 and F-35 programs. Commercial aircraft sales were strong as sales increased \$17 million for the Boeing 787 production ramp up. Commercial aftermarket sales increased \$15 million, returning to pre-recession levels. In addition, sales increased \$5 million in business jets.

Our operating margin was higher in the third quarter and first nine months of 2011 compared to 2010, reflecting benefits associated with higher volume, sales mix changes toward higher margin business such as military aftermarket and lower research and development as a percentage of sales, primarily the result of reimbursements totaling \$9 million on a commercial transport program in the first nine months of 2011. Partially offsetting those positive contributions were increased contract loss reserves that were \$12 million higher in the quarter and \$23 million higher in the first nine months. The higher loss reserves are on various commercial programs, including the 787 related to higher cost estimates of early production units and the G250 as a result of changes coming out of flight certification efforts.

The higher level of twelve-month backlog for Aircraft Controls at July 2, 2011 compared to July 3, 2010 reflects strong military and commercial aircraft orders.

2011 Outlook for Aircraft Controls We expect sales in Aircraft Controls to increase 10% to \$835 million in 2011. Military aircraft sales are expected to increase 6% to \$487 million. We expect a sales increase in military aftermarket, primarily from the strong first nine months, offset by a decrease on the F-15 program. Commercial aircraft sales are expected to increase 22% to \$312 million with increases in all product lines. Navigation aids are expected to decrease \$1 million. We expect our operating margin to be 10.1% in 2011, flat compared to 2010, reflecting a more favorable sales mix and lower research and development spending as a percentage of sales, offset by higher contract loss reserves.

2012 Outlook for Aircraft Controls We expect sales in Aircraft Controls to increase 13% to \$944 million in 2012. Military aircraft sales are expected to increase 6% to \$518 million, primarily from an increase in the F-35 production. Commercial aircraft sales are expected to increase 23% to \$383 million with increases to Boeing and Airbus, as well as higher aftermarket sales. Navigation aids are expected to increase to \$44

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million based on several new military programs. We expect our operating margin to be 11.0% in 2012, an improvement from 10.1% in 2011, reflecting incremental margin on higher sales and research and development declining as a percentage of sales.

Table of Contents**Space and Defense Controls**

| (dollars in millions) | Three Months Ended | | | | Nine Months Ended | | | |
|-----------------------|--------------------|-----------------|----------------|---------------|-------------------|-----------------|----------------|---------------|
| | July 2, 2011 | July 3, 2010 | \$ Variance | % Variance | July 2, 2011 | July 3, 2010 | \$ Variance | % Variance |
| Net sales | \$ 79.7 | \$ 87.5 | \$ (7.8) | (9%) | \$ 263.2 | \$ 236.0 | \$ 27.2 | 12% |
| Operating profit | \$ 8.8 | \$ 8.4 | \$ 0.4 | 5% | \$ 37.6 | \$ 24.6 | \$ 13.0 | 53% |
| Operating margin | 11.0% | 9.6% | | | 14.3% | 10.4% | | |
| Backlog | | | | | \$ 216.6 | \$ 205.0 | \$ 11.6 | 6% |

Net sales in Space and Defense Controls decreased in the third quarter in two main areas, defense controls and satellites, which were partially offset by increases in security and surveillance. Defense controls decreased \$8 million, primarily from a specific order for the Driver's Vision Enhancer (DVE) program in the third quarter of last year. Satellites declined due to an unusually high number of GEO satellite orders last year. Security and surveillance increased \$4 million as a result of the Pieper acquisition in the third quarter of 2010 and stronger demand in government and industrial markets.

Net sales in Space and Defense Controls increased in the first nine months of 2011, primarily in three areas, tactical missiles, security and surveillance and the DVE program. Tactical missiles increased \$19 million as a result of a large order for an aircraft stores management system and the replenishment of missile inventory. Sales increased \$16 million in security and surveillance, largely a result of our Pieper acquisition. In addition, sales on the DVE program were \$8 million higher compared to 2010. Partially offsetting those increases was a \$10 million decline in the satellite market, which experienced a record year in 2010.

Our operating margin for Space and Defense Controls increased in the third quarter of 2011 primarily as a result of \$1 million of restructuring charges in the third quarter of 2010. Our operating margin increased significantly in first nine months of 2011 as a result of the higher sales volume, in particular on the DVE program, and from a profit rate adjustment on the aircraft stores management system. Export approval for the aircraft stores management system was granted in the first quarter of 2011 which eliminated a significant program risk, thereby allowing us to adjust the profit rate.

The higher level of twelve-month backlog at July 2, 2011 compared to July 3, 2010 reflects increased orders for satellites and launch vehicles.

2011 Outlook for Space and Defense Controls We expect sales in Space and Defense Controls to increase \$21 million, or 6%, to \$346 million in 2011. We expect sales increases in security and surveillance primarily from the Pieper acquisition and in tactical missiles, which will offset a decline in satellites. We expect our operating margin in 2011 to increase to 13.5% from 11.0% in 2010, primarily the result of the strong first nine months.

2012 Outlook for Space and Defense Controls We expect sales in Space and Defense Controls to increase \$28 million, or 8%, to \$374 million in 2012. We expect sales increases in NASA programs, tactical missiles and in security and surveillance, partially offset by declines in satellites and defense controls. We expect our operating margin in 2012 to decrease to 11.2% from 13.5% in 2011, which was influenced by strong DVE program sales and certain favorable program adjustments.

Table of Contents**Industrial Systems**

| | Three Months Ended | | | | Nine Months Ended | | | |
|-----------------------|--------------------|-----------------|----------------|---------------|-------------------|-----------------|----------------|---------------|
| | July 2, 2011 | July 3, 2010 | \$ Variance | % Variance | July 2, 2011 | July 3, 2010 | \$ Variance | % Variance |
| (dollars in millions) | | | | | | | | |
| Net sales | \$ 156.4 | \$ 129.0 | \$ 27.4 | 21% | \$ 456.0 | \$ 385.8 | \$ 70.2 | 18% |
| Operating profit | \$ 13.9 | \$ 12.2 | \$ 1.7 | 14% | \$ 44.1 | \$ 31.6 | \$ 12.5 | 40% |
| Operating margin | 8.9% | 9.5% | | | 9.7% | 8.2% | | |
| Backlog | | | | | \$ 275.2 | \$ 240.2 | \$ 35.0 | 15% |

Net sales in Industrial Systems for the third quarter reflect increases in all of our major markets. The broad-based sales recovery reflects the strengthening of business in all of our major geographic markets. In addition, stronger foreign currencies, in particular the euro, compared to the U.S. dollar had a positive impact on sales, representing over 40% of the sales increase in the quarter. Sales increased \$6 million in motion simulation, \$5 million in aftermarket, \$4 million in metal forming and presses and \$3 million in plastics making machinery.

Net sales in Industrial Systems for the first nine months reflect increases in all of our major markets except for wind energy. Sales increased \$14 million in motion simulation, \$11 million in metal forming and presses, \$9 million each in plastics making machinery and aftermarket, \$7 million each in power generation and distribution and \$4 million in heavy industry. Offsetting those increases was a decrease in wind energy of \$6 million, primarily due to the Chinese market, where large customers had built up inventory, allowing them to slow their orders.

Our operating margin for Industrial Systems decreased in the third quarter of 2011 primarily as a result of increased research and development spending, higher marketing expenses and a \$1 million recall reserve for a train sway actuator application in Japan. Our operating margin for the first nine months of 2011 increased as a result of the higher sales volume associated with the economic recovery.

The higher level of twelve-month backlog for Industrial Systems at July 2, 2011 compared to July 3, 2010 is due primarily to increased demand in most of our major markets due to improving global economic conditions.

2011 Outlook for Industrial Systems We expect sales in Industrial Systems to increase 15% to \$629 million in 2011. We expect sales increases in most major markets, with the largest increases in motion simulators, metal forming and presses, aftermarket, test equipment and plastics making machinery. Those increases are partially offset by a decline in wind energy. We expect that our operating margin will increase to 9.8% in 2011 from 8.8% in 2010 as a result of the higher sales volume.

2012 Outlook for Industrial Systems We expect sales in Industrial Systems to increase 8% to \$680 million in 2012. We expect sales increases in most major markets with the largest increases for test equipment, driven by a single large order, and motion simulators, related to demand associated with an increase in air traffic and military orders. We expect that our operating margin will increase to 10.5% in 2012 from 9.8% in 2011 as a result of the higher sales volume.

Table of Contents**Components**

| (dollars in millions) | Three Months Ended | | | | Nine Months Ended | | | |
|-----------------------|--------------------|-----------------|----------------|---------------|-------------------|-----------------|----------------|---------------|
| | July 2, 2011 | July 3, 2010 | \$ Variance | % Variance | July 2, 2011 | July 3, 2010 | \$ Variance | % Variance |
| Net sales | \$ 87.9 | \$ 95.7 | \$ (7.8) | (8%) | \$ 264.6 | \$ 270.4 | \$ (5.8) | (2%) |
| Operating profit | \$ 13.4 | \$ 18.3 | \$ (4.9) | (27%) | \$ 41.4 | \$ 44.8 | \$ (3.4) | (8%) |
| Operating margin | 15.2% | 19.1% | | | 15.7% | 16.6% | | |
| Backlog | | | | | \$ 163.5 | \$ 160.0 | \$ 3.5 | 2% |

We experienced a sales shift amongst our major markets. Sales in the marine market, which relate to off shore oil exploration and are closely tied to oil prices, increased \$3 million. Medical sales increased \$3 million, primarily from sales to Respironics for sleep apnea equipment. Sales also increased \$1 million in our industrial business as a result of our recent acquisition of Animatics Corporation. Sales in the military aircraft market declined \$7 million as we delivered a large order for the Eurofighter last year, our activity on the Guardian program slowed and we have seen reduced demand for spares on the Black Hawk helicopter program. Sales for defense controls declined \$7 million, mostly a result of slowing demand for various military vehicles, including our completion of the upgrade program on the Bradley Fighting Vehicle.

Net sales in Components decreased in the first nine months of 2011 from last year as sales shifted among markets in a manner similar to the third quarter. Sales increased \$9 million in our industrial business, \$8 million in the marine market and \$6 million in medical equipment, primarily from sales to Respironics. Sales for space and defense controls declined \$19 million, mostly a result of slowing demand for various military vehicles and for a large fiber optic modem order we supplied in 2010 which did not repeat in 2011. Sales in the aircraft market declined \$13 million, primarily in military aircraft, reflecting strong de-icing sales on the Black Hawk helicopter program in 2010 and a general softness in 2011. The decline in military aircraft sales was partially offset by increases in the commercial aircraft market.

Our operating margin decreased in the third quarter and first nine months of 2011 compared to 2010 as a result of the sales volume decline, a less favorable product mix and a general shift to newer products with larger up-front costs. In addition, the third quarter of 2010 benefited from increased profitability of sales on a large order for the Eurofighter.

The marginally higher level of twelve-month backlog at July 2, 2011 compared to July 3, 2010 primarily relates to increased orders for the Guardian system, offset by declines in defense controls programs.

2011 Outlook for Components We expect sales in Components to decrease by \$10 million in 2011. We expect sales will decrease in both aircraft and space and defense controls as several major military aircraft and vehicle programs wind down. Partially offsetting those declines are expected sales increases in industrial, medical and marine markets. We expect our operating margin in 2011 to be 15.4%, lower than the 16.7% we achieved in 2010 due to the lower sales volume.

2012 Outlook for Components We expect sales in Components to increase by \$22 million in 2012. We expect a sales increase of \$18 million from industrial markets, primarily from our Animatics acquisition, \$7 million in space and defense controls, \$6 million in the marine market and \$2 million in the medical market. We expect sales to decrease \$10 million in aircraft, principally from the Eurofighter program. We expect our operating margin in 2012 to be 15.5%, comparable to the 15.4% we expect in 2011.

Table of Contents**Medical Devices**

| (dollars in millions) | Three Months Ended | | | | Nine Months Ended | | | |
|-------------------------|--------------------|-----------------|----------------|---------------|-------------------|-----------------|----------------|---------------|
| | July 2, 2011 | July 3, 2010 | \$ Variance | % Variance | July 2, 2011 | July 3, 2010 | \$ Variance | % Variance |
| Net sales | \$ 38.2 | \$ 33.5 | \$ 4.7 | 14% | \$ 105.1 | \$ 95.2 | \$ 9.9 | 10% |
| Operating profit (loss) | \$ 1.2 | \$ (0.7) | \$ 1.9 | n/a | \$ (1.8) | \$ (0.5) | \$ (1.3) | n/a |
| Operating margin | 3.0% | (2.0%) | | | (1.7%) | (0.6%) | | |
| Backlog | | | | | \$ 9.8 | \$ 19.5 | \$ (9.7) | (50%) |

Net sales in Medical Devices increased primarily from \$3 million more in pump sales as we resumed shipments of one of our infusion pumps in the quarter after completing a voluntary recall for a software correction. We also benefitted from our introduction of a new enteral pump for the international market during the second quarter of 2011. In addition, our sales of sensors increased \$1 million. Our sensors, which are used to detect air bubbles in pumping applications, benefitted from higher demand for alternative pumps due to a recall of certain large volume pumps in the hospital market.

Net sales for the first nine months of 2011 compared to 2010 increased primarily from our strong sales of sensors and hand pieces, which increased \$6 million. In addition, sales of administration sets increased \$4 million. Sales of pumps increased \$1 million as our new enteral pump sales were offset by the holding of shipments on one of our infusion pumps pending resolution of a software issue.

Our operating margin improved in the third quarter as a result of several factors, including lower costs from having our Costa Rica facility fully operational and a more favorable product mix. Our operating margin declined in the first nine months of 2011 relative to 2010 despite the sales increase, primarily as a result of warranty costs in 2011 in connection with the infusion pump recall. Partially offsetting the infusion pump recall issue are cost improvements achieved in Costa Rica.

Twelve-month backlog for Medical Devices is not as substantial relative to sales as in our other segments, reflecting the shorter order-to-shipment cycle for this line of business.

2011 Outlook for Medical Devices We expect sales in Medical Devices to increase 9% to \$138 million in 2011. We expect sales increases in sensors and hand pieces, administration sets and from the recent introduction of a new enteral pump to the international market. These increases will be offset by a decrease in infusion pump sales related to the voluntary recall for a software correction. We expect our operating margin to be (0.9%), an improvement from the (3.2%) in 2010 as cost improvements will be partially offset by a sales mix shift and the costs associated with the infusion pump software recall.

2012 Outlook for Medical Devices We expect sales in Medical Devices to increase \$7 million, or 5%, to \$145 million in 2012. We expect sales to increase primarily from IV pumps. We expect our operating margin to be 3.4%, a substantial improvement from 2011 as a result of the increased sales volume, product mix changes and cost improvements.

Table of Contents**FINANCIAL CONDITION AND LIQUIDITY**

| (dollars in millions) | July 2, 2011 | July 3, 2010 | Nine Months Ended \$ Variance | % Variance |
|------------------------------|-----------------|-----------------|-------------------------------------|---------------|
| Net cash provided (used) by: | | | | |
| Operating activities | \$ 123.2 | \$ 135.0 | \$ (11.8) | (9%) |
| Investing activities | (90.6) | (75.5) | (15.1) | (20%) |
| Financing activities | (21.8) | (45.3) | 23.5 | 52% |

Our available borrowing capacity and our cash flow from operations provide us with the financial resources needed to run our operations, reinvest in our business and make strategic acquisitions.

Operating activities

Net cash provided by operating activities decreased in 2011 compared to 2010. The decrease is attributable to higher working capital requirements, primarily in inventory due to increased sales in 2011. This decrease was partially offset by the higher earnings and non-cash charges in 2011.

Investing activities

Net cash used by investing activities in the first nine months of 2011 increased as a result of capital expenditures, including test equipment on the A350, and acquisitions completed in the third quarter of 2011.

Financing activities

The decrease in net cash used by financing activities in the first nine months of 2011 primarily reflects smaller pay downs on our U.S. revolving credit facility compared to 2010.

Off Balance Sheet Arrangements

We do not have any material off balance sheet arrangements that have or are reasonably likely to have a material future effect on our results of operations or financial condition.

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments have not changed materially from the disclosures in our 2010 Form 10-K.

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CAPITAL STRUCTURE AND RESOURCES

We maintain bank credit facilities to fund our short and long-term capital requirements, including for acquisitions. From time to time, we also sell equity and debt securities to fund acquisitions or take advantage of favorable market conditions.

On March 18, 2011, we amended our U.S. credit facility. Our new revolving credit facility, which matures on March 18, 2016, increased our borrowing capacity to \$900 million. Previously, our credit facility consisted of a \$750 million revolver, which matured on March 14, 2013. The new revolving credit facility had an outstanding balance of \$357 million at April 2, 2011. Interest on the majority of the outstanding credit facility borrowings is based on LIBOR plus the applicable margin, which was 175 basis points at July 2, 2011 and will decrease to 150 basis points during the fourth quarter of 2011. The credit facility is secured by substantially all of our U.S. assets.

The U.S. credit facility contains various covenants. The covenant for minimum interest coverage ratio, defined as the ratio of EBITDA to interest expense for the most recent four quarters, is 3.0. The covenant for the maximum leverage ratio, defined as the ratio of net debt, including letters of credit, to EBITDA for the most recent four quarters, is 3.5. The covenant for maximum capital expenditures is \$135 million for 2011 and increases by \$10 million each year thereafter. We are in compliance with all covenants. EBITDA is defined in the loan agreement as (i) the sum of net income, interest expense, income taxes, depreciation expense, amortization expense, other non-cash items reducing consolidated net income and non-cash equity-based compensation expenses minus (ii) other non-cash items increasing consolidated net income.

We are required to obtain the consent of lenders in the U.S. credit facility before raising significant additional debt financing. In recent years, we have demonstrated our ability to secure consents to access debt markets. We have also been successful in accessing equity markets from time to time. We believe that we will be able to obtain additional debt or equity financing as needed.

At July 2, 2011, we had \$547 million of unused borrowing capacity, including \$531 million from the U.S. credit facility after considering standby letters of credit.

Net debt to capitalization was 33% at July 2, 2011 and 36% at October 2, 2010. The decrease in net debt to capitalization is primarily due to debt reductions funded by our positive cash flow and net earnings in the first nine months of 2011.

We believe that our cash on hand, cash flows from operations and available borrowings under short and long-term lines of credit will continue to be sufficient to meet our operating needs.

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ECONOMIC CONDITIONS AND MARKET TRENDS

We operate within the aerospace and defense, industrial and medical markets. Our aerospace and defense markets are affected by market conditions and program funding levels, while our industrial markets are influenced by general capital investment trends. Our medical markets are influenced by economic conditions, population demographics, medical advances and patient demand. A common factor throughout our markets is the continuing demand for technologically advanced products.

Aerospace and Defense

Approximately 62% of our 2010 sales were generated in aerospace and defense markets. The military aircraft market is dependent on military spending for development and production programs. Production programs are typically long-term in nature, offering predictability as to capacity needs and future revenues. We maintain positions on numerous high priority programs, including the F-35 Joint Strike Fighter, F/A-18E/F Super Hornet and V-22 Osprey. The large installed base of our products leads to attractive aftermarket sales and service opportunities. Aftermarket revenues are expected to continue to grow due to a number of scheduled military retrofit programs and increased flight hours resulting from increased military commitments.

The commercial OEM market has historically exhibited cyclical swings and sensitivity to economic conditions. The aftermarket is driven by usage of the existing aircraft fleet, the age of the installed fleet and is currently being impacted by fleet re-sizing programs for passenger and cargo aircraft. Changes in aircraft utilization rates affect the need for maintenance and spare parts and impact aftermarket sales. Boeing and Airbus have historically adjusted production in line with air traffic volume.

The military and government space market is primarily dependent on the authorized levels of funding for satellite communications. Government spending on military satellites has risen in recent years as the military's need for improved intelligence gathering has increased. The commercial space market is comprised of large satellite customers, traditionally telecommunications companies. Trends for this market, as well as for commercial launch vehicles, follow the telecommunications companies' need for increased capacity and the satellite replacement lifecycle of 7-10 years. Our position on NASA programs are impacted by the uncertainty and delays resulting from the Administration's re-definition of those programs; however, they hold the potential to be long-run production programs.

The tactical missile, missile defense and defense controls markets are dependent on many of the same market conditions as military aircraft, including overall military spending and program funding levels. Our homeland security product line is dependent on government funding at federal and local levels, as well as private sector demand.

Industrial

Approximately 30% of our 2010 sales were generated in industrial markets. The industrial markets we serve are influenced by several factors, including capital investment, product innovation, economic growth, cost-reduction efforts and technology upgrades. We are experiencing challenges from current global economic conditions which includes reacting to the demands for industrial automation equipment and steel and automotive manufacturing. Those markets were impacted by the global recession in 2009 and have continued to recover since then.

Medical

Approximately 8% of our 2010 sales were generated in medical markets. The medical markets we serve are influenced by economic conditions, hospital and outpatient clinic spending on equipment, population demographics, medical advances, patient demands and the need for precision control components and systems. Advances in medical technology and medical treatments have had the effect of extending the average life span, in turn resulting in greater need for medical services. These same technology and treatment advances also drive increased demand from the general population as a means to improve quality of life. Greater access to medical insurance, whether through government funded health care plans or private insurance, also increases the demand for medical services.

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Foreign Currencies

We are affected by the movement of foreign currencies compared to the U.S. dollar, particularly in Industrial Systems. About one-third of our 2010 sales were denominated in foreign currencies. During the first nine months of 2011, foreign currencies generally strengthened versus the U.S. dollar compared to the first nine months of 2010. The translation of the results of our foreign subsidiaries into U.S. dollars increased sales by \$17 million compared to the same period one year ago.

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Cautionary Statement

Information included or incorporated by reference in this report that does not consist of historical facts, including statements accompanied by or containing words such as may, will, should, believes, expects, expected, intends, plans, projects, approximate, estimates, outlook, forecast, anticipates, presume and assume, are forward-looking statements. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and are subject to several factors, risks and uncertainties, the impact or occurrence of which could cause actual results to differ materially from the expected results described in the forward-looking statements. These important factors, risks and uncertainties include:

- fluctuations in general business cycles for commercial aircraft, military aircraft, space and defense products, industrial capital goods and medical devices;
- our dependence on government contracts that may not be fully funded or may be terminated;
- our dependence on certain major customers, such as The Boeing Company and Lockheed Martin, for a significant percentage of our sales;
- delays by our customers in the timing of introducing new products, which may affect our earnings and cash flow;
- the possibility that the demand for our products may be reduced if we are unable to adapt to technological change;
- intense competition, which may require us to lower prices or offer more favorable terms of sale;
- our indebtedness, which could limit our operational and financial flexibility;
- the possibility that new product and research and development efforts may not be successful, which could reduce our sales and profits;
- increased cash funding requirements for pension plans, which could occur in future years based on assumptions used for our defined benefit pension plans, including returns on plan assets and discount rates;
- a write-off of all or part of our goodwill or intangible assets, which could adversely affect our operating results and net worth;
- the potential for substantial fines and penalties or suspension or debarment from future contracts in the event we do not comply with regulations relating to defense industry contracting;
- the potential for cost overruns on development jobs and fixed-price contracts and the risk that actual results may differ from estimates used in contract accounting;
- the possibility that our subcontractors may fail to perform their contractual obligations, which may adversely affect our contract performance and our ability to obtain future business;
- our ability to successfully identify and consummate acquisitions, and integrate the acquired businesses and the risks associated with acquisitions, including that the acquired businesses do not perform in accordance with our expectations, and that we assume unknown liabilities in connection with acquired businesses for which we are not indemnified;
- our dependence on our management team and key personnel;
- the possibility of a catastrophic loss of one or more of our manufacturing facilities;
- the possibility that future terror attacks, war or other civil disturbances could negatively impact our business;
- that our operations in foreign countries could expose us to political risks and adverse changes in local, legal, tax and regulatory schemes;
- the possibility that government regulation could limit our ability to sell our products outside the United States;
- product quality or patient safety issues with respect to our medical devices business that could lead to product recalls, withdrawal from certain markets, delays in the introduction of new products, sanctions, litigation, declining sales or actions of regulatory bodies and government authorities;
- the impact of product liability claims related to our products used in applications where failure can result in significant property damage, injury or death and in damage to our reputation;
- changes in medical reimbursement rates of insurers to medical service providers, which could affect sales of our medical products;
- the possibility that litigation results may be unfavorable to us;
- our ability to adequately enforce our intellectual property rights and the possibility that third parties will assert intellectual property rights that prevent or restrict our ability to manufacture, sell, distribute or use our products or technology;
- foreign currency fluctuations in those countries in which we do business and other risks associated with international operations;
- the cost of compliance with environmental laws;
- the risk of losses resulting from maintaining significant amounts of cash and cash equivalents at financial institutions that are in excess of amounts insured by governments;
- our ability to meet the restrictive covenants under our credit facilities since a breach of any of these covenants could result in a default under our credit agreements; and
- our customers' inability to continue operations or to pay us due to adverse economic conditions or their inability to access available credit.

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These factors are not exhaustive. New factors, risks and uncertainties may emerge from time to time that may affect the forward-looking statements made herein. Given these factors, risks and uncertainties, investors should not place undue reliance on forward-looking statements as predictive of future results. We disclaim any obligation to update the forward-looking statements made in this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Refer to the Company's Annual Report on Form 10-K for the year ended October 2, 2010 for a complete discussion of our market risk. There have been no material changes in the current year regarding this market risk information.

Item 4. Controls and Procedures.

- (a) Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective as of the end of the period covered by this report, to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.
- (b) Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II OTHER INFORMATION****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

(c) The following table summarizes our purchases of our common stock for the quarter ended July 2, 2011.

| Period | (a) Total Number of Shares Purchased (1) | (b) Average Price Paid Per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2) | (d) Maximum Number (or Approximate Dollar Value) of Shares that May yet be Purchased Under the Plans or Programs (2) |
|--------------------------------|---|--|--|--|
| April 3, 2011 - April 30, 2011 | - | \$ - | - | 766,400 |
| May 1, 2011 - May 31, 2011 | - | \$ - | - | 766,400 |
| June 1, 2011 - July 2, 2011 | 3,440 | \$ 39.57 | - | 766,400 |
| Total | 3,440 | \$ 39.57 | - | 766,400 |

(1) Purchases in June consisted of shares of Class B common stock from the Moog Inc. Retirement Savings Plan.

(2) In October 2008, the Board of Directors authorized a share repurchase program. The program permits the purchase of up to 1,000,000 Class A or Class B common shares in open market or privately negotiated transactions at the discretion of management.

Item 5. Other Information.

(a) On August 8, 2011, the Executive Compensation Committee of the Board of Directors amended the Management Profit Sharing Program. A description of the program, as amended, is set forth as Exhibit 10.1 of this report, which description is incorporated into this Item by

reference.

Item 6. Exhibits

(a) Exhibits

| | |
|---------|--|
| 10.1* | Description of Management Profit Sharing Plan. |
| 31.1 | Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document.** |
| 101.SCH | XBRL Taxonomy Extension Schema Document.** |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document.** |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document.** |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document.** |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document.** |

* Management contract or compensatory plan or arrangement.

** Submitted electronically herewith.

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Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):

- (i) Consolidated Condensed Statements of Earnings for the three and nine months ended July 2, 2011 and July 3, 2010,
- (ii) Consolidated Condensed Balance Sheets at April 2, 2011 and October 2, 2010, (iii) Consolidated Condensed Statements of Cash Flows for the nine months ended July 2, 2011 and July 3, 2010 and (iv) Notes to Consolidated Condensed Financial Statements for the nine months ended July 2, 2011.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section and shall not be part of any registration or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Moog Inc.

(Registrant)

Date: August 9, 2011 By /s/ Robert T. Brady
Robert T. Brady
Chairman
Chief Executive Officer
(Principal Executive Officer)

Date: August 9, 2011 By /s/ John R. Scannell
John R. Scannell
President
Chief Operating Officer

Date: August 9, 2011 By /s/ Donald R. Fishback
Donald R. Fishback
Vice President
Chief Financial Officer
(Principal Financial Officer)

Date: August 9, 2011 By /s/ Jennifer Walter
Jennifer Walter
Controller
(Principal Accounting Officer)