

MOOG INC  
Form 10-K  
November 30, 2011  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended October 1, 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**

(Exact Name of Registrant as Specified in its Charter)

**New York**  
(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)

Registrant's Telephone Number, Including Area Code: **(716) 652-2000**

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class                    | Name of Each Exchange on Which Registered |
|--|---|
| Class A Common Stock, \$1.00 Par Value | New York Stock Exchange                   |
| Class B Common Stock, \$1.00 Par Value | New York Stock Exchange                   |

Securities registered pursuant to Section 12(g) of the Act:  None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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 Act).

Yes  No

The aggregate market value of the common stock outstanding and held by non-affiliates (as defined in Rule 405 under the Securities Act of 1933) of the registrant, based upon the closing sale price of the common stock on the New York Stock Exchange on April 1, 2011, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1,830 million.

The number of shares of common stock outstanding as of the close of business on November 22, 2011 was: Class A 41,195,983; Class B 4,036,527.

Portions of the 2011 Proxy Statement to Shareholders ( 2011 Proxy ) are incorporated by reference into Part III of this Form 10-K.

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**Disclosure Regarding Forward-Looking Statements**

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

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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. Certain of these factors, risks and uncertainties are discussed in the sections of this report entitled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations. 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.

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**PART I**

The Registrant, Moog Inc., a New York corporation formed in 1951, is referred to in this report as "Moog" or in the nominative "we" or the possessive "our."

Unless otherwise noted or the context otherwise requires, all references to years in this report are to fiscal years.

**Item 1. Business**

**Description of the Business.** Moog is a worldwide designer, manufacturer and integrator of high performance precision motion and fluid controls and systems for a broad range of applications in aerospace and defense, industrial and medical markets. We have five operating segments: Aircraft Controls, Space and Defense Controls, Industrial Systems, Components and Medical Devices.

Additional information describing the business and comparative segment revenues, operating profits and related financial information for 2011, 2010 and 2009 are provided in Note 17 of Item 8, Financial Statements and Supplementary Data of this report.

**Distribution.** Our sales and marketing organization consists of individuals possessing highly specialized technical expertise. This expertise is required in order to effectively evaluate a customer's precision control requirements and to facilitate communication between the customer and our engineering staff. Our sales staff is the primary contact with customers. Manufacturers' representatives are used to cover certain domestic aerospace markets. Distributors are used selectively to cover certain industrial and medical markets.

**Industry and Competitive Conditions.** We experience considerable competition in our aerospace and defense, industrial and medical markets. We believe that the principal points of competition in our markets are product quality, price, design and engineering capabilities, product development, conformity to customer specifications, timeliness of delivery, effectiveness of the distribution organization and quality of support after the sale. We believe we compete effectively on all of these bases. Principal competitors in our five operating segments include:

Aircraft Controls: Parker Hannifin, Nabtesco, Goodrich, Liebherr, Curtiss-Wright, Woodward Governor and Hamilton Sundstrand.  
Space and Defense Controls: Honeywell, Parker Hannifin, Vacco, Valvetech, Marotta, Sabca, Curtiss-Wright, ESW, Aerojet, Valcor, Aeroflex, Hamilton Sundstrand, Limitorque, Sargeant Industries, RVision, Directed Perception, ATA Engineering, CDA InterCorp, RUAG, Woodward Governor, Sierra-Nevada, Videotec and Lord Corp.  
Industrial Systems: Bosch Rexroth, Danaher, Baum Mueller, Siemens, SSB, Parker Hannifin, Suzhou ReEnergy, MTS, Exlar and Hydrauldyne.  
Components: Danaher, Allied Motion, Ametek, Woodward MPC, Axsys, Schleifring, Airflyte, Smiths, Kearfott and Stemmann.  
Medical Devices: B. Braun, CareFusion, Smiths Medical, Hospira, Alcon, Baxter International, CME, I-Flow, Covidien, Etalon, Introtek and Ross (Abbott).

**Government Contracts.** All U.S. Government contracts are subject to termination by the Government. In 2011, sales under U.S. Government contracts represented 32% of total sales and were primarily within Aircraft Controls, Space and Defense Controls and Components.

**Backlog.** Substantially all backlog will be realized as sales in the next twelve months. See the discussion in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report.

**Raw Materials.** Materials, supplies and components are purchased from numerous suppliers. We believe the loss of any one supplier, although potentially disruptive in the short-term, would not materially affect our operations in the long-term.

**Working Capital.** See the discussion on operating cycle in Note 1 of Item 8, Financial Statements and Supplementary Data of this report.



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**Seasonality.** Our business is generally not seasonal; however, certain markets, such as wind energy, do experience seasonal variations in sales levels.

**Patents.** We maintain a patent portfolio of issued or pending patents and patent applications worldwide that generally includes the U.S., Europe, China, Japan and India. The portfolio includes patents that relate to electrohydraulic, electromechanical, electronics, hydraulics, components and methods of operation and manufacture as related to motion control and actuation systems. The portfolio also includes patents for recently acquired products related to wind turbines, robotics, surveillance/security, vibration control and medical devices. We do not consider any one or more of these patents or patent applications to be material in relation to our business as a whole. The patent portfolio related to certain medical devices is significant to our position in this market as several of these products work exclusively together, and provide us future revenue opportunities.

**Research Activities.** Research and development activity has been, and continues to be, significant for us. Research and development expense was at least \$100 million in each of the last three years.

**Employees.** On October 1, 2011, we employed 10,320 full-time employees.

**Customers.** Our principal customers are Original Equipment Manufacturers, or OEMs, and end users for whom we provide aftermarket support. Aerospace and defense OEM customers collectively represented approximately 46% of 2011 sales. The majority of these sales are to a small number of large companies. Due to the long-term nature of many of the programs, many of our relationships with aerospace and defense OEM customers are based on long-term agreements. Our OEM sales of industrial controls and medical devices, which represented approximately 36% of 2011 sales, are to a wide range of global customers and are normally based on lead times of 90 days or less. We also provide aftermarket support, consisting of spare and replacement parts and repair and overhaul services, for all of our products. Our major aftermarket customers are the U.S. Government and commercial airlines. In 2011, aftermarket sales accounted for 18% of total sales.

Customers in our five operating segments include:

Aircraft Controls: Boeing, Lockheed Martin, Airbus, BAE, Bombardier, Gulfstream, Honeywell, Northrop Grumman and the U.S. Government.

Space and Defense Controls: Lockheed Martin, Raytheon, Orbital Sciences, BAE, United Technologies-Pratt & Whitney Rocketdyne, Alliant Techsystems and General Dynamics.

Industrial Systems: RePower AG, United Power (GUP), FlightSafety, CAE, Arburg, Metso and Schlumberger.

Components: Respironics, Raytheon, Lockheed Martin, Philips Medical and the U.S. Government.

Medical Devices: Danone and Abbott.

**International Operations.** Our operations outside the United States are conducted through wholly-owned foreign subsidiaries and are located predominantly in Europe and the Asia-Pacific region. See Note 17 of Item 8, Financial Statements and Supplementary Data of this report for information regarding sales by geographic area and Exhibit 21 of Item 15, Exhibits and Financial Statement Schedules of this report for a list of subsidiaries. Our international operations are subject to the usual risks inherent in international trade, including currency fluctuations, local government contracting regulations, local governmental restrictions on foreign investment and repatriation of profits, exchange controls, regulation of the import and distribution of foreign goods, as well as changing economic and social conditions in countries in which our operations are conducted.

**Environmental Matters.** See the discussion in Note 18 of Item 8, Financial Statements and Supplementary Data of this report.

**Website Access to Information.** Our internet address is [www.moog.com](http://www.moog.com). We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, if applicable, amendments to those reports, available on the investor information portion of our website. The reports are free of charge and are available as soon as reasonably practicable after they are filed with the Securities and Exchange Commission. We have posted our Corporate Governance guidelines, Board committee charters and code of ethics to the investor information portion of our website. This information is available in print to any shareholder upon request. All requests for these documents should be made to Moog's Manager of Investor Relations by calling 716-687-4225.

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**Executive Officers of the Registrant.** Other than John B. Drenning, the principal occupations of our officers for the past five years have been their employment with us. John B. Drenning's principal occupation is partner in the law firm of Hodgson Russ LLP.

On December 2, 2010, John R. Scannell was named President and Chief Operating Officer. Previously, he was Vice President and Chief Financial Officer. Prior to that, he was Vice President and Director of Contracts and Pricing.

On December 2, 2010, Donald R. Fishback was named Chief Financial Officer. Previously, he was Vice President of Finance. Prior to that, he was Controller and Principal Accounting Officer.

On December 2, 2010, Sean Gartland was named Vice President. Previously, he was General Manager of the International Group, Pacific operation.

On February 11, 2008, Jennifer Walter was named Controller and Principal Accounting Officer. Previously, she was Director of Financial Planning and Analysis.



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| <b>Executive Officers</b>   | 0000000000<br><b>Age</b> | 0000000000<br><b>Year First Elected Officer</b> |
|---|--------------------------|---|
| Robert T. Brady<br>Chairman of the Board; Chief Executive Officer;<br>Director; Member, Executive Committee                           | 70                       | 1967  |
| John R. Scannell<br>President; Chief Operating Officer  | 48                       | 2006  |
| Richard A. Aubrecht<br>Vice Chairman of the Board; Vice President - Strategy and Technology;<br>Director; Member, Executive Committee | 67                       | 1980  |
| Joe C. Green<br>Executive Vice President; Chief Administrative Officer;<br>Director; Member, Executive Committee                      | 70                       | 1973  |
| Martin J. Berardi<br>Vice President   | 55                       | 2000  |
| Warren C. Johnson<br>Vice President   | 52                       | 2000  |
| Jay K. Hennig<br>Vice President   | 51                       | 2002  |
| Lawrence J. Ball<br>Vice President  | 57                       | 2004  |
| Harald E. Seiffer<br>Vice President   | 52                       | 2005  |
| Sasidhar Eranki<br>Vice President   | 57                       | 2006  |
| Sean Gartland<br>Vice President   | 48                       | 2010  |
| Donald R. Fishback<br>Vice President; Chief Financial Officer   | 55                       | 1985  |
| Jennifer Walter<br>Controller; Principal Accounting Officer   | 40                       | 2008  |
| Timothy P. Balkin<br>Treasurer; Assistant Secretary   | 52                       | 2000  |
| John B. Drenning<br>Secretary   | 74                       | 1989  |

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**Item 1A. Risk Factors**

**The markets we serve are cyclical and sensitive to domestic and foreign economic conditions and events, which may cause our operating results to fluctuate.** The markets we serve are sensitive to fluctuations in general business cycles and domestic and foreign economic conditions and events. For example, demand for our industrial systems products is dependent upon several factors, including capital investment, product innovations, economic growth, cost-reduction efforts and technology upgrades. In addition, the commercial airline industry is highly cyclical and sensitive to fuel price increases, labor disputes and economic conditions. These factors could result in a reduction in the amount of air travel. A reduction in air travel could reduce orders for new aircraft for which we supply flight controls and for spare parts and services and reduce our sales. A reduction in air travel may also result in our commercial airline customers being unable to pay our invoices on a timely basis or at all. Changes in medical reimbursement rates of insurers to medical service providers could impact our sale of medical products.

**We operate in highly competitive markets with competitors who may have greater resources than we possess.** Many of our products are sold in highly competitive markets. Some of our competitors, especially in our industrial and medical markets, are larger and more diversified and have greater financial, marketing, production and research and development resources. As a result, they may be better able to withstand the effects of periodic economic downturns. Our sales and operating margins will be negatively impacted if our competitors:

- develop products that are superior to our products,
- develop products of comparable quality and performance that are more competitively priced than our products,
- develop methods of more efficiently and effectively providing products and services, or
- adapt more quickly than we do to new technologies or evolving customer requirements.

We believe that the principal points of competition in our markets are product quality, price, design and engineering capabilities, product development, conformity to customer specifications, timeliness of delivery, effectiveness of the distribution organization and quality of support after the sale. Maintaining and improving our competitive position will require continued investment in manufacturing, engineering, quality standards, marketing, customer service and support and our distribution networks. If we do not maintain sufficient resources to make these investments or are not successful in maintaining our competitive position, our operations and financial performance will suffer.

**We depend heavily on government contracts that may not be fully funded or may be terminated, and the failure to receive funding or the termination of one or more of these contracts could reduce our sales and increase our costs.** Sales to the U.S. Government and its prime contractors and subcontractors represent a significant portion of our business. In 2011, sales under U.S. Government contracts represented 32% of our total sales, primarily within Aircraft Controls, Space and Defense Controls and Components. Sales to foreign governments represented 7% of our total sales. We expect that the percentage of our revenues from government contracts will continue to be substantial in the future. Government programs can be structured into a series of individual contracts. The funding of these programs is generally subject to annual congressional appropriations, and congressional priorities are subject to change. In addition, government expenditures for defense programs may decline or these defense programs may be terminated. A decline in government expenditures may result in a reduction in the volume of contracts awarded to us. We have resources applied to specific government contracts and if any of those contracts were terminated, we may incur substantial costs redeploying those resources.

**We make estimates in accounting for long-term contracts, and changes in these estimates may have significant impacts on our earnings.** We have long-term contracts with some of our customers. These contracts are predominantly within Aircraft Controls and Space and Defense Controls. Revenue representing 29% of 2011 sales was accounted for using the percentage of completion, cost-to-cost method of accounting. Under this method, we recognize revenue as work progresses toward completion as determined by the ratio of cumulative costs incurred to date to estimated total contract costs at completion, multiplied by the total estimated contract revenue, less cumulative revenue recognized in prior periods.

Changes in estimates affecting sales, costs and profits are recognized in the period in which the change becomes known using the cumulative catch-up method of accounting, resulting in the cumulative effect of changes reflected in the period. A significant change in an estimate on one or more contracts could have a material effect on our results of operations. For contracts with anticipated losses at completion, we establish a provision for the entire amount of the estimated remaining loss and charge it against income in the period in which the loss becomes known. Amounts representing performance incentives, penalties, contract claims or change orders are considered in estimating revenues, costs and profits when they can be reliably estimated and realization is considered probable.



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**We enter into fixed-price contracts, which could subject us to losses if we have cost overruns.** In 2011, fixed-price contracts represented 81% of our sales that were accounted for using the percentage of completion, cost-to-cost method of accounting. On fixed-price contracts, we agree to perform the scope of work specified in the contract for a predetermined price. Depending on the fixed price negotiated, these contracts may provide us with an opportunity to achieve higher profits based on the relationship between our total contract costs and the contract's fixed price. However, we bear the risk that increased or unexpected costs may reduce our profit or cause us to incur a loss on the contract, which could reduce our net sales and net earnings. Loss reserves are most commonly associated with fixed-price contracts that involve the design and development of new and unique controls or control systems to meet the customer's specifications.

**If our subcontractors or suppliers fail to perform their contractual obligations, our prime contract performance and our ability to obtain future business could be materially and adversely impacted.** Many of our contracts involve subcontracts with other companies upon which we rely to perform a portion of the services we must provide to our customers. There is a risk that we may have disputes with our subcontractors, including disputes regarding the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, our failure to extend existing task orders or issue new task orders under a subcontract or our hiring of personnel of a subcontractor. Failure by our subcontractors to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed-upon services may materially and adversely impact our ability to perform our obligations as the prime contractor. Subcontractor performance deficiencies could result in a customer terminating our contract for default. A default termination could expose us to liability and substantially impair our ability to compete for future contracts and orders. In addition, a delay in our ability to obtain components and equipment parts from our suppliers may affect our ability to meet our customers' needs and may have an adverse effect upon our profitability.

**Contracting on government programs is subject to significant regulation, including rules related to bidding, billing and accounting kickbacks and false claims, and any non-compliance could subject us to fines and penalties or possible debarment.** Like all government contractors, we are subject to risks associated with this contracting. These risks include the potential for substantial civil and criminal fines and penalties. These fines and penalties could be imposed for failing to follow procurement integrity and bidding rules, employing improper billing practices or otherwise failing to follow cost accounting standards, receiving or paying kickbacks or filing false claims. We have been, and expect to continue to be, subjected to audits and investigations by U.S. and foreign government agencies and authorities. The failure to comply with the terms of our government contracts could harm our business reputation. It could also result in our progress payments being withheld or our suspension or debarment from future government contracts.

**The loss of Boeing or Lockheed Martin as a customer or a significant reduction in sales to either company could adversely impact our operating results.** We provide Boeing with controls for both military and commercial applications, which, in total, were 10% of our 2011 sales. Sales to Boeing's commercial airplane group are generally made under a long-term supply agreement through 2021 for the Boeing 787 and 2013 for other commercial airplanes. The loss of Boeing or Lockheed Martin as a customer or a significant reduction in sales to either company could significantly reduce our sales and earnings.

**If we are unable to adapt to technological change, demand for our products may be reduced.** The technologies related to our products have undergone, and in the future may undergo, significant changes. To succeed in the future, we will need to continue to design, develop, manufacture, assemble, test, market and support new products and enhancements on a timely and cost-effective basis. Historically, our technology has been developed through customer-funded and internally funded research and development and through business acquisitions. In addition, our competitors may develop technologies and products that are more effective than those we develop or that render our technology and products obsolete or uncompetitive. Furthermore, our products could become unmarketable if new industry standards emerge. We may have to modify our products significantly in the future to remain competitive.

**Our new product and research and development efforts may not be successful, which would result in a reduction in our sales and earnings.** In the past, we have incurred, and we expect to continue to incur, expenses associated with research and development activities and the introduction of new products. For instance, we are currently incurring substantial development costs in connection with our work on the Airbus A350 XWB. We may experience difficulties that could delay or prevent the successful development of new products or product enhancements. Our new products or product enhancements may also not be accepted by our customers or our customers may delay their introductions. In addition, the research and development expenses we incur may exceed our cost estimates, and new products we develop may not generate sales sufficient to offset our costs. If any of these events occur, our sales and profits could be adversely affected.

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**Our inability to adequately enforce our intellectual property rights or defend against assertions of infringement could prevent or restrict our ability to compete.** We rely on patents, trademarks and proprietary knowledge and technology, both internally developed and acquired for our products. Our inability to defend against the unauthorized use of these rights and assets could have an adverse effect on our results of operations and financial condition. Litigation may be necessary to protect our intellectual property rights or defend against claims of infringement and could result in significant costs and divert our management's focus away from operations.

**Our indebtedness and restrictive covenants under our credit facilities could limit our operational and financial flexibility.** We have incurred significant indebtedness, and may in the future incur additional debt for acquisitions, operations, research and development and capital expenditures. Our ability to make interest and scheduled principal payments and meet restrictive covenants could be adversely impacted by changes in the availability, terms and cost of capital, increases in interest rates or a reduction in credit rating or outlook. These changes could cause our cost of doing business to increase and limit our ability to pursue acquisition opportunities, react to market conditions and meet operational and capital needs, which would place us at a competitive disadvantage. At October 1, 2011, 60% of our debt was at fixed interest rates with the remaining 40% subject to variable interest rates.

**Significant changes in discount rates, rates of return on pension assets, mortality tables and other factors could affect our earnings, equity and pension funding requirements.** Pension obligations and the related costs are determined using actual results and actuarial valuations that involve several assumptions. Our funding requirements are also based on these assumptions. The most critical assumptions are the discount rate, the long-term expected return on assets and mortality. Other assumptions include salary increases and retirement age. Some of these assumptions, such as the discount rate and return on pension assets, are largely outside of our control. Changes in these assumptions could affect our earnings, equity and funding requirements.

**A write-off of all or part of our goodwill or other intangible assets could adversely affect our operating results and net worth.** Goodwill and other intangible assets are a substantial portion of our assets. At October 1, 2011, goodwill was \$735 million and other intangible assets were \$198 million of our total assets of \$2.8 billion. Our goodwill and other intangible assets may increase in the future since our strategy includes growing through acquisitions. We may have to write off all or part of our goodwill or other intangible assets if their value becomes impaired. Although this write-off would be a non-cash charge, it could reduce our earnings and net worth significantly. This could result in our inability to refinance or renegotiate the terms of our bank indebtedness.

**Our sales and earnings growth may be reduced if we cannot implement our acquisition strategy.** Acquisitions are a key part of our growth strategy. Our historical growth has depended, and our future growth is likely to depend, in large part, on our ability to successfully implement our acquisition strategy, and the successful integration of acquired businesses into our existing operations. We intend to continue to seek additional acquisition opportunities in accordance with our acquisition strategy, both to expand into new markets and to enhance our position in existing markets throughout the world. If we are unable to successfully identify suitable candidates, successfully acquire and integrate acquired businesses into our existing operations, our sales and earnings growth would be reduced.

**We may incur losses and liabilities as a result of our acquisition strategy.** Growth by acquisition involves risks that could adversely affect our financial condition and operating results, including:

diversion of management time and attention from our core business,

the potential exposure to unanticipated liabilities,

the potential that expected benefits or synergies are not realized and that operating costs increase,

the risks associated with incurring additional acquisition indebtedness, including that additional indebtedness could limit our cash flow availability for operations and our flexibility,

difficulties in integrating the operations and personnel of acquired companies, and

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the potential loss of key employees, suppliers or customers of acquired businesses. In addition, any acquisition, once successfully integrated, could negatively impact our financial performance if it does not perform as planned, does not increase earnings, or does not prove otherwise to be beneficial to us.

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**Our operations in foreign countries expose us to political and currency risks and adverse changes in local legal, tax and regulatory schemes.** We have significant manufacturing and sales operations in foreign countries. In addition, our domestic operations have sales to foreign customers. In 2011, 45% of our net sales was from customers outside of the United States. Our financial results may be adversely affected by fluctuations in foreign currencies and by the translation of the financial statements of our foreign subsidiaries from local currencies into U.S. dollars. We expect international operations and export sales to continue to contribute to our earnings for the foreseeable future. Both the sales from international operations and export sales are subject in varying degrees to risks inherent in doing business outside of the United States. Such risks include, without limitation, the following:

the possibility of unfavorable circumstances arising from host country laws or regulations,

partial or total expropriation,

potential negative consequences from changes to significant taxation policies, laws or regulations,

changes in tariff and trade barriers and import or export licensing requirements, and

political or economic instability, insurrection, civil disturbance or war.

**Government regulations could limit our ability to sell our products outside the United States and otherwise adversely affect our business.** In 2011, 11% of our sales was subject to compliance with the United States Export Administration regulations. Our failure to obtain the requisite licenses, meet registration standards or comply with other government export regulations would hinder our ability to generate revenues from the sale of our products outside the United States. Compliance with these government regulations may also subject us to additional fees and operating costs. The absence of comparable restrictions on competitors in other countries may adversely affect our competitive position. In order to sell our products in European Union countries, we must satisfy certain technical requirements. If we are unable to comply with those requirements with respect to a significant quantity of our products, our sales in Europe would be restricted. Doing business internationally also subjects us to numerous U.S. and foreign laws and regulations, including, without limitation, regulations relating to import-export control, technology transfer restrictions, foreign corrupt practices and anti-boycott provisions. Failure by us or our sales representatives or consultants to comply with these laws and regulations could result in administrative, civil or criminal liabilities and could, in the extreme case, result in suspension or debarment from government contracts or suspension of our export privileges, which would have a material adverse effect on us.

**The failure or misuse of our products may damage our reputation, necessitate a product recall or result in claims against us that exceed our insurance coverage, thereby requiring us to pay significant damages.** Defects in the design and manufacture of our products may necessitate a product recall. We include complex system design and components in our products that could contain errors or defects, particularly when we incorporate new technology into our products. If any of our products are defective, we could be required to redesign or recall those products or pay substantial damages or warranty claims and face actions by regulatory bodies and government authorities. Such an event could result in significant expenses, disrupt sales and affect our reputation and that of our products and cause us to withdraw from certain markets. We are also exposed to product liability claims. Many of our products are used in applications where their failure or misuse could result in significant property loss and serious personal injury or death. We carry product liability insurance consistent with industry norms. However, these insurance coverages may not be sufficient to fully cover the payment of any potential claim. A product recall or a product liability claim not covered by insurance could have a material adverse effect on our business, financial condition and results of operations.

**Future terror attacks, war, or other civil disturbances could negatively impact our business.** Terror attacks, war or other disturbances could lead to economic instability and decreases in demand for commercial products, which could negatively impact our business, financial condition and results of operations. Terrorist attacks worldwide have caused instability from time to time in global financial markets and the aviation industry. In 2011, 15% of our net sales was related to commercial aircraft. The long-term effects of terrorist attacks on us are unknown. These attacks and the U.S. Government's continued efforts against terrorist organizations may lead to additional armed hostilities or to further acts of terrorism and civil disturbance in the United States or elsewhere, which may further contribute to economic instability.





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**Our facilities could be damaged by catastrophes which could reduce our production capacity and result in a loss of customers.** We conduct our operations in facilities located throughout the world. Any of these facilities could be damaged by fire, floods, earthquakes, power loss, telecommunication and information systems failure or similar events. Our facilities in California, Japan and the Philippines are particularly susceptible to earthquakes. These facilities accounted for 17% of our manufacturing, assembly and test capacity in 2011. Although we carry property insurance, including earthquake insurance and business interruption insurance, our inability to meet customers' schedules as a result of a catastrophe may result in a loss of customers or significant additional costs such as penalty claims under customer contracts.

**Our operations are subject to environmental laws, and complying with those laws may cause us to incur significant costs.** Our operations and facilities are subject to numerous stringent environmental laws and regulations. Although we believe that we are in material compliance with these laws and regulations, future changes in these laws, regulations, or interpretations of them, or changes in the nature of our operations may require us to make significant capital expenditures to ensure compliance. We have been and are currently involved in environmental remediation activities, the cost of which may become significant depending on the discovery of additional environmental exposures at sites that we currently own or operate and at sites that we formerly owned or operated, or at sites to which we have sent hazardous substances or wastes for treatment, recycling or disposal.

**We are involved in various legal proceedings, the outcome of which may be unfavorable to us.** Our business may be adversely impacted by the outcome of legal proceedings and other contingencies that cannot be predicted with certainty. We estimate loss contingencies and establish reserves based on our assessment where liability is deemed probable and reasonably estimable given the facts and circumstances known to us at a particular point in time. Subsequent developments may affect our assessment and estimates of the loss contingencies recorded as liabilities.

**Item 1B. Unresolved Staff Comments.**  
None

**Table of Contents****Item 2. Properties.**

On October 1, 2011, we occupied 5,107,000 square feet of space in the United States and countries throughout the world, distributed as follows:

|                            | Square Feet      |                  |                  |
|----------------------------|------------------|------------------|------------------|
|                            | Owned            | Leased           | Total            |
| Aircraft Controls          | 1,380,000        | 687,000          | 2,067,000        |
| Space and Defense Controls | 519,000          | 183,000          | 702,000          |
| Industrial Systems         | 573,000          | 609,000          | 1,182,000        |
| Components                 | 623,000          | 132,000          | 755,000          |
| Medical Devices            | 273,000          | 108,000          | 381,000          |
| Corporate Headquarters     | -                | 20,000           | 20,000           |
| <b>Total</b>               | <b>3,368,000</b> | <b>1,739,000</b> | <b>5,107,000</b> |

Aircraft Controls has principal manufacturing facilities located in the U.S., England and the Philippines. Space and Defense Controls has principal manufacturing facilities located in the U.S. and Germany. Industrial Systems has principal manufacturing facilities located in the U.S., Germany, China, Italy, India, Luxembourg, The Netherlands, England, Ireland and Japan. Components has principal manufacturing facilities located in the U.S., Canada and England. Medical Devices has principal manufacturing facilities in the U.S., Costa Rica and Lithuania. Our corporate headquarters is located in East Aurora, New York.

We believe that our properties have been adequately maintained and are generally in good condition. Operating leases for properties expire at various times from 2012 through 2034. Upon the expiration of our current leases, we believe that we will be able to either secure renewal terms or enter into leases for alternative locations at market terms.

**Item 3. Legal Proceedings.**

From time to time, we are named as a defendant in legal actions. We are not a party to any pending legal proceedings that management believes will result in a material adverse effect on our financial condition or results of operations.

**Item 4. (Removed and Reserved).**

**Table of Contents****PART II****Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our two classes of common shares, Class A common stock and Class B common stock, are traded on the New York Stock Exchange (NYSE) under the ticker symbols MOG.A and MOG.B. The following chart sets forth, for the periods indicated, the high and low sales prices of the Class A common stock and Class B common stock on the NYSE.

**Quarterly Stock Prices**

| Fiscal Year Ended      | Class A  |          | Class B  |          |
|------------------------|----------|----------|----------|----------|
|                        | High     | Low      | High     | Low      |
| <b>October 1, 2011</b> |          |          |          |          |
| <b>1st Quarter</b>     | \$ 40.67 | \$ 33.97 | \$ 40.27 | \$ 34.26 |
| <b>2nd Quarter</b>     | 46.38    | 39.24    | 46.25    | 40.42    |
| <b>3rd Quarter</b>     | 46.46    | 39.54    | 46.14    | 39.29    |
| <b>4th Quarter</b>     | 45.45    | 30.45    | 45.00    | 31.95    |

October 2, 2010

|             |          |          |          |          |
|-------------|----------|----------|----------|----------|
| 1st Quarter | \$ 30.09 | \$ 22.49 | \$ 30.00 | \$ 24.69 |
| 2nd Quarter | 40.21    | 29.34    | 38.00    | 29.39    |
| 3rd Quarter | 39.77    | 30.18    | 39.70    | 30.51    |
| 4th Quarter | 37.71    | 29.95    | 37.50    | 30.16    |

The number of shareholders of record of Class A common stock and Class B common stock was 998 and 439, respectively, as of November 22, 2011.

We did not pay cash dividends on our Class A common stock or Class B common stock in 2010 or 2011 and have no plans to do so in the foreseeable future.

The following table summarizes our purchases of our common stock for the quarter ended October 1, 2011.

**Issuer Purchases of Equity Securities**

| Period | (a) Total Number of Shares | (b) Average Price Paid Per Share | (c) Total number of Shares Purchased as | (d) Maximum Number (or Approx. Dollar Value) of Shares that May |
|--------|----------------------------|----------------------------------|---|---|
|        |                            |                                  |   |   |

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|                               | Purchased |          | Part of<br>Publicly<br>Announced Plans<br>or Programs<br>(1) | Yet Be<br>Purchased<br>Under Plans or<br>Programs (1) |
|-------------------------------|-----------|----------|--|---|
| July 3 - July 31, 2011        | -         | \$ -     | -  | 766,400   |
| August 1 - August 31, 2011    | 689,486   | 37.58    | 689,486  | 76,914  |
| September 1 - October 1, 2011 | 76,914    | 38.67    | 76,914   | -   |
| Total                         | 766,400   | \$ 37.69 | 766,400  | -   |

- (1) 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.

**Table of Contents****Performance Graph**

The following graph and table show the performance of the Company's Class A common stock compared to the NYSE Composite-Total Return Index and the S&P Aerospace and Defense Index for a \$100 investment made on September 30, 2006, including the reinvestment of any dividends.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN**

Among Moog Inc., the NYSE Composite Index

and the S&P Aerospace & Defense Index

|                                     | 9/06      | 9/07      | 9/08      | 9/09     | 9/10      | 9/11     |
|-------------------------------------|-----------|-----------|-----------|----------|-----------|----------|
| Moog Inc. - Class A Common Stock    | \$ 100.00 | \$ 126.77 | \$ 123.72 | \$ 85.11 | \$ 102.45 | \$ 94.11 |
| NYSE Composite - Total Return Index | 100.00    | 121.07    | 93.09     | 88.00    | 94.87     | 90.54    |
| S&P Aerospace & Defense Index       | 100.00    | 132.90    | 99.11     | 94.24    | 107.18    | 108.08   |

**Table of Contents****Item 6. Selected Financial Data.**

For a more detailed discussion of 2009 through 2011, refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report and Item 8, Financial Statements and Supplementary Data of this report.

| (dollars in thousands, except per share data)     | 2011(1)      | 2010(1)      | 2009(2)(3)   | 2008(3)(4)   | 2007(3)      |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>RESULTS FROM OPERATIONS</b>                    |              |              |              |              |              |
| Net sales   | \$ 2,330,680 | \$ 2,114,252 | \$ 1,848,918 | \$ 1,902,666 | \$ 1,558,099 |
| Net earnings                                      | 136,021      | 108,094      | 85,045       | 119,068      | 100,936      |
| Net earnings per share                            |              |              |              |              |              |
| Basic   | \$ 2.99      | \$ 2.38      | \$ 2.00      | \$ 2.79      | \$ 2.38      |
| Diluted   | \$ 2.95      | \$ 2.36      | \$ 1.98      | \$ 2.75      | \$ 2.34      |
| Weighted-average shares outstanding               |              |              |              |              |              |
| Basic   | 45,501,806   | 45,363,738   | 42,598,321   | 42,604,268   | 42,429,711   |
| Diluted   | 46,047,422   | 45,709,020   | 42,906,495   | 43,256,888   | 43,149,481   |
| <b>FINANCIAL POSITION</b>                         |              |              |              |              |              |
| Total assets                                      | \$ 2,842,967 | \$ 2,712,134 | \$ 2,634,317 | \$ 2,227,247 | \$ 2,006,179 |
| Working capital                                   | 834,056      | 812,805      | 764,137      | 713,292      | 616,623      |
| Indebtedness - senior                             | 346,851      | 386,103      | 454,456      | 270,988      | 417,434      |
| Indebtedness - senior subordinated                | 378,596      | 378,613      | 378,630      | 400,072      | 200,089      |
| Shareholders' equity                              | 1,191,891    | 1,120,956    | 1,065,033    | 994,410      | 877,212      |
| Shareholders' equity per common share outstanding | \$ 26.38     | \$ 24.70     | \$ 23.53     | \$ 23.30     | \$ 20.63     |
| <b>SUPPLEMENTAL FINANCIAL DATA</b>                |              |              |              |              |              |
| Capital expenditures                              | \$ 83,695    | \$ 65,949    | \$ 81,826    | \$ 91,833    | \$ 96,988    |
| Depreciation and amortization                     | 96,327       | 91,216       | 76,384       | 63,376       | 52,093       |
| Research and development                          | 106,385      | 102,600      | 100,022      | 109,599      | 102,603      |
| Twelve-month backlog                              | 1,324,809    | 1,181,303    | 1,097,760    | 861,694      | 774,548      |
| <b>RATIOS</b>                                     |              |              |              |              |              |
| Net return on sales                               | 5.8%         | 5.1%         | 4.6%         | 6.3%         | 6.5%         |
| Return on shareholders' equity                    | 11.4%        | 9.8%         | 8.3%         | 12.7%        | 12.3%        |
| Current ratio                                     | 2.53         | 2.70         | 2.71         | 2.89         | 2.93         |
| Net debt to capitalization (5)                    | 33.9%        | 36.8%        | 41.4%        | 37.0%        | 37.8%        |

- (1) Includes the effects of acquisitions. See Note 2 of the Consolidated Financial Statements at Item 8, Financial Statements and Supplementary Data of this report.
- (2) Includes the sale of Class A common stock on October 2, 2009. See Note 13 of the Consolidated Financial Statements at Item 8 of this report.
- (3) Includes the effects of acquisitions. In 2009, we acquired eight businesses, two each in our Aircraft Controls and Medical Devices segments, one in our Space and Defense Controls segment and three in our Industrial Systems segment. In 2008, we acquired two businesses, one each in our Space and Defense Controls and Components segments. In 2007, we acquired four businesses, two in our Components segment and one each in our Medical Devices and Industrial Systems segments.
- (4) Includes the effects of the issuance of senior subordinated notes.
- (5) Net debt is total debt less cash and cash equivalents. Capitalization is the sum of net debt and shareholders' equity.

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

**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 homeland security products. Our industrial products are used in a wide range of applications, including wind energy, pilot training simulators, injection molding machines, 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, England, the Philippines, Germany, China, Italy, India, Costa Rica, The Netherlands, Luxembourg, Canada, Ireland and Japan.

We have long-term contracts with some of our customers. These contracts are predominantly within Aircraft Controls and Space and Defense Controls and represent 29% 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 that breed 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 that 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,
- developing products for new and emerging markets, and
- striving for continuing cost improvements.

We face numerous challenges to improve shareholder value. These include but are not limited to: adjusting to dynamic global economic conditions that are influenced by governmental, industrial and commercial factors, foreign currency fluctuations, pricing pressures from customers, strong competition and increases in costs such as health care benefits. 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 and such amounts are reflected in the respective captions on the balance sheet. The purchase price described for each acquisition below is net of any cash acquired and includes debt issued or assumed.

In 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 \$2 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**

Our financial statements and accompanying notes are prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires us to make estimates, assumptions and judgments that affect the amounts reported. These estimates, assumptions and judgments are affected by our application of accounting policies, which are discussed in Note 1 of Item 8, Financial Statements and Supplementary Data of this report. We believe the accounting policies discussed below are the most critical in understanding and evaluating our financial results. These critical accounting policies have been reviewed with the Audit Committee of our Board of Directors.

#### **Revenue Recognition on Long-Term Contracts**

Revenue representing 29% of 2011 sales was accounted for using the percentage of completion, cost-to-cost method of accounting. This method of revenue recognition is predominately used within the Aircraft Controls and Space and Defense Controls segments due to the contractual nature of the business activities, with the exception of their respective aftermarket activities. The contractual arrangements are either firm fixed-price or cost-plus contracts and are with the U.S. Government or its prime subcontractors, foreign governments or commercial aircraft manufacturers, including Boeing and Airbus. The nature of the contractual arrangements includes customers' requirements for delivery of hardware as well as funded nonrecurring development work in anticipation of follow-on production orders.

We recognize revenue on contracts in the current period using the percentage of completion, cost-to-cost method of accounting as work progresses toward completion as determined by the ratio of cumulative costs incurred to date to estimated total contract costs at completion, multiplied by the total estimated contract revenue, less cumulative revenue recognized in prior periods. Changes in estimates affecting sales, costs and profits are recognized in the period in which the change becomes known using the cumulative catch-up method of accounting, resulting in the cumulative effect of changes reflected in the period. Estimates are reviewed and updated quarterly for substantially all contracts. A significant change in an estimate on one or more contracts could have a material effect on our results of operations.



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Occasionally, it is appropriate to combine or segment contracts. Contracts are combined in those limited circumstances when they are negotiated as a package in the same economic environment with an overall profit margin objective and constitute, in essence, an agreement to do a single project. In such cases, we recognize revenue and costs over the performance period of the combined contracts as if they were one. Contracts are segmented in limited circumstances if the customer had the right to accept separate elements of the contract and the total amount of the proposals on the separate components approximated the amount of the proposal on the entire project. For segmented contracts, we recognize revenue and costs as if they were separate contracts over the performance periods of the individual elements or phases.

Contract costs include only allocable, allowable and reasonable costs, as determined in accordance with the Federal Acquisition Regulations and the related Cost Accounting Standards for applicable U.S. Government contracts, and are included in cost of sales when incurred. The nature of these costs includes development engineering costs and product manufacturing costs such as direct material, direct labor, other direct costs and indirect overhead costs. Contract profit is recorded as a result of the revenue recognized less costs incurred in any reporting period. Amounts representing performance incentives, penalties, contract claims or change orders are considered in estimating revenues, costs and profits when they can be reliably estimated and realization is considered probable. Revenue recognized on contracts for unresolved claims or unapproved contract change orders was not material in 2011, 2010 or 2009.

### **Contract Loss Reserves**

At October 1, 2011, we had contract loss reserves of \$45 million. For contracts with anticipated losses at completion, a provision for the entire amount of the estimated remaining loss is charged against income in the period in which the loss becomes known. Contract losses are determined considering all direct and indirect contract costs, exclusive of any selling, general or administrative cost allocations that are treated as period expenses. Loss reserves are more common on firm fixed-price contracts that involve, to varying degrees, the design and development of new and unique controls or control systems to meet the customers' specifications.

### **Reserves for Inventory Valuation**

At October 1, 2011, we had net inventories of \$502 million, or 36% of current assets. Reserves for inventory were \$94 million, or 16% of gross inventories. Inventories are stated at the lower-of-cost-or-market with cost determined primarily on the first-in, first-out method of valuation.

We record valuation reserves to provide for slow-moving or obsolete inventory by using both a formula-based method that increases the valuation reserve as the inventory ages and, additionally, a specific identification method. We consider overall inventory levels in relation to firm customer backlog in addition to forecasted demand including aftermarket sales. Changes in these and other factors such as low demand and technological obsolescence could cause us to increase our reserves for inventory valuation, which would negatively impact our gross margin. As we record provisions within cost of sales to increase inventory valuation reserves, we establish a new, lower cost basis for the inventory.

### **Reviews for Impairment of Goodwill**

At October 1, 2011, we had \$735 million of goodwill, or 26% of total assets. We test goodwill for impairment for each of our reporting units at least annually, during our fourth quarter, and whenever events occur or circumstances change in the business climate, poor indicators of operating performance or the sale or disposition of a significant portion of a reporting unit.

We identify our reporting units by assessing whether the components of our operating segments constitute businesses for which discrete financial information is available and segment management regularly reviews the operating results of those components. Certain of our reporting units are our operating segments while others are one level below our operating segments.

When we evaluate the potential for goodwill impairment, we assess a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we proceed to a two-step impairment test.

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In order to perform the two-step impairment test, we use the discounted cash flow method to estimate the fair value of each of our reporting units. The discounted cash flow method incorporates various assumptions, the most significant being 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. The discount rates utilized for each reporting unit reflect management's assumptions of marketplace participants' cost of capital and risk assumptions, both specific to the reporting unit and overall in the economy.

We performed our qualitative assessment during the fourth quarter and determined that it was not more likely than not that the fair value of each of our reporting units was less than that its applicable carrying value. Accordingly, we did not perform the two-step goodwill impairment test for any of our reporting units.

### **Purchase Price Allocations for Business Combinations**

During 2011, we completed three business combinations for a total purchase price of \$58 million. Under purchase accounting, we recorded assets and liabilities at fair value as of the acquisition dates. We identified and ascribed value to programs, customer relationships, patents and technology, trade names, backlog and contracts and estimated the useful lives over which these intangible assets would be amortized. Valuations of these assets were performed largely using discounted cash flow models. These valuations support the conclusion that identifiable intangible assets had a value of \$20 million. The resulting goodwill was \$35 million.

Ascribing value to intangible assets requires estimates used in projecting relevant future cash flows, in addition to estimating useful lives of such assets. Using different assumptions could have a material effect on our current and future amortization expense.

### **Pension Assumptions**

We maintain various defined benefit pension plans covering employees at certain locations. Pension expense for all defined benefit plans for 2011 was \$32 million. Pension obligations and the related costs are determined using actuarial valuations that involve several assumptions. The most critical assumptions are the discount rate and the long-term expected return on assets. Other assumptions include mortality rates, salary increases and retirement age.

The discount rate is used to state expected future cash flows at present value. Using a higher discount rate decreases the present value of pension obligations and reduces pension expense. We used the Mercer Pension Discount Yield Curve to determine the discount rate for our U.S. plans. The discount rate is determined by discounting the plan's expected future benefit payments using a yield curve developed from high quality bonds that are rated Aa or better by Moody's as of the measurement date. The yield curve calculation matches the notional cash inflows of the hypothetical bond portfolio with the expected benefit payments to arrive at the discount rate. In determining expense for 2011 for our largest U.S. plan, we used a 5.3% discount rate, compared to 6.0% for 2010. We will use a 4.8% discount rate to determine our expense in 2012 for this plan. This 50 basis point decrease in the discount rate will increase our pension expense by \$4 million in 2012.

The long-term expected return on assets assumption reflects the average rate of earnings expected on funds invested or to be invested to provide for the benefits included in the projected benefit obligation. In determining the long-term expected return on assets assumption, we consider our current and target asset allocations. We consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk and to provide adequate liquidity to meet immediate and future benefit payment requirements. In determining expense for 2011 for our largest plan, we used an 8.9% return on assets assumption, the same as we used in 2010. A 50 basis point decrease in the long-term expected return on assets assumption would increase our annual pension expense by \$2 million.

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**Deferred Tax Asset Valuation Allowances**

At October 1, 2011, we had gross deferred tax assets of \$257 million and a deferred tax asset valuation allowance of \$4 million. The deferred tax assets principally relate to benefit accruals, inventory obsolescence and contract loss reserves. The deferred tax assets include \$12 million related to tax benefit carry forwards for which \$4 million of deferred tax asset valuation allowances are recorded.

We record a valuation allowance to reduce deferred tax assets to the amount of future tax benefit that we believe is more likely than not to be realized. We consider recent earnings projections, allowable tax carryforward periods, tax planning strategies and historical earnings performance to determine the amount of the valuation allowance. Changes in these factors could cause us to adjust our valuation allowance, which would impact our income tax expense when we determine that these factors have changed.

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

| (dollars in millions except per share data)                           | 2011     | 2010     | 2009     | 2011 vs. 2010 |            | 2010 vs. 2009 |            |
|---|----------|----------|----------|---------------|------------|---------------|------------|
|   |          |          |          | \$ Variance   | % Variance | \$ Variance   | % Variance |
| Net sales   | \$ 2,331 | \$ 2,114 | \$ 1,849 | \$ 217        | 10%        | \$ 265        | 14%        |
| Gross margin  | 29.2%    | 29.0%    | 29.1%    |               |            |               |            |
| Research and development expenses                                     | \$ 106   | \$ 103   | \$ 100   | \$ 3          | 3%         | \$ 3          | 3%         |
| Selling, general and administrative expenses as a percentage of sales | 15.2%    | 14.8%    | 15.2%    |               |            |               |            |
| Restructuring expense   | \$ 1     | \$ 5     | \$ 15    | \$ (4)        | (80%)      | \$ (10)       | (67%)      |
| Interest expense  | \$ 36    | \$ 39    | \$ 39    | \$ (3)        | (8%)       | \$ -          | 0%         |
| Effective tax rate  | 26.0%    | 27.7%    | 23.1%    |               |            |               |            |
| Net earnings  | \$ 136   | \$ 108   | \$ 85    | \$ 28         | 26%        | \$ 23         | 27%        |
| Diluted earnings per share  | \$ 2.95  | 2.36     | 1.98     | \$ 0.59       | 25%        | \$ 0.38       | 19%        |

Our fiscal year ends on the Saturday that is closest to September 30. The consolidated financial statements include 52 weeks for the year ended October 1, 2011, 52 weeks for the year ended October 2, 2010 and 53 weeks for the year ended October 3, 2009. While management believes this affects the comparability of financial results presented, the impact has not been determined.

Net sales increased in 2011 compared to 2010 with strong increases coming from all of our segments with the exception of Components.

The net sales increase in 2010 was predominantly a result of \$200 million of incremental sales from acquisitions, primarily in Aircraft Controls and Industrial Systems.

Our gross margin was relatively unchanged in 2011 compared to 2010, reflecting volume increases and a more favorable product mix, offset by more additions to contract loss reserves. The loss reserves are primarily related to our Aircraft Controls segment. Our gross margin in 2010 was comparable to 2009, reflecting the positive impact of the sales mix in our legacy product lines being offset by the impact of increased sales of lower gross margin products attributable to the recent acquisitions of wind energy and high lift actuation businesses.

Research and development increased modestly in 2011 compared to 2010 as increases on multiple programs, including the Airbus A350 program, were offset by \$13 million of reimbursements for a commercial transport program. Research and development expenses increased modestly in 2010 compared to 2009. Increased expenditures for the Airbus A350 program and the impact from acquisitions were partially offset as development activity continued to decline on the Boeing 787.

Selling, general and administrative expenses as a percentage of sales increased in 2011 compared to 2010 as a result of increased marketing efforts and bid and proposal activity for aerospace programs, partially offset by the efficiencies gained from our higher sales volume. The decrease as a percentage of sales in 2010 compared to 2009 is primarily a result of the impact of acquisitions that had lower selling, general and administrative cost structures than most of our other product lines.

In 2009, we initiated the restructuring plans to better align our cost base with the lower level of sales and operating margins associated with the global economic recession. The restructuring actions taken resulted in workforce reductions, primarily in the U.S., the Philippines and Europe. During 2009, we incurred \$15 million of severance costs, of which \$10 million was in Industrial Systems and \$5 million was in Aircraft Controls. We incurred an additional \$5 million of restructuring charges for severance in 2010.

Interest expense decreased in 2011 compared to 2010 as a result of lower average borrowings and lower interest rates.

The effective tax rate for 2011 is lower than 2010 primarily from the recognition of current and future tax benefits associated with the net operating loss carryforward from one of our foreign operations. The effective tax rate for 2010 was higher than 2009, which had an unusually low tax rate. During 2009, we benefited from a \$5 million foreign tax credit from the repatriation of \$31 million of cash to the U.S. from our Japanese subsidiary, a benefit related to our 2008 tax year as a result of the reinstatement of the U.S. research and development tax credit under the TARP legislation and the benefit of the effect of our equity earnings in LTi REEnergy which were recognized in operating profit on an

after-tax basis.

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In 2010, the diluted earnings per share increase reflected the net earnings growth and the impact of the issuance of additional shares from a stock offering completed at the end of 2009.

**2012 Outlook** - We expect sales in 2012 to increase \$184 million, or 8%, to \$2.52 billion reflecting increases in all of our segments. We expect operating margins to improve to 11.1% in 2012 compared to 10.6% in 2011. We expect operating margins to increase in all of our segments except for Space and Defense Controls. We expect net earnings to increase to \$152 million and diluted earnings per share to increase by 12% to \$3.31.

**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, manpower or profit. Operating profit is reconciled to earnings before income taxes in Note 17 of Item 8, Financial Statements and Supplementary Data of this report.

**Aircraft Controls**

|                                 | 000000 | 000000 | 000000 | 000000        | 000000     | 000000        | 000000     |
|---------------------------------|--------|--------|--------|---------------|------------|---------------|------------|
| (dollars in millions)           | 2011   | 2010   | 2009   | 2011 vs. 2010 |            | 2010 vs. 2009 |            |
|                                 |        |        |        | \$ Variance   | % Variance | \$ Variance   | % Variance |
| Net sales - military aircraft   | \$ 498 | \$ 458 | \$ 419 | \$ 40         | 9%         | \$ 39         | 9%         |
| Net sales - commercial aircraft | 314    | 262    | 214    | 52            | 20%        | 48            | 22%        |
| Net sales - navigation aids     | 38     | 37     | 30     | 1             | 3%         | 7             | 23%        |
| Net sales                       | \$ 850 | \$ 757 | \$ 663 | \$ 93         | 12%        | \$ 94         | 14%        |
| Operating profit                | \$ 84  | \$ 76  | \$ 52  | \$ 8          | 11%        | \$ 24         | 46%        |
| Operating margin                | 9.9%   | 10.1%  | 7.9%   |               |            |               |            |
| Backlog                         | \$ 641 | \$ 567 | \$ 508 | \$ 74         | 13%        | \$ 59         | 12%        |

Military aircraft sales increased \$49 million in aftermarket for 2011 compared to 2010, partially offset by a \$15 million decrease in military fighter programs. The increase in military aftermarket reflects the benefit of some significant upgrade programs on several platforms. Commercial aircraft sales were strong as commercial aftermarket sales increased \$17 million, returning to pre-recession levels. The Boeing 787 production ramp up increased sales \$15 million, which includes the settlement of open scope changes. In addition, sales increased \$7 million on Airbus programs and \$6 million in business jets as that market recovers.

Net sales in Aircraft Controls increased in 2010 resulting from the acquisition of the high lift actuation business located in Wolverhampton, U.K. at the end of 2009 that contributed \$94 million. Military aircraft sales increased with the Wolverhampton operation contributing \$42 million of incremental sales. Sales increased \$21 million on the V-22 Osprey as production levels continued to increase on that program. Sales increased \$18 million in military aftermarket, due in part to the Wolverhampton acquisition. These increases were offset by a \$23 million decrease on the F-35 program as it shifted from the development phase into the production phase. Commercial aircraft sales increased as \$51 million of incremental sales from Wolverhampton more than offset the decrease of \$12 million in business jets. Navigation aids increased \$7 million as a result of the incremental sales from the 2009 Fernau acquisition offset by decreases due to delays in the award of certain military programs.

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Our operating margin was comparable in 2011 and 2010. In 2011, we had lower research and development as a percentage of sales, primarily the result of reimbursements totaling \$13 million on a commercial transport program in 2011, along with the benefits associated with higher volume and sales mix changes toward higher margin business such as military aftermarket. Partially offsetting those positive contributions were increased contract loss reserves of \$20 million. The higher loss reserves are on various commercial programs, including the 787 related to higher cost estimates of early production units and the G280 as a result of changes coming out of flight certification efforts. Our operating margin was higher in 2010 compared to 2009 as a result of lower research and development spending as a percentage of sales in 2010. In addition, during 2009, we incurred \$5 million of restructuring charges and recorded \$4 million of inventory and other charges on certain business jet programs.

The higher level of twelve-month backlog for Aircraft Controls at October 1, 2011 compared to October 2, 2010 reflects strong commercial aircraft orders. The higher level of twelve-month backlog at October 2, 2010 compared to October 3, 2009 reflects strong military aircraft orders.

**2012 Outlook for Aircraft Controls** - We expect sales in Aircraft Controls to increase 11% to \$944 million in 2012. Military aircraft sales are expected to increase 6% to \$528 million, primarily from the ramp up of production on the F-35. Commercial aircraft sales are expected to increase 19% to \$373 million with increases in all product lines, including Boeing 787, Airbus, business jets and aftermarket. Navigation aids are expected to increase to \$44 million. We expect our operating margin to be 11.0% in 2012, an improvement from 2011 in which we recorded significant loss reserves.



**Table of Contents****Space and Defense Controls**

| (dollars in millions) | 2011   | 2010   | 2009   | 2011 vs. 2010 |            | 2010 vs. 2009 |            |
|-----------------------|--------|--------|--------|---------------|------------|---------------|------------|
|                       |        |        |        | \$ Variance   | % Variance | \$ Variance   | % Variance |
| Net sales             | \$ 356 | \$ 325 | \$ 275 | \$ 31         | 10%        | \$ 50         | 18%        |
| Operating profit      | \$ 49  | \$ 36  | \$ 40  | \$ 13         | 36%        | \$ (4)        | (10%)      |
| Operating margin      | 13.8%  | 11.0%  | 14.6%  |               |            |               |            |
| Backlog               | \$ 223 | \$ 213 | \$ 202 | \$ 10         | 5%         | \$ 11         | 5%         |

Net sales in Space and Defense Controls increased in 2011, primarily in two areas, security and surveillance and tactical missiles. Sales increased \$21 million in security and surveillance, a result of our Pieper acquisition and stronger demand in government and industrial markets. Tactical missiles increased \$19 million as a result of a large order for an aircraft stores management system and the replenishment of TOW and Hellfire missile inventory. Partially offsetting those increases was a \$11 million decline in the satellite market, which experienced a record year in 2010 due to an unusually high number of GEO satellite orders last year.

Net sales in Space and Defense Controls increased in 2010 compared to 2009 as sales of tactical missiles increased \$16 million, primarily related to replenishment requirements for both the Hellfire and TOW. Sales of launch vehicles increased \$14 million, principally from the Taurus program, which the Administration considers commercial. Activity on the Driver's Vision Enhancer (DVE) program increased sales by \$14 million, offsetting declines in other defense controls programs. Our acquisitions of Pieper in 2010 and Videolarm midway through 2009 contributed \$11 million of incremental sales in security and surveillance. Sales of satellite controls were also strong, increasing by \$9 million. Sales in our NASA programs increased by \$2 million, but were impacted by the uncertainty and delays by the Administration's re-definition of the Constellation program.

Our operating margin increased significantly in 2011 as a result of the higher sales volume, in particular from a profit rate adjustment on the aircraft stores management system. Export approval for the aircraft stores management system was granted in 2011 which eliminated a significant program risk, thereby allowing us to adjust the profit rate. Our operating margin decreased in 2010 primarily related to a larger proportion of sales coming from lower margin cost-plus development work and \$1 million of restructuring charges.

The higher level of twelve-month backlog for Space and Defense Controls at October 1, 2011 compared to October 2, 2010 reflects increased orders for satellites, launch vehicles and tactical missiles. The higher level of twelve-month backlog at October 2, 2010 compared to October 3, 2009 is primarily as a result of increased orders for the DVE program.

**2012 Outlook for Space and Defense Controls** - We expect sales in Space and Defense Controls to increase \$18 million, or 5%, to \$374 million in 2012. We expect sales increases in tactical missiles and development work for NASA, which will offset a decline on the DVE program. We expect our operating margin in 2012 to decrease to a more normal 11.7% compared to 2011, which was influenced by certain favorable program adjustments.

**Table of Contents****Industrial Systems**

| (dollars in millions) | 00000000 | 00000000 | 00000000 | 00000000      | 00000000   | 00000000      | 00000000   | 00000000 |
|-----------------------|----------|----------|----------|---------------|------------|---------------|------------|----------|
|                       | 2011     | 2010     | 2009     | 2011 vs. 2010 |            | 2010 vs. 2009 |            |          |
|                       |          |          |          | \$ Variance   | % Variance | \$ Variance   | % Variance |          |
| Net sales             | \$ 629   | \$ 546   | \$ 455   | \$ 83         | 15%        | \$ 91         | 20%        |          |
| Operating profit      | \$ 63    | \$ 48    | \$ 31    | \$ 15         | 31%        | \$ 17         | 55%        |          |
| Operating margin      | 10.0%    | 8.8%     | 6.8%     |               |            |               |            |          |
| Backlog               | \$ 284   | \$ 233   | \$ 196   | \$ 51         | 22%        | \$ 37         | 19%        |          |

Net sales in Industrial Systems for 2011 reflect increases in all of our major markets except for wind energy. The broad-based sales recovery reflects the strengthening of business in all of our geographic markets. Sales increased \$21 million in motion simulation, \$15 million in metal forming and presses and \$9 million each in plastics making machinery and power generation and \$7 million each in distribution and heavy industry. Offsetting those increases was a decrease in wind energy of \$22 million, primarily due to the Chinese market, where large customers had built up inventory, allowing them to slow their orders.

Net sales in Industrial Systems increased in 2010, primarily a result of incremental sales from acquisitions, but we also began to see a recovery from the recession in our legacy markets in the latter half of the year. Acquisitions accounted for \$82 million of increased sales, primarily in the wind energy market. Sales also increased \$19 million in plastics making machinery. Those increases were offset by lower sales in other major markets such as motion simulation, which was down \$12 million, and power generation, which was down \$9 million.

Our operating margin for 2011 increased as a result of the higher sales volume in our legacy markets but was tempered by the decline in the wind energy market. Our operating margin for Industrial Systems increased in 2010 compared to 2009. This increase was the result of higher sales volume in 2010 and lower restructuring charges recorded in 2010 compared to 2009. Offsetting those increases was the impact of \$7 million of equity earnings recorded in 2009 for LTi REEnergy before we acquired full ownership.

The higher level of twelve-month backlog for Industrial Systems at October 1, 2011 compared to October 2, 2010 is due primarily to increased demand in most of our major markets due to improving global economic conditions, especially in test equipment and power generation. The higher level of twelve-month backlog for Industrial Systems at October 2, 2010 compared to October 3, 2009 reflects the economic recovery in a variety of markets from the lower level as of October 3, 2009.

**2012 Outlook for Industrial Systems** - We expect sales in Industrial Systems to increase 8% to \$680 million in 2012. We expect sales increases in our major markets, with the largest increases expected in the test equipment, motion simulators and power generation markets. We also expect sales to increase modestly in wind energy. We expect that our operating margin will increase to 10.5% in 2012 as a result of the higher sales volume.

**Table of Contents****Components**

| (dollars in millions) | 00000000 | 00000000 | 00000000 | 00000000      | 00000000   | 00000000      | 00000000   |
|-----------------------|----------|----------|----------|---------------|------------|---------------|------------|
|                       | 2011     | 2010     | 2009     | 2011 vs. 2010 |            | 2010 vs. 2009 |            |
|                       |          |          |          | \$ Variance   | % Variance | \$ Variance   | % Variance |
| Net sales             | \$ 353   | \$ 360   | \$ 346   | \$ (7)        | (2%)       | \$ 14         | 4%         |
| Operating profit      | \$ 50    | \$ 60    | \$ 56    | \$ (10)       | (17%)      | \$ 4          | 7%         |
| Operating margin      | 14.3%    | 16.7%    | 16.1%    |               |            |               |            |
| Backlog               | \$ 163   | \$ 153   | \$ 183   | \$ 10         | 7%         | \$ (30)       | (16%)      |

Net sales in Components decreased in 2011 as sales shifted between markets. Sales increased \$12 million in our industrial business with a recent acquisition contributing \$6 million. Sales increased \$11 million in the marine market, related to off shore oil exploration which is influenced by oil prices, and \$9 million in medical equipment, primarily from sales to Respirationics for sleep apnea equipment. Sales for space and defense controls declined \$22 million, mostly a result of slowing demand for various military vehicles, including our completion of the upgrade program on the Bradley Fighting Vehicle, and a large fiber optic modem order on the Eurofighter we supplied in 2010 which did not repeat in 2011. Sales in the aircraft market declined \$16 million, primarily in military aircraft, reflecting a general softness in 2011 and strong de-icing system sales on the Black Hawk helicopter program in 2010.

Net sales in Components increased in 2010 as aircraft sales increased \$19 million, all on military programs. The largest increase within military aircraft was for de-icing systems on both the Black Hawk helicopter and V-22 tilt rotor aircraft. Industrial sales increased \$9 million, primarily for slip rings for wind turbines. These increases were partially offset as marine sales decreased \$12 million, mostly for equipment used on undersea robots.

Our operating margin decreased in 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, we recorded a \$2 million write down in 2011 on a technology investment in data compression technology for use in CAT scan machines. Our operating margin increased in 2010 compared to 2009 as a result of the higher sales volume and the sales mix.

The higher level of twelve-month backlog at October 1, 2011 compared to October 2, 2010 relates to orders on the Guardian system. The lower level of twelve-month backlog at October 2, 2010 compared to October 3, 2009 primarily relates to slowing orders for space and defense controls and military aircraft programs.

**2012 Outlook for Components** - We expect sales in Components to increase by \$19 million, or 5%, in 2012. We expect the sales growth will come in our industrial markets with half of that coming from our acquisition of Animatics, which we completed in the third quarter of 2011. We expect our operating margin in 2012 to be 15.0%, higher than in 2011 due to the technology investment write off in 2011.

**Table of Contents****Medical Devices**

| (dollars in millions)   | 2011   | 2010   | 2009   | 2011 vs. 2010 |            | 2010 vs. 2009 |            |
|-------------------------|--------|--------|--------|---------------|------------|---------------|------------|
|                         |        |        |        | \$ Variance   | % Variance | \$ Variance   | % Variance |
| Net sales               | \$ 142 | \$ 127 | \$ 111 | \$ 15         | 12%        | \$ 16         | 14%        |
| Operating profit (loss) | -      | \$ (4) | \$ (7) | \$ 4          | 100%       | \$ 3          | 43%        |
| Operating margin        | 0.2%   | (3.2%) | (6.7%) |               |            |               |            |
| Backlog                 | \$ 13  | \$ 15  | \$ 11  | \$ (2)        | (13%)      | \$ 4          | 36%        |

Net sales in Medical Devices for 2011 compared to 2010 increased primarily from our strong sales in both administration sets and sensors and hand pieces, which increased \$7 million and \$5 million, respectively. Our sensors, which are used to detect air bubbles in pumping applications, benefitted from higher demand for one of our customer's pumps due to a recall of certain large volume pumps in the hospital market. In addition, sales of our pumps increased \$4 million. We introduced our new enteral pump in the international market, but that was partially offset by lower sales of our infusion pumps as we completed a voluntary software correction during 2011.

Net sales in Medical Devices increased in 2010 compared to 2009 from sales of administration sets which increased \$7 million, or 17%, and acquisitions that contributed \$4 million of incremental sales.

Our operating margin improved to break-even in 2011 as a result of several factors, including lower costs from having our Costa Rica facility fully operational, the higher sales volume and a more favorable product mix. Offsetting those improvements were warranty costs in 2011 in connection with the voluntary software correction. Our operating margin for Medical Devices was below break-even in 2010. We were negatively impacted by greater than expected start up costs for the production facility in Costa Rica, a high level of product development costs and the build-up of a direct sales force. Our operating margin was lower in 2009 compared to 2010 as a result of lower sales volume, excluding the impact of acquisitions, a shift in product mix and other costs incurred in 2010, which included \$2 million of costs for a voluntary software modification for certain of our enteral feeding pumps and \$1 million of first year purchase accounting adjustments for the Aitecs and Ethox acquisitions.

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

**2012 Outlook for Medical Devices** - We expect sales in Medical Devices to increase \$3 million, or 2%, to \$145 million in 2012. We expect sales increases from new product offerings, including increases of \$5 million in pumps, partially offset by a \$2 million decline in administration sets to a more typical level. We expect our operating margin to improve to 3.4% in 2012 as a result a more favorable product mix and no longer having the costs from the 2011 voluntary infusion pump recall.

**Table of Contents****FINANCIAL CONDITION AND LIQUIDITY**

|                              | 0000000000 | 0000000000 | 0000000000 | 0000000000    | 0000000000 | 0000000000    | 0000000000 | 0000000000 |
|------------------------------|------------|------------|------------|---------------|------------|---------------|------------|------------|
| (dollars in millions)        | 2011       | 2010       | 2009       | 2011 vs. 2010 |            | 2010 vs. 2009 |            |            |
|                              |            |            |            | \$ Variance   | % Variance | \$ Variance   | % Variance |            |
| Net cash provided (used) by: |            |            |            |               |            |               |            |            |
| Operating activities         | \$ 196     | \$ 195     | \$ 118     | \$ 1          | 1%         | \$ 77         | 65%        |            |
| Investing activities         | (121)      | (98)       | (325)      | (23)          | (23%)      | 227           | 70%        |            |
| Financing activities         | (73)       | (66)       | 201        | (7)           | (11%)      | (267)         | (133%)     |            |

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 was virtually unchanged in 2011 compared to 2010. Positive contributions in 2011 came from higher net earnings, increased customer advances and improved collections on receivables, most notably on Boeing 787. Offsetting those positive cash flows were greater use of cash for inventory requirements to fund the sales growth and a higher level of U.S. defined pension contributions. Net cash provided by operating activities increased in 2010, primarily due to increased earnings and non-cash expenses as well as a smaller increase in working capital requirements.

**Investing activities**

Net cash used by investing activities in 2011 includes \$84 million for capital expenditures and \$38 million for three acquisitions, two in Aircraft Controls and one in Components. Net cash used by investing activities in 2010 includes \$66 million for capital expenditures and \$30 million for four acquisitions, two in Space and Defense Controls and one each in Aircraft Controls and Industrial Systems. Net cash used by investing activities of \$325 million in 2009 includes \$261 million for the completion of eight acquisitions and \$82 million for capital expenditures. Those amounts were partially offset by the redemption of \$20 million of supplemental retirement plan investments that were used to purchase \$21 million par value of our 6 1/4% and 7 1/4% senior subordinated notes.

We expect our 2012 capital expenditures to increase to approximately \$105 million. This increase is a result of investments in major program initiatives and facility expansions.

**Financing activities**

Net cash used by financing activities in 2011 primarily reflects pay downs on our U.S. credit facility and \$29 million used for our share repurchase program, under which we purchased the remaining 766,400 shares authorized by our Board of Directors in October 2008. Net cash used by financing activities in 2010 primarily reflects pay downs on our U.S. credit facility and the payment of a note issued for the LTi REEnergy acquisition. Net cash provided by financing activities in 2009 is primarily related to borrowings on our U.S. credit facility to fund most of the acquisitions and net proceeds of \$75 million received from the sale of 2,675,000 shares of Class A common stock at \$29.50 per share. Those amounts were partially offset by the redemption of \$21 million par value of our senior subordinated notes, pay downs of \$17 million on notes payable and \$7 million used for our share repurchase program authorized in October 2008.



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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 was to mature on March 14, 2013. The new revolving credit facility had an outstanding balance of \$333 million at October 1, 2011. Interest on the majority of the outstanding credit facility borrowings is based on LIBOR plus the applicable margin, which was 150 basis points at October 1, 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 of 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 October 1, 2011, we had \$571 million of unused borrowing capacity, including \$555 million from the U.S. credit facility after considering standby letters of credit.

Net debt to capitalization was 34% at October 1, 2011 and 37% 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.

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.

### **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.

**Table of Contents****Contractual Obligations and Commercial Commitments**

Our significant contractual obligations and commercial commitments at October 1, 2011 are as follows:

| (dollars in millions)                | Total           | Payments due by period |               |               |               |
|--------------------------------------|-----------------|------------------------|---------------|---------------|---------------|
|                                      |                 | 2012                   | 2013-2014     | 2015-2016     | After 2016    |
| <b>Contractual Obligations</b>       |                 |                        |               |               |               |
| Long-term debt                       | \$ 716          | \$ 1                   | \$ 3          | \$ 520        | \$ 192        |
| Interest on long-term debt           | 133             | 26                     | 52            | 31            | 24            |
| Operating leases                     | 97              | 20                     | 29            | 17            | 31            |
| Purchase obligations                 | 653             | 436                    | 189           | 6             | 22            |
| <b>Total contractual obligations</b> | <b>\$ 1,599</b> | <b>\$ 483</b>          | <b>\$ 273</b> | <b>\$ 574</b> | <b>\$ 269</b> |

In addition to the obligations in the table above, we have \$8 million recorded for unrecognized tax benefits in current liabilities, which includes \$1 million of related accrued interest. We are unable to determine if and when any of those amounts will be settled, nor can we estimate any potential changes to the unrecognized tax benefits.

Interest on long-term debt consists of payments on fixed-rate debt, primarily our senior subordinated notes.

Total contractual obligations exclude pension obligations. In 2012, we anticipate making contributions of \$8 million to defined benefit pension plans.

| (dollars in millions)               | Total | Commitments expiring by period |           |           |            |
|-------------------------------------|-------|--------------------------------|-----------|-----------|------------|
|                                     |       | 2012                           | 2013-2014 | 2015-2016 | After 2016 |
| <b>Other Commercial Commitments</b> |       |                                |           |           |            |
| Standby letters of credit           | \$ 13 | \$ 8                           | \$ 1      | \$ 2      | \$ 2       |



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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 60% of our 2011 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. Future defense spending may moderate in the coming years as the Administration balances U.S. military commitments and needs with domestic spending. We believe, however, that we are well positioned on key strategic platforms that will not be severely impacted by any U.S. defense budget reductions.

Global demand for air travel generally follows economic growth and, therefore, the commercial OEM market has historically exhibited cyclical swings. 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. Demand for our commercial aerospace products is in large part dependent on new aircraft production, which is increasing as modest global economic growth continues.

The military and government space market is primarily dependent on the authorized levels of funding for satellite communications. Government spending on military satellites has increased along with the military's need for improved intelligence. 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 is impacted by the Administration's willingness to fund those programs. We believe that we are well positioned to benefit from the Administration's decision to replace the retired Space Shuttle.

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 31% of our 2011 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. As global economic conditions have modestly improved, we have seen a recovery in these markets. We experience challenges from the need to react to the demands of our customers, which are in large part sensitive to international and domestic economies. We currently see modest global growth across several of the markets in which we participate and are well positioned for increased demand in renewable energy markets.

**Medical**

Approximately 9% of our 2011 sales were generated in medical markets. The medical markets we serve are influenced by economic conditions, regulatory environments, 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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**Table of Contents****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 2011 sales were denominated in foreign currencies. During 2011, average foreign currency rates generally strengthened against the U.S. dollar compared to 2010. The translation of the results of our foreign subsidiaries into U.S. dollars increased sales by \$32 million compared to the same period one year ago. During 2010, average foreign currency rates generally strengthened against the U.S. dollar compared to 2009. The translation of the results of our foreign subsidiaries into U.S. dollars increased 2010 sales by \$11 million compared to 2009.

**RECENT ACCOUNTING PRONOUNCEMENTS**

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 separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. The new 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 first quarter of 2012. 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 to 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 beginning 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. Other than requiring additional disclosures, the adoption of this amendment will not have a material impact 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. On October 21, 2011, the FASB Board decided that certain presentation requirements concerning reclassification adjustments will be deferred. While the Board is considering the operational concerns about presentation requirements for reclassification adjustments, it stated that the deferral did not affect the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. 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.

See also Note 1 of the Consolidated Financial Statements at Item 8, Financial Statements and Supplementary Data of this report.



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**Item 7A. Quantitative and Qualitative Disclosures about Market Risk.**

In the normal course of business, we are exposed to interest rate risk from our long-term debt and foreign exchange rate risk related to our foreign operations and foreign currency transactions. To manage these risks, we may enter into derivative instruments such as interest rate swaps and foreign currency forward contracts. We do not hold or issue financial instruments for trading purposes. In 2011, our derivative instruments consisted of interest rate swaps designated as cash flow hedges and foreign currency forwards.

At October 1, 2011, we had \$291 million of borrowings subject to variable interest rates. During 2011, our average borrowings subject to variable interest rates were \$286 million and, therefore, if interest rates had been one percentage point higher during 2011, our interest expense would have been \$3 million higher. At October 1, 2011, we had \$50 million notional amount of outstanding interest rate swaps, which mature in the first quarter of 2012. Based on the applicable margin, the interest rate swaps effectively convert this amount of variable-rate debt to fixed-rate debt at 2.6% through their maturities in 2012, at which time the interest will revert back to a variable rate based on LIBOR.

We also enter into forward contracts to reduce fluctuations in foreign currency cash flows related to third party purchases, intercompany product shipments and to reduce exposure on intercompany balances that are denominated in foreign currencies. We have foreign currency forwards with notional amounts of \$181 million outstanding at October 1, 2011 that mature at various times through the first quarter of 2013.

Although the majority of our sales, expenses and cash flows are transacted in U.S. dollars, we have exposure to changes in foreign currency exchange rates such as the euro, British pound and Japanese yen. If average annual foreign exchange rates collectively weakened against the U.S. dollar by 10%, our pre-tax earnings in 2011 would have decreased by \$11 million from foreign currency translation offset by a \$11 million increase from changes in operating margins as a result of foreign currency transactions for products sourced outside of the U.S.

**Table of Contents****Item 8. Financial Statements and Supplementary Data.****MOOG Inc.****Consolidated Statements of Earnings**

| (dollars in thousands, except per share data) | <b>October 1,<br/>2011</b> | Fiscal Years Ended<br>October 2,<br>2010 | October 3,<br>2009 |
|---|----------------------------|--|--------------------|
| NET SALES                                     | <b>\$ 2,330,680</b>        | \$ 2,114,252                             | \$ 1,848,918       |
| COST OF SALES                                 | <b>1,651,203</b>           | 1,501,641                                | 1,311,618          |
| GROSS PROFIT                                  | <b>679,477</b>             | 612,611                                  | 537,300            |
| Research and development                      | <b>106,385</b>             | 102,600                                  | 100,022            |
| Selling, general and administrative           | <b>353,964</b>             | 313,408                                  | 281,173            |
| Restructuring                                 | <b>751</b>                 | 5,125                                    | 15,067             |
| Interest                                      | <b>35,666</b>              | 38,742                                   | 39,321             |
| Other and equity in earnings of LTI           | <b>(1,074)</b>             | 3,300                                    | (8,844)            |
| EARNINGS BEFORE INCOME TAXES                  | <b>183,785</b>             | 149,436                                  | 110,561            |
| INCOME TAXES                                  | <b>47,764</b>              | 41,342                                   | 25,516             |
| NET EARNINGS                                  | <b>\$ 136,021</b>          | \$ 108,094                               | \$ 85,045          |
| <b>NET EARNINGS PER SHARE</b>                 |                            |  |                    |
| Basic   | <b>\$ 2.99</b>             | \$ 2.38                                  | \$ 2.00            |
| Diluted                                       | <b>\$ 2.95</b>             | \$ 2.36                                  | \$ 1.98            |
| <b>AVERAGE COMMON SHARES OUTSTANDING</b>      |                            |  |                    |
| Basic   | <b>45,501,806</b>          | 45,363,738                               | 42,598,321         |
| Diluted                                       | <b>46,047,422</b>          | 45,709,020                               | 42,906,495         |

See accompanying Notes to Consolidated Financial Statements.

**Table of Contents****MOOG Inc.****Consolidated Balance Sheets**

| (dollars in thousands, except per share data)  | October 1,<br>2011  | October 2,<br>2010  |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>CURRENT ASSETS</b>  |                     |                     |
| Cash and cash equivalents  | \$ 113,679          | \$ 112,421          |
| Receivables  | 655,805             | 619,861             |
| Inventories  | 502,373             | 460,857             |
| Deferred income taxes  | 82,513              | 75,367              |
| Prepaid expenses and other current assets  | 26,076              | 23,773              |
| <b>TOTAL CURRENT ASSETS</b>  | <b>1,380,446</b>    | <b>1,292,279</b>    |
| PROPERTY, PLANT AND EQUIPMENT, net   | 503,872             | 486,944             |
| GOODWILL   | 735,021             | 704,816             |
| INTANGIBLE ASSETS, net of accumulated amortization of \$121,114 in 2011 and \$92,326 in 2010 | 197,545             | 205,874             |
| OTHER ASSETS   | 26,083              | 22,221              |
| <b>TOTAL ASSETS</b>  | <b>\$ 2,842,967</b> | <b>\$ 2,712,134</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                     |                     |
| <b>CURRENT LIABILITIES</b>   |                     |                     |
| Notes payable  | \$ 9,283            | \$ 1,991            |
| Current installments of long-term debt   | 1,407               | 5,405               |
| Accounts payable   | 165,893             | 154,321             |
| Accrued salaries, wages and commissions  | 122,200             | 103,628             |
| Customer advances  | 97,331              | 74,703              |
| Contract loss reserves   | 45,173              | 40,810              |
| Other accrued liabilities  | 105,103             | 98,616              |
| <b>TOTAL CURRENT LIABILITIES</b>   | <b>546,390</b>      | <b>479,474</b>      |
| LONG-TERM DEBT, excluding current installments   |                     |                     |
| Senior debt  | 336,161             | 378,707             |
| Senior subordinated notes  | 378,596             | 378,613             |
| LONG-TERM PENSION AND RETIREMENT OBLIGATIONS   | 331,050             | 281,830             |
| DEFERRED INCOME TAXES  | 56,729              | 69,541              |
| OTHER LONG-TERM LIABILITIES  | 2,150               | 3,013               |
| <b>TOTAL LIABILITIES</b>   | <b>1,651,076</b>    | <b>1,591,178</b>    |
| COMMITMENTS AND CONTINGENCIES (Note 18)  | -                   | -                   |
| <b>SHAREHOLDERS' EQUITY</b>  |                     |                     |
| Common stock - par value \$1.00  |                     |                     |
| Class A - Authorized 100,000,000 shares  | 43,535              | 43,486              |
| Issued 43,534,575, and outstanding 41,141,536 shares at October 1, 2011                      |                     |                     |
| Issued 43,485,417, and outstanding 41,263,782 shares at October 2, 2010                      |                     |                     |
| Class B - Authorized 20,000,000 shares. Convertible to Class A on a one-for-one basis        | 7,745               | 7,794               |
| Issued 7,745,138, and outstanding 4,043,697 shares at October 1, 2011                        |                     |                     |
| Issued 7,794,296, and outstanding 4,113,823 shares at October 2, 2010                        |                     |                     |
| Additional paid-in capital   | 412,370             | 389,376             |
| Retained earnings  | 1,016,754           | 880,733             |
| Treasury shares  | (74,479)            | (47,724)            |
| Stock Employee Compensation Trust  | (13,090)            | (13,381)            |

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|   |                     |                     |
|---|---------------------|---------------------|
| Accumulated other comprehensive loss              | (200,944)           | (139,328)           |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 | <b>1,191,891</b>    | <b>1,120,956</b>    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 2,842,967</b> | <b>\$ 2,712,134</b> |

See accompanying Notes to Consolidated Financial Statements.

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**Table of Contents****MOOG Inc.****Consolidated Statements of Shareholders Equity**

| (dollars in thousands)   | Fiscal Years Ended  |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | October 1,<br>2011  | October 2,<br>2010  | October 3,<br>2009  |
| <b>COMMON STOCK</b>  |                     |                     |                     |
| Beginning of year  | \$ 51,280           | \$ 51,280           | \$ 48,605           |
| Sale of Class A Common Stock   | -                   | -                   | 2,675               |
| End of year  | 51,280              | 51,280              | 51,280              |
| <b>ADDITIONAL PAID-IN CAPITAL</b>  |                     |                     |                     |
| Beginning of year  | 389,376             | 381,099             | 311,159             |
| Sale of Class A Common Stock, net of issuance costs  | -                   | -                   | 72,042              |
| Issuance of treasury shares at more than cost  | 17,374              | 433                 | 163                 |
| Equity-based compensation expense  | 6,952               | 5,445               | 5,682               |
| Adjustment to market - SECT, and other   | (1,332)             | 2,399               | (7,947)             |
| End of year  | 412,370             | 389,376             | 381,099             |
| <b>RETAINED EARNINGS</b>   |                     |                     |                     |
| Beginning of year  | 880,733             | 772,639             | 688,585             |
| Net earnings   | 136,021             | 108,094             | 85,045              |
| Adjustment to adopt defined benefit pension plan standard, net of income taxes of \$529        | -                   | -                   | (991)               |
| End of year  | 1,016,754           | 880,733             | 772,639             |
| <b>TREASURY SHARES AT COST</b>   |                     |                     |                     |
| Beginning of year  | (47,724)            | (47,733)            | (40,607)            |
| Class A shares issued as consideration for purchase of Animatics                               | 2,495               | -                   | -                   |
| Class A shares issued related to options   | 828                 | 543                 | 261                 |
| Class A shares purchased   | (30,078)            | (534)               | (7,387)             |
| End of year  | (74,479)            | (47,724)            | (47,733)            |
| <b>STOCK EMPLOYEE COMPENSATION TRUST (SECT)</b>  |                     |                     |                     |
| Beginning of year  | (13,381)            | (11,426)            | (22,179)            |
| Sale of SECT stock to RSP  | 2,852               | 1,732               | 5,593               |
| Purchase of SECT stock   | (3,992)             | (1,296)             | (2,832)             |
| Adjustment to market - SECT  | 1,431               | (2,391)             | 7,992               |
| End of year  | (13,090)            | (13,381)            | (11,426)            |
| <b>ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME</b>   |                     |                     |                     |
| Beginning of year  | (139,328)           | (80,826)            | 8,847               |
| Other comprehensive loss   | (61,616)            | (58,502)            | (89,815)            |
| Adjustment to adopt defined benefit pension plan standard, net of income taxes of \$81 in 2009 | -                   | -                   | 142                 |
| End of year  | (200,944)           | (139,328)           | (80,826)            |
| <b>TOTAL SHAREHOLDERS EQUITY</b>   | <b>\$ 1,191,891</b> | <b>\$ 1,120,956</b> | <b>\$ 1,065,033</b> |
| <b>COMPREHENSIVE INCOME (LOSS)</b>   |                     |                     |                     |



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|  |                    |                    |                    |
|--|--------------------|--------------------|--------------------|
| Net earnings   | \$ 136,021         | \$ 108,094         | \$ 85,045          |
| Other comprehensive income (loss) :                              |                    |                    |                    |
| Foreign currency translation adjustment                          | (9,515)            | (858)              | (1,073)            |
| Retirement liability adjustment                                  | (51,792)           | (57,977)           | (89,062)           |
| Accumulated income (loss) on derivatives adjustment              | (309)              | 333                | 320                |
| <b>COMPREHENSIVE INCOME (LOSS)</b>                               | <b>\$ 74,405</b>   | <b>\$ 49,592</b>   | <b>\$ (4,770)</b>  |
| <b>TREASURY SHARES - CLASS A COMMON STOCK</b>                    |                    |                    |                    |
| Beginning of year  | (2,221,635)        | (2,303,699)        | (2,107,949)        |
| Class A shares issued as consideration for purchase of Animatics | 467,749            | -                  | -                  |
| Shares issued related to options                                 | 155,262            | 101,825            | 48,938             |
| Shares purchased   | (794,415)          | (19,761)           | (244,688)          |
| <b>End of year</b>   | <b>(2,393,039)</b> | <b>(2,221,635)</b> | <b>(2,303,699)</b> |
| <b>TREASURY SHARES - CLASS B COMMON STOCK</b>                    |                    |                    |                    |
| Beginning and end of year  | (3,305,971)        | (3,305,971)        | (3,305,971)        |
| <b>SECT SHARES - CLASS B COMMON STOCK</b>                        |                    |                    |                    |
| Beginning of year  | (374,502)          | (398,552)          | (507,420)          |
| Sale of SECT stock to RSP  | 73,611             | 60,366             | 205,028            |
| Purchase of SECT stock   | (94,579)           | (36,316)           | (96,160)           |
| <b>End of year</b>   | <b>(395,470)</b>   | <b>(374,502)</b>   | <b>(398,552)</b>   |
| See accompanying Notes to Consolidated Financial Statements.     |                    |                    |                    |

**Table of Contents****MOOG Inc.****Consolidated Statements of Cash Flows**

| (dollars in thousands)   | Fiscal Years Ended |                    |                    |
|--|--------------------|--------------------|--------------------|
|  | October 1,<br>2011 | October 2,<br>2010 | October 3,<br>2009 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                    |                    |                    |
| Net earnings   | \$ 136,021         | \$ 108,094         | \$ 85,045          |
| Adjustments to reconcile net earnings to net cash provided by operating activities:              |                    |                    |                    |
| Depreciation   | 64,963             | 61,112             | 54,762             |
| Amortization   | 31,364             | 30,104             | 21,622             |
| Provisions for non-cash losses on contracts, inventories and receivables                         | 71,993             | 54,204             | 43,166             |
| Deferred income taxes  | 2,923              | 11,314             | 13,330             |
| Equity-based compensation expense  | 6,952              | 5,445              | 5,682              |
| Equity in earnings of LTi  | -                  | -                  | (6,717)            |
| Other  | 1,399              | 1,633              | (5,210)            |
| Changes in assets and liabilities providing (using) cash, excluding the effects of acquisitions: |                    |                    |                    |
| Receivables  | (32,723)           | (70,076)           | 25,576             |
| Inventories  | (56,382)           | 10,220             | 984                |
| Other assets   | (5,241)            | 1,074              | (5,043)            |
| Accounts payable and accrued liabilities   | (23,152)           | (7,295)            | (79,236)           |
| Other liabilities  | (24,228)           | (18,136)           | (28,675)           |
| Customer advances  | 22,301             | 7,563              | (7,394)            |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <b>196,190</b>     | <b>195,256</b>     | <b>117,892</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                    |                    |                    |
| Acquisitions of businesses, net of cash acquired   | (37,841)           | (29,843)           | (261,193)          |
| Purchase of property, plant and equipment  | (83,695)           | (65,949)           | (81,688)           |
| Supplemental retirement plan investment redemption   | -                  | -                  | 19,981             |
| Other  | 298                | (2,285)            | (1,843)            |
| <b>NET CASH USED BY INVESTING ACTIVITIES</b>   | <b>(121,238)</b>   | <b>(98,077)</b>    | <b>(324,743)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                    |                    |                    |
| Net proceeds (repayments) of notes payable   | 4,952              | (15,830)           | (16,996)           |
| Proceeds from revolving lines of credit  | 676,930            | 543,319            | 1,173,249          |
| Payments on revolving lines of credit  | (714,452)          | (591,505)          | (1,003,659)        |
| Payments on long-term debt, other than senior subordinated notes                                 | (8,117)            | (2,795)            | (2,331)            |
| Payments on senior subordinated notes  | -                  | -                  | (19,981)           |
| Proceeds from sale of Class A common stock, net of issuance costs                                | -                  | -                  | 74,717             |
| Proceeds from sale of treasury stock   | 1,912              | 976                | 424                |
| Purchase of outstanding shares for treasury  | (30,078)           | (534)              | (7,387)            |
| Proceeds from sale of stock held by Stock Employee Compensation Trust                            | 2,852              | 1,732              | 5,593              |
| Purchase of stock held by Stock Employee Compensation Trust                                      | (3,992)            | (1,296)            | (2,832)            |
| Excess tax benefits from equity-based payment arrangements                                       | 135                | 6                  | 43                 |
| Other financing transactions   | (2,933)            | -                  | -                  |
| <b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>  | <b>(72,791)</b>    | <b>(65,927)</b>    | <b>200,840</b>     |
| Effect of exchange rate changes on cash  | (903)              | (324)              | 690                |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>  | <b>1,258</b>       | <b>30,928</b>      | <b>(5,321)</b>     |

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|  |                   |            |           |
|--|-------------------|------------|-----------|
| Cash and cash equivalents at beginning of year                   | <b>112,421</b>    | 81,493     | 86,814    |
| Cash and cash equivalents at end of year                         | <b>\$ 113,679</b> | \$ 112,421 | \$ 81,493 |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>                        |                   |            |           |
| Cash paid for:   |                   |            |           |
| Interest   | <b>\$ 34,582</b>  | \$ 37,492  | \$ 39,119 |
| Income taxes, net of refunds                                     | <b>32,112</b>     | 23,744     | 24,630    |
| Non-cash investing and financing activities:                     |                   |            |           |
| Treasury shares issued as consideration for acquisitions         | <b>\$ 18,785</b>  | \$ -       | \$ -      |
| Unsecured notes issued as partial consideration for acquisitions | -                 | 2,350      | 13,451    |
| Equipment acquired through financing                             | -                 | -          | 138       |

See accompanying Notes to Consolidated Financial Statements.

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**Notes to Consolidated Financial Statements**

(dollars in thousands, except per share data)

**Note 1 - Summary of Significant Accounting Policies**

**Consolidation:** The consolidated financial statements include the accounts of Moog Inc. and all of our U.S. and foreign subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

**Fiscal Year:** Our fiscal year ends on the Saturday that is closest to September 30. The consolidated financial statements include 52 weeks for the year ended October 1, 2011, 52 weeks for the year ended October 2, 2010 and 53 weeks for the year ended October 3, 2009. While management believes this affects the comparability of financial statements presented, the impact has not been determined.

**Operating Cycle:** Consistent with industry practice, aerospace and defense related inventories, unbilled recoverable costs and profits on long-term contract receivables, customer advances and contract loss reserves include amounts relating to contracts having long production and procurement cycles, portions of which are not expected to be realized or settled within one year.

**Foreign Currency Translation:** Assets and liabilities of subsidiaries that prepare financial statements in currencies other than the U.S. dollar are translated using rates of exchange as of the balance sheet date and the statements of earnings are translated at the average rates of exchange for each reporting period.

**Use of Estimates:** The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates and assumptions.

**Revenue Recognition:** We recognize revenue using either the percentage of completion method for contracts or as units are delivered or services are performed.

**Percentage of completion method for contracts:** Revenue representing 29% of 2011 sales was accounted for using the percentage of completion, cost-to-cost method of accounting. This method of revenue recognition is predominantly used within the Aircraft Controls and Space and Defense Controls segments due to the contractual nature of the business activities, with the exception of their respective aftermarket activities. The contractual arrangements are either firm fixed-price or cost-plus contracts and are primarily with the U.S. Government or its prime subcontractors, foreign governments or commercial aircraft manufacturers, including Boeing and Airbus. The nature of the contractual arrangements includes customers' requirements for delivery of hardware as well as funded nonrecurring development work in anticipation of follow-on production orders.

Revenue on contracts using the percentage of completion, cost-to-cost method of accounting is recognized as work progresses toward completion as determined by the ratio of cumulative costs incurred to date to estimated total contract costs at completion, multiplied by the total estimated contract revenue, less cumulative revenue recognized in prior periods. Changes in estimates affecting sales, costs and profits are recognized in the period in which the change becomes known using the cumulative catch-up method of accounting, resulting in the cumulative effect of changes reflected in the period. Estimates are reviewed and updated quarterly for substantially all contracts. A significant change in an estimate on one or more contracts could have a material effect on our results of operations.

Occasionally, it is appropriate to combine or segment contracts. Contracts are combined in those limited circumstances when they are negotiated as a package in the same economic environment with an overall profit margin objective and constitute, in essence, an agreement to do a single project. In such cases, revenue and costs are recognized over the performance period of the combined contracts as if they were one. Contracts are segmented in limited circumstances if the customer had the right to accept separate elements of the contract and the total amount of the proposals on the separate components approximated the amount of the proposal on the entire project. For segmented contracts, revenue and costs are recognized as if they were separate contracts over the performance periods of the individual elements or phases.

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Contract costs include only allocable, allowable and reasonable costs, as determined in accordance with the Federal Acquisition Regulations and the related Cost Accounting Standards for applicable U.S. Government contracts, and are included in cost of sales when incurred. The nature of these costs includes development engineering costs and product manufacturing costs including direct material, direct labor, other direct costs and indirect overhead costs. Contract profit is recorded as a result of the revenue recognized less costs incurred in any reporting period. Amounts representing performance incentives, penalties, contract claims or change orders are considered in estimating revenues, costs and profits when they can be reliably estimated and realization is considered probable. Revenue recognized on contracts for unresolved claims or unapproved contract change orders was not material for 2011, 2010 or 2009.

For contracts with anticipated losses at completion, a provision for the entire amount of the estimated remaining loss is charged against income in the period in which the loss becomes known. Contract losses are determined considering all direct and indirect contract costs, exclusive of any selling, general or administrative cost allocations that are treated as period expenses. Loss reserves are more common on firm fixed-price contracts that involve, to varying degrees, the design and development of new and unique controls or control systems to meet the customers specifications.

**As units are delivered or services are performed:** In 2011, 71% of our sales were recognized as units were delivered or as service obligations were satisfied. Revenue is recognized when the risks and rewards of ownership and title to the product are transferred to the customer. When engineering or similar services are performed, revenue is recognized upon completion of the obligation including any delivery of engineering drawings or technical data. This method of revenue recognition is predominantly used within the Industrial Systems, Components and Medical Devices segments, as well as with aftermarket activity. Profits are recorded as costs are relieved from inventory and charged to cost of sales and as revenue is recognized. Inventory costs include all product manufacturing costs such as direct material, direct labor, other direct costs and indirect overhead cost allocations.

**Shipping and Handling Costs:** Shipping and handling costs are included in cost of sales.

**Research and Development:** Research and development costs are expensed as incurred and include salaries, benefits, consulting, material costs and depreciation.

**Bid and Proposal Costs:** Bid and proposal costs are expensed as incurred and classified as selling, general and administrative expenses.

**Equity-Based Compensation:** Equity-based compensation expense is included in selling, general and administrative expenses.

**Earnings Per Share:** Basic and diluted weighted-average shares outstanding are as follows:

|   | 2011       | 2010       | 2009       |
|---|------------|------------|------------|
| Basic weighted-average shares outstanding   | 45,501,806 | 45,363,738 | 42,598,321 |
| Dilutive effect of equity-based awards      | 545,616    | 345,282    | 308,174    |
| Diluted weighted-average shares outstanding | 46,047,422 | 45,709,020 | 42,906,495 |

**Cash and Cash Equivalents:** All highly liquid investments with an original maturity of three months or less are considered cash equivalents.

**Allowance for Doubtful Accounts:** The allowance for doubtful accounts is based on our assessment of the collectibility of customer accounts. The allowance is determined by considering factors such as historical experience, credit quality, age of the accounts receivable balances and current economic conditions that may affect a customer's ability to pay.

**Inventories:** Inventories are stated at the lower-of-cost-or-market with cost determined on the first-in, first-out (FIFO) method of valuation.

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**Property, Plant and Equipment:** Property, plant and equipment are stated at cost. Plant and equipment are depreciated principally using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 15 years for building improvements, 12 years for furniture and fixtures, 10 years for machinery and equipment, 8 years for tooling and test equipment and 3 to 4 years for computer hardware. Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the asset, whichever is shorter.

**Goodwill:** We test goodwill for impairment at the reporting unit level on an annual basis or more frequently if an event occurs or circumstances change that indicate that the fair value of a reporting unit is likely to be below its carrying amount. We first assess a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we proceed to a two-step impairment test. There were no impairment charges recorded in 2011, 2010 or 2009.

**Acquired Intangible Assets:** Acquired identifiable intangible assets are recorded at cost and are amortized over their estimated useful lives. There were no identifiable intangible assets with indefinite lives at October 1, 2011.

**Impairment of Long-Lived Assets:** Long-lived assets, including acquired identifiable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. We use undiscounted cash flows to determine whether impairment exists and measure any impairment loss using discounted cash flows. There were no impairment charges recorded in 2011, 2010 or 2009.

**Product Warranties:** In the ordinary course of business, we warrant our products against defect 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:

|  | 2011      | 2010      | 2009      |
|--|-----------|-----------|-----------|
| Warranty accrual at beginning of year  | \$ 14,856 | \$ 14,675 | \$ 10,015 |
| Additions from acquisitions            | 120       | 213       | 4,436     |
| Warranties issued during current year  | 11,426    | 6,729     | 7,456     |
| Adjustments to pre-existing warranties | 713       | 186       | 780       |
| Reductions for settling warranties     | (7,865)   | (6,831)   | (8,048)   |
| Foreign currency translation           | (3)       | (116)     | 36        |
| Warranty accrual at end of year        | \$ 19,247 | \$ 14,856 | \$ 14,675 |

**Financial Instruments:** Our financial instruments consist primarily of cash and cash equivalents, receivables, notes payable, accounts payable, long-term debt, interest rate swaps and foreign currency forwards. The carrying values for our financial instruments approximate fair value with the exception at times of long-term debt. See Note 7, Indebtedness, for fair value of long-term debt. We do not hold or issue financial instruments for trading purposes.

We carry derivative instruments on the balance sheet at fair value, determined by reference to quoted market prices. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. Our use of derivative instruments is generally limited to cash flow hedges of certain interest rate risks and minimizing foreign currency exposure on foreign currency transactions, which are typically designated in hedging relationships, and intercompany balances, which are not designated as hedging instruments. Cash flows resulting from forward contracts are accounted for as hedges of identifiable transactions or events and classified in the same category as the cash flows from the items being hedged.

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**Recent Accounting Pronouncements:** In September 2006, the Financial Accounting Standards Board (FASB) issued new standards on defined benefit pension plans as codified in Accounting Standards Codification (ASC) 715. This standard requires an entity to measure a defined benefit postretirement plan's assets and obligations that determine its funded status as of the end of the employers' fiscal year. We adopted the measurement date provisions of this standard as of September 28, 2008, the effect of which reduced retained earnings by \$991 and increased accumulated other comprehensive income by \$142.

In June 2009, the FASB issued new standards on consolidation as codified in 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 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.

In September 2011, the FASB issued ASU No. 2011-08, Intangibles—Goodwill and Other (Topic 350)—Testing Goodwill for Impairment. The amendment permits entities to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing relevant events or circumstances, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to follow the existing provisions of the two-step impairment test. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. We adopted the new guidance for our annual goodwill impairment test, which we tested in the fourth quarter. The adoption of this standard did not have a material impact on our consolidated financial statements.

**Table of Contents****Note 2 - 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 and such amounts are reflected in the respective captions on the balance sheet. All of the following acquisitions, with the exception of the 2011 military aftermarket business, resulted in goodwill being recorded as a result of the respective purchase price allocations.

In 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 \$2,373 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. 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 - Receivables**

Receivables consist of:

|  | October 1,<br>2011 | October 2,<br>2010 |
|--|--------------------|--------------------|
| Accounts receivable                            | \$ 338,381         | \$ 311,966         |
| Long-term contract receivables:                |                    |                    |
| Amounts billed                                 | 94,420             | 95,465             |
| Unbilled recoverable costs and accrued profits | 216,667            | 203,373            |
| Total long-term contract receivables           | 311,087            | 298,838            |
| Other  | 11,055             | 13,870             |
| Total receivables                              | 660,523            | 624,674            |
| Less allowance for doubtful accounts           | (4,718)            | (4,813)            |
| Receivables                                    | \$ 655,805         | \$ 619,861         |



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Long-term contract receivables are primarily associated with prime contractors and subcontractors in connection with U.S. Government contracts, commercial aircraft and satellite manufacturers. Amounts billed under long-term contracts to the U.S. Government were \$12,237 at October 1, 2011 and \$18,179 at October 2, 2010. Unbilled recoverable costs and accrued profits under long-term contracts to be billed to the U.S. Government were \$6,861 at October 1, 2011 and \$7,638 at October 2, 2010. Unbilled recoverable costs and accrued profits principally represent revenues recognized on contracts that were not billable on the balance sheet date. These amounts will be billed in accordance with contract terms, generally as certain milestones are reached or upon shipment. Approximately three-quarters of unbilled amounts are expected to be collected within one year. In situations where billings exceed revenues recognized, the excess is included in customer advances.

There are no material amounts of claims or unapproved change orders included in the balance sheet. Balances billed but not paid by customers under retainage provisions are not material.

Concentrations of credit risk on receivables are limited to those from significant customers who are believed to be financially sound. Receivables from Boeing were \$117,072 at October 1, 2011 and \$122,345 at October 2, 2010. We perform periodic credit evaluations of our customers' financial condition and generally do not require collateral.

**Note 4 - Inventories**

Inventories, net of reserves, consist of:

|                                   | October 1,<br>2011 | October 2,<br>2010 |
|-----------------------------------|--------------------|--------------------|
| Raw materials and purchased parts | \$ 197,347         | \$ 179,375         |
| Work in progress                  | 235,428            | 221,128            |
| Finished goods                    | 69,598             | 60,354             |
| Inventories                       | \$ 502,373         | \$ 460,857         |

**Note 5 - Property, Plant and Equipment**

Property, plant and equipment consists of:

|  | October 1,<br>2011 | October 2,<br>2010 |
|--|--------------------|--------------------|
| Land   | \$ 27,286          | \$ 26,779          |
| Buildings and improvements                     | 341,716            | 320,165            |
| Machinery and equipment                        | 648,021            | 597,916            |
| Property, plant and equipment, at cost         | 1,017,023          | 944,860            |
| Less accumulated depreciation and amortization | (513,151)          | (457,916)          |
| Property, plant and equipment                  | \$ 503,872         | \$ 486,944         |

Assets under capital leases included in property, plant and equipment are summarized as follows:

|                                      | October 1,<br>2011 | October 2,<br>2010 |
|--------------------------------------|--------------------|--------------------|
| Assets under capital leases, at cost | \$ 3,751           | \$ 3,925           |
| Less accumulated amortization        | (2,048)            | (1,334)            |
| Net assets under capital leases      | \$ 1,703           | \$ 2,591           |



**Table of Contents****Note 6 - Goodwill and Intangible Assets**

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

|  | Aircraft<br>Controls | Space<br>and<br>Defense<br>Controls | Industrial<br>Systems | Components        | Medical<br>Devices | Total             |
|--|----------------------|-------------------------------------|-----------------------|-------------------|--------------------|-------------------|
| Balance at September 27, 2008          | \$ 103,925           | \$ 81,790                           | \$ 102,338            | \$ 160,717        | \$ 111,965         | \$ 560,735        |
| Acquisitions                           | 74,219               | 25,012                              | 21,027                | -                 | 15,024             | 135,282           |
| Foreign currency translation           | 2,550                | -                                   | 790                   | (1,358)           | 460                | 2,442             |
| Balance at October 3, 2009             | 180,694              | 106,802                             | 124,155               | 159,359           | 127,449            | 698,459           |
| Acquisitions                           | 4,917                | 14,201                              | 577                   | -                 | -                  | 19,695            |
| Adjustments to prior year acquisitions | (11,903)             | -                                   | -                     | -                 | (82)               | (11,985)          |
| Foreign currency translation           | (201)                | 620                                 | (2,612)               | 1,537             | (697)              | (1,353)           |
| Balance at October 2, 2010             | 173,507              | 121,623                             | 122,120               | 160,896           | 126,670            | 704,816           |
| Acquisitions                           | 22,464               | -                                   | -                     | 12,404            | -                  | 34,868            |
| Adjustments to prior year acquisitions | (903)                | 22                                  | 84                    | -                 | (138)              | (935)             |
| Foreign currency translation           | (1,016)              | (229)                               | (1,370)               | (769)             | (344)              | (3,728)           |
| <b>Balance at October 1, 2011</b>      | <b>\$ 194,052</b>    | <b>\$ 121,416</b>                   | <b>\$ 120,834</b>     | <b>\$ 172,531</b> | <b>\$ 126,188</b>  | <b>\$ 735,021</b> |

Adjustments to prior year acquisitions in 2010 relate primarily to a business combination completed in the last week of 2009. We revised our estimates of the purchase price allocation based on obtaining additional information related to certain assets and liabilities acquired.

The components of acquired intangible assets are as follows:

|                            | Weighted-<br>Average<br>Life (Years) | October 1, 2011             |                             | October 2, 2010             |                             |
|----------------------------|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                            |                                      | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization |
| Customer-related           | 10                                   | \$ 159,861                  | \$ (64,420)                 | \$ 148,722                  | \$ (49,781)                 |
| Program-related            | 18                                   | 64,887                      | (9,163)                     | 63,796                      | (5,275)                     |
| Technology-related         | 9                                    | 61,276                      | (28,876)                    | 54,743                      | (22,117)                    |
| Marketing-related          | 9                                    | 23,669                      | (13,828)                    | 22,256                      | (11,548)                    |
| Contract-related           | 3                                    | 3,238                       | (2,156)                     | 3,312                       | (1,104)                     |
| Artistic-related           | 10                                   | 25                          | (25)                        | 25                          | (22)                        |
| Acquired intangible assets | 11                                   | \$ 312,956                  | \$ (118,468)                | \$ 292,854                  | \$ (89,847)                 |

All acquired intangible assets other than goodwill are 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 software. 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 \$28,948 in 2011, \$28,280 in 2010 and \$19,734 in 2009. Based on acquired intangible assets recorded at October 1, 2011, amortization is estimated to be \$29,747 in 2012, \$25,794 in 2013, \$23,492 in 2014, \$20,694 in 2015 and \$18,766 in 2016.



**Table of Contents****Note 7 - Indebtedness**

Long-term debt consists of:

|  | 000000000000       | 000000000000       |
|--|--------------------|--------------------|
|  | October 1,<br>2011 | October 2,<br>2010 |
| U.S. revolving credit facility                   | \$ 332,874         | \$ 371,179         |
| Other revolving credit facilities and term loans | 4,115              | 11,914             |
| Obligations under capital leases                 | 579                | 1,019              |
| Senior debt                                      | 337,568            | 384,112            |
| 6 1/4% senior subordinated notes                 | 187,021            | 187,038            |
| 7 1/4% senior subordinated notes                 | 191,575            | 191,575            |
| Total long-term debt                             | 716,164            | 762,725            |
| Less current installments                        | (1,407)            | (5,405)            |
| Long-term debt                                   | \$ 714,757         | \$ 757,320         |

On March 18, 2011, we amended our U.S. revolving credit facility. Our new revolving credit facility, which matures on March 18, 2016, increased our borrowing capacity to \$900,000. Previously our credit facility consisted of a \$750,000 revolver, which matured on March 14, 2013. The credit facility is secured by substantially all of our U.S. assets. The loan agreement contains various covenants which, among others, specify interest coverage and maximum leverage and capital expenditures. We are in compliance with all covenants. Interest on the majority of the outstanding credit facility borrowings is 1.9% and is based on LIBOR plus the applicable margin, which was 150 basis points at October 1, 2011. Interest on the remaining outstanding credit facility borrowings is 3.8% and is based on prime plus the applicable margin, which was 75 basis points at October 1, 2011.

In addition to our U.S. revolving credit facility, we maintain short-term credit facilities with banks throughout the world. These credit facilities are principally demand lines subject to revision by the banks. At October 1, 2011, we had \$570,667 of unused borrowing capacity, including \$554,533 from the U.S. credit facility. Commitment fees are charged on some of these arrangements and on the U.S. credit facility based on a percentage of the unused amounts available and are not material.

Other revolving credit facilities and term loans at October 1, 2011 consist of financing provided by various banks and lenders to certain subsidiaries. These loans are being repaid through 2013 and carry interest rates ranging from 2.0% to 5.6%.

We have outstanding \$187,000 aggregate principal amount of 6 1/4% senior subordinated notes due January 15, 2015, a portion of which were sold at amounts in excess of par. Interest is paid semiannually on January 15 and July 15 of each year. We also have outstanding \$191,575 aggregate principal amount of 7 1/4% senior subordinated notes due June 15, 2018. Interest is paid semiannually on June 15 and December 15 of each year. We purchased \$13,000 of the 6 1/4% senior subordinated notes and \$8,425 of the 7 1/4% senior subordinated notes in 2009, which resulted in a recognized gain of \$1,444. Both the 6 1/4% and 7 1/4% senior subordinated notes are unsecured, general obligations, subordinated in right of payment to all existing and future senior indebtedness and contain normal incurrence-based covenants.

Maturities of long-term debt are \$1,407 in 2012, \$3,286 in 2013, \$0 in 2014, \$187,021 in 2015, \$332,874 in 2016 and \$191,576 thereafter.

At October 1, 2011, we had pledged assets with a net book value of \$1,370,074 as security for long-term debt.

Our only financial instrument for which the carrying value at times differs from its fair value is long-term debt. At October 1, 2011, the fair value of long-term debt was \$720,453 compared to its carrying value of \$716,164. The fair value of long-term debt was estimated based on

quoted market prices.

**Table of Contents****Note 8 - 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 October 1, 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 2.6%, including the applicable margin of 150 basis points as of October 1, 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 \$14,174 at October 1, 2011. These contracts mature at various times through the first quarter of 2013.

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, 2010 or 2009.

Activity in Accumulated Other Comprehensive Income (Loss) (AOCI) related to these derivatives is summarized below:

|  | 00000000000        | 00000000000        |
|--|--------------------|--------------------|
|  | October 1,<br>2011 | October 2,<br>2010 |
| Balance at beginning of period                       | \$ 144             | \$ (189)           |
| Net deferral in AOCI of derivatives:                 |                    |                    |
| Net (decrease) increase in fair value of derivatives | (122)              | 193                |
| Tax effect   | 34                 | (82)               |
|  | (88)               | 111                |
| Net reclassification from AOCI into earnings:        |                    |                    |
| Reclassification from AOCI into earnings             | (346)              | 292                |
| Tax effect   | 125                | (70)               |
|  | (221)              | 222                |
| Balance at end of period                             | \$ (165)           | \$ 144             |

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Activity and classification of derivatives are as follows:

|                           | 00000000<br>Statement of earnings<br>classification | 00000000<br>Net deferral in AOCI of derivatives<br>(effective portion)<br>2011 | 00000000<br>2010 |
|---------------------------|---|--|------------------|
| Interest rate swaps       | Interest expense                                    | \$ (83)  | \$ (768)         |
| Foreign currency forwards | Cost of sales                                       | (39)   | 961              |
| Net gain (loss)           |   | \$ (122)   | \$ 193           |

|                           | 00000000<br>Statement of earnings<br>classification | 00000000<br>Net reclassification from AOCI into<br>earnings (effective portion)<br>2011 | 00000000<br>2010 |
|---------------------------|---|---|------------------|
| Interest rate swaps       | Interest expense                                    | \$ (423)  | \$ (615)         |
| Foreign currency forwards | Cost of sales                                       | 769   | 323              |
| Net gain (loss)           |   | \$ 346  | \$ (292)         |

**Derivatives not designated as hedging instruments**

We also have foreign currency exposure on intercompany balances that are denominated in a foreign currency 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 have foreign currency forwards with notional amounts of \$167,285 at October 1, 2011. The foreign currency forwards are recorded in the balance sheet at fair value and resulting gains or losses are recorded in the statements of earnings. We recorded a net loss of \$3,994 in 2011 and a net gain of \$310 in 2010 on the foreign currency forwards. These gains and losses are included in other income or expense and generally offset the gains and losses from the foreign currency adjustments on the intercompany balances.



**Table of Contents**Summary of derivatives

The fair value and classification of derivatives is summarized as follows:

|   | 0000000                     | 0000000<br>October 1,<br>2011 | 0000000<br>October 2,<br>2010 |
|---|-----------------------------|-------------------------------|-------------------------------|
| <b>Derivatives designated as hedging instruments:</b>     |                             |                               |                               |
| Foreign currency forwards                                 | Other current assets        | \$ 25                         | \$ 498                        |
| Foreign currency forwards                                 | Other assets                | -                             | 92                            |
|   |                             | \$ 25                         | \$ 590                        |
| Foreign currency forwards                                 | Other accrued liabilities   | \$ 143                        | \$ -                          |
| Foreign currency forwards                                 | Other long-term liabilities | 81                            | -                             |
| Interest rate swaps                                       | Other accrued liabilities   | 102                           | 381                           |
| Interest rate swaps                                       | Other long-term liabilities | -                             | 63                            |
|   |                             | \$ 326                        | \$ 444                        |
| <b>Derivatives not designated as hedging instruments:</b> |                             |                               |                               |
| Foreign currency forwards                                 | Other current assets        | \$ 1,524                      | \$ 3,101                      |
| Foreign currency forwards                                 | Other assets                | -                             | 74                            |
|   |                             | \$ 1,524                      | \$ 3,175                      |
| Foreign currency forwards                                 | Other accrued liabilities   | \$ 2,640                      | \$ 2,346                      |
| Foreign currency forwards                                 | Other long-term liabilities | -                             | 61                            |
|   |                             | \$ 2,640                      | \$ 2,407                      |

**Table of Contents****Note 9 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.

The following table presents the fair values and classification of our financial assets and liabilities measured on a recurring basis as of October 1, 2011:

|                                      | 00000000<br>Classification  | 00000000<br>Level 1 | 00000000<br>Level 2 | 00000000<br>Level 3 | 00000000<br>Total |
|--------------------------------------|-----------------------------|---------------------|---------------------|---------------------|-------------------|
| Foreign currency forwards            | Other current assets        | \$ -                | \$ 1,549            | \$ -                | \$ 1,549          |
|                                      |                             | \$ -                | \$ 1,549            | \$ -                | \$ 1,549          |
| Foreign currency forwards            | Other accrued liabilities   | \$ -                | \$ 2,783            | \$ -                | \$ 2,783          |
| Foreign currency forwards            | Other long-term liabilities | -                   | 81                  | -                   | 81                |
| Interest rate swaps                  | Other accrued liabilities   | -                   | 102                 | -                   | 102               |
| Acquisition contingent consideration | Other accrued liabilities   | -                   | -                   | 760                 | 760               |
| Acquisition contingent consideration | Other long-term liabilities | -                   | -                   | 1,230               | 1,230             |
|                                      |                             | \$ -                | \$ 2,966            | \$ 1,990            | \$ 4,956          |

The following is a roll forward of financial liabilities classified as Level 3 within the fair value hierarchy.

|   | 00000000<br>2011 | 00000000<br>2010 |
|---|------------------|------------------|
| Balance at beginning of year  | \$ 3,112         | \$ -             |
| Additions from acquisitions   | -                | 3,000            |
| Increase in discounted future cash flows recorded as interest expense | 483              | 112              |
| Decrease in earn out provisions recorded as other income              | (1,585)          | -                |
| Settlements paid in cash  | (20)             | -                |

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Balance at end of year

\$ 1,990 \$ 3,112

**Table of Contents****Note 10 - 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 are largely complete and have resulted in workforce reductions, primarily in the U.S., the Philippines and Europe.

Restructuring expense by segment is as follows:

|                            | 0000000000<br><b>2011</b> | 0000000000<br><b>2010</b> | 0000000000<br><b>2009</b> |
|----------------------------|---------------------------|---------------------------|---------------------------|
| Aircraft Controls          | \$ (182)                  | \$ 2,423                  | \$ 4,940                  |
| Space and Defense Controls | 38                        | 1,106                     | 59                        |
| Industrial Systems         | 518                       | 717                       | 9,695                     |
| Components                 | 38                        | 512                       | 84                        |
| Medical Devices            | 339                       | 367                       | 289                       |
| Total                      | \$ 751                    | \$ 5,125                  | \$ 15,067                 |

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.

Restructuring activity is as follows:

|                                  | 0000000000<br><b>2011</b> | 0000000000<br><b>2010</b> |
|----------------------------------|---------------------------|---------------------------|
| Balance at beginning of period   | \$ 3,389                  | \$ 14,332                 |
| Charged to expense               | 751                       | 5,125                     |
| Cash payments                    | (3,860)                   | (14,855)                  |
| Reserves for acquired businesses | -                         | (791)                     |
| Foreign currency translation     | 3                         | (422)                     |
| Balance at end of period         | \$ 283                    | \$ 3,389                  |

Included above are \$326 of cash payments and an ending accrual of \$13 for the 2011 Medical Devices restructuring plan.

**Note 11 - Employee Benefit Plans**

We maintain multiple employee benefit plans, covering employees at certain locations.

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Our qualified U.S. defined benefit pension plan is not open to new entrants. New employees are not eligible to participate in the pension plan. Instead, we make contributions for those employees to an employee-directed investment fund in the Moog Inc. Retirement Savings Plan (RSP). The Company's contributions are based on a percentage of the employee's eligible compensation and age. These contributions are in addition to the employer match on voluntary employee contributions.

The RSP includes an Employee Stock Ownership Plan. As one of the investment alternatives, participants in the RSP can acquire our stock at market value. We match 25% of the first 2% of eligible compensation contributed to any investment selection. Shares are allocated and compensation expense is recognized as the employer share match is earned. At October 1, 2011, the participants in the RSP owned 795,733 Class A shares and 1,962,425 Class B shares.

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The changes in projected benefit obligations and plan assets and the funded status of the U.S. and non-U.S. defined benefit plans are as follows:

|  | 000000000000        | 000000000000        | 000000000000       | 000000000000       |
|--|---------------------|---------------------|--------------------|--------------------|
|  | U.S. Plans          |                     | Non-U.S. Plans     |                    |
|  | 2011                | 2010                | 2011               | 2010               |
| <b>Change in projected benefit obligation:</b>                       |                     |                     |                    |                    |
| Projected benefit obligation at prior year measurement date          | \$ 556,010          | \$ 459,853          | \$ 141,022         | \$ 108,623         |
| Service cost   | 22,566              | 18,718              | 4,804              | 3,139              |
| Interest cost  | 28,683              | 27,067              | 6,260              | 5,868              |
| Contributions by plan participants                                   | -                   | -                   | 873                | 724                |
| Actuarial losses (gains)   | 45,358              | 65,897              | (14,825)           | 27,802             |
| Foreign currency exchange impact                                     | -                   | -                   | (1,601)            | (1,674)            |
| Benefits paid from plan assets                                       | (15,777)            | (14,699)            | (2,020)            | (1,179)            |
| Benefits paid by Moog  | (905)               | (826)               | (2,530)            | (2,312)            |
| Other  | (137)               | -                   | (69)               | 31                 |
| <b>Projected benefit obligation at measurement date</b>              | <b>\$ 635,798</b>   | <b>\$ 556,010</b>   | <b>\$ 131,914</b>  | <b>\$ 141,022</b>  |
| <b>Change in plan assets:</b>  |                     |                     |                    |                    |
| Fair value of assets at prior year measurement date                  | \$ 369,090          | \$ 314,341          | \$ 72,419          | \$ 62,143          |
| Actual return on plan assets   | (23,987)            | 29,448              | (6,950)            | 6,937              |
| Employer contributions   | 61,004              | 40,826              | 7,356              | 3,747              |
| Contributions by plan participants                                   | -                   | -                   | 873                | 3,035              |
| Benefits paid  | (16,682)            | (15,525)            | (4,550)            | (3,490)            |
| Foreign currency exchange impact                                     | -                   | -                   | (88)               | 107                |
| Other  | (139)               | -                   | (69)               | (60)               |
| <b>Fair value of assets at measurement date</b>                      | <b>\$ 389,286</b>   | <b>\$ 369,090</b>   | <b>\$ 68,991</b>   | <b>\$ 72,419</b>   |
| <b>Funded status and amount recognized in assets and liabilities</b> | <b>\$ (246,512)</b> | <b>\$ (186,920)</b> | <b>\$ (62,923)</b> | <b>\$ (68,603)</b> |
| <b>Amount recognized in assets and liabilities:</b>                  |                     |                     |                    |                    |
| Other assets - non-current   | \$ -                | \$ -                | \$ 372             | \$ -               |
| Accrued and long-term pension liabilities                            | (246,512)           | (186,920)           | (63,295)           | (68,603)           |
| <b>Amount recognized in assets and liabilities</b>                   | <b>\$ (246,512)</b> | <b>\$ (186,920)</b> | <b>\$ (62,923)</b> | <b>\$ (68,603)</b> |

Amount recognized in accumulated other comprehensive loss, before taxes:

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|   |    |         |    |         |    |        |    |        |
|---|----|---------|----|---------|----|--------|----|--------|
| Prior service cost (credit)   | \$ | 52      | \$ | 61      | \$ | (380)  | \$ | (400)  |
| Actuarial losses  |    | 350,556 |    | 253,431 |    | 21,547 |    | 27,060 |
| Amount recognized in accumulated other comprehensive loss, before taxes | \$ | 350,608 | \$ | 253,492 | \$ | 21,167 | \$ | 26,660 |

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Our stock included in U.S. plan assets consisted of 149,022 shares of Class A common stock and 1,001,034 shares of Class B common stock. Our funding policy is to contribute at least the amount required by law in the respective countries.

The total accumulated benefit obligation as of the measurement date for all defined benefit pension plans was \$692,601 in 2011 and \$620,036 in 2010. At the measurement date in 2011, our plans had fair values of plan assets totaling \$458,278. At the measurement date in 2011, two of our plans had fair values of plan assets totaling \$17,856, which exceeded their accumulated benefit obligations of \$13,746. The following table provides aggregate information for the other pension plans, which have projected benefit obligations or accumulated benefit obligations in excess of plan assets:

|                                | 0000000000000 | 0000000000000 |
|--------------------------------|---------------|---------------|
|                                | October 1,    | October 2,    |
|                                | 2011          | 2010          |
| Projected benefit obligation   | \$ 748,495    | \$ 661,120    |
| Accumulated benefit obligation | 678,855       | 592,993       |
| Fair value of plan assets      | 440,422       | 408,732       |

Weighted-average assumptions used to determine benefit obligations as of the measurement dates and weighted-average assumptions used to determine net periodic benefit cost are as follows:

|  | 0000000    | 0000000 | 0000000 | 0000000        | 0000000 | 0000000 |
|--|------------|---------|---------|----------------|---------|---------|
|  | U.S. Plans |         |         | Non-U.S. Plans |         |         |
|  | 2011       | 2010    | 2009    | 2011           | 2010    | 2009    |
| Assumptions for net periodic benefit cost: |            |         |         |                |         |         |
| Discount rate                              | 5.2%       | 6.0%    | 7.3%    | 4.6%           | 5.8%    | 6.0%    |
| Return on assets                           | 8.9%       | 8.9%    | 8.9%    | 5.1%           | 6.0%    | 6.5%    |
| Rate of compensation increase              | 3.8%       | 4.1%    | 5.3%    | 3.1%           | 3.3%    | 3.5%    |
| Assumptions for benefit obligations:       |            |         |         |                |         |         |
| Discount rate                              | 4.7%       | 5.2%    | 6.0%    | 4.7%           | 4.6%    | 5.8%    |
| Rate of compensation increase              | 3.8%       | 3.8%    | 4.1%    | 3.0%           | 2.6%    | 3.3%    |

Pension plan investment policies and strategies are developed on a plan specific basis, which varies by country. At October 1, 2011, the U.S. plans represented 85% of consolidated pension assets, while the non-U.S. plans represented 15% of consolidated pension assets, the largest concentration being in the U.K. (6%). The overall objective for the long-term expected return on both domestic and international plan assets is to earn a rate of return over time to meet anticipated benefit payments in accordance with plan provisions. The long-term investment objective of both the domestic and international retirement plans is to maintain the economic value of plan assets and future contributions by producing positive rates of investment return after subtracting inflation, benefit payments and expenses. Each of the plan's strategic asset allocations is based on this long-term perspective and short-term fluctuations are viewed with appropriate perspective.

The U.S. qualified defined benefit plan's assets are invested for long-term investment results. To accommodate the long-term investment horizon while providing appropriate liquidity, the plan maintains a liquid cash reserve of one-month to three-months of benefit distributions. Its assets are broadly diversified to help alleviate the risk of adverse returns in any one security or investment class. The international plans' assets are invested in both low-risk and high-risk investments in order to achieve the long-term investment strategy objective. Investment risks for both domestic and international plans are considered within the context of the entire plan, rather than on a security-by-security basis.



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The U.S. qualified defined benefit plan and certain international plans have investment committees that are responsible for formulating investment policies, developing manager guidelines and objectives and approving and managing qualified advisors and investment managers. The guidelines established for each of the plans define permitted investments within each asset class and apply certain restrictions such as limits on concentrated holdings in order to meet overall investment objectives.

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Pension obligations and the related costs are determined using actuarial valuations that involve several assumptions. The return on assets assumption reflects the average rate of return expected on funds invested or to be invested to provide for the benefits included in the projected benefit obligation. In determining the return on assets assumption, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk and to provide adequate liquidity to meet immediate and future benefit payment requirements.

In determining our U.S. pension expense for 2011, we assumed an average rate of return on U.S. pension assets of approximately 8.9% measured over a planning horizon with reasonable and acceptable levels of risk. The rate of return assumed an average of 80% in equity securities and 20% in fixed income securities. In determining our non-U.S. pension expense for 2011, we assumed an average rate of return on non-U.S. pension assets of approximately 5.1% measured over a planning horizon with reasonable and acceptable levels of risk. The rate of return assumed an average asset allocation of 40% in equity securities and 60% in fixed income securities.

The weighted average asset allocations by asset category for the pension plans as of October 1, 2011 and October 2, 2010 are as follows:

| Asset category:       | U.S. Plans |                |                | Non-U.S. Plans |                |                |
|-----------------------|------------|----------------|----------------|----------------|----------------|----------------|
|                       | Target     | 2011<br>Actual | 2010<br>Actual | Target         | 2011<br>Actual | 2010<br>Actual |
| Equity                | 50%-85%    | <b>74%</b>     | 76%            | 40%-60%        | <b>43%</b>     | 43%            |
| Debt                  | 15%-30%    | <b>14%</b>     | 16%            | 40%-60%        | <b>55%</b>     | 54%            |
| Real estate and other | 0%-20%     | <b>12%</b>     | 8%             | 0%-10%         | <b>2%</b>      | 3%             |

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The following tables present the consolidated plan assets using the fair value hierarchy, which is described in Note 9 Fair Value, as of October 1, 2011 and October 2, 2010.

|   | 0000000000000000 | 0000000000000000 | 0000000000000000 | 0000000000000000 |
|---|------------------|------------------|------------------|------------------|
| U.S. Plans, October 1, 2011                       | Level 1          | Level 2          | Level 3          | Total            |
| <b>Shares of registered investment companies:</b> |                  |                  |                  |                  |
| Large growth stocks                               | \$ 60,550        | \$ -             | \$ -             | \$ 60,550        |
| International equity                              | 44,827           | -                | -                | 44,827           |
| Emerging markets                                  | 16,195           | -                | -                | 16,195           |
| <b>Common stock:</b>                              |                  |                  |                  |                  |
| International equity                              | 29,886           | -                | -                | 29,886           |
| Large value stocks                                | 18,202           | -                | -                | 18,202           |
| Large core stocks                                 | 15,897           | -                | -                | 15,897           |
| Large growth stocks                               | 15,835           | -                | -                | 15,835           |
| Other   | 9,947            | -                | -                | 9,947            |
| <b>Fixed income funds:</b>                        |                  |                  |                  |                  |
| Intermediate-term core fixed income               | 56,345           | -                | -                | 56,345           |
| Employer securities                               | 37,995           | -                | -                | 37,995           |
| Interest in common collective trust               | -                | 27,446           | -                | 27,446           |
| Money market funds                                | -                | 45,971           | -                | 45,971           |
| Cash and cash equivalents                         | 1,557            | -                | -                | 1,557            |
| Limited partnerships                              | -                | -                | 8,633            | 8,633            |
| Fair value  | \$ 307,236       | \$ 73,417        | \$ 8,633         | \$ 389,286       |

|  | 0000000000000000 | 0000000000000000 | 0000000000000000 | 0000000000000000 |
|--|------------------|------------------|------------------|------------------|
| Non-U.S. Plans, October 1, 2011                  | Level 1          | Level 2          | Level 3          | Total            |
| <b>Shares of registered investment companies</b> |                  |                  |                  |                  |
| Domestic equity                                  | 2,728            | 222              | -                | 2,950            |
| International equity                             | 7,705            | -                | -                | 7,705            |
| Fixed income funds                               | 1,567            | 12,210           | -                | 13,777           |
| Cash and cash equivalents                        | 4,762            | -                | -                | 4,762            |
| Insurance contracts and other                    | -                | 490              | 11,378           | 11,868           |
| Fair value                                       | \$ 16,762        | \$ 40,851        | \$ 11,378        | \$ 68,991        |



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|   | 0000000000000000 | 0000000000000000 | 0000000000000000 | 0000000000000000 |
|---|------------------|------------------|------------------|------------------|
| U.S. Plans, October 2, 2010                       | Level 1          | Level 2          | Level 3          | Total            |
| <b>Shares of registered investment companies:</b> |                  |                  |                  |                  |
| International equity                              | \$ 48,483        | \$ -             | \$ -             | \$ 48,483        |
| Large growth stocks                               | 39,170           | -                | -                | 39,170           |
| Emerging markets                                  | 20,599           | -                | -                | 20,599           |
| <b>Common stock:</b>                              |                  |                  |                  |                  |
| International equity                              | 33,166           | -                | -                | 33,166           |
| Large value stocks                                | 19,572           | -                | -                | 19,572           |
| Large core stocks                                 | 19,752           | -                | -                | 19,752           |
| Large growth stocks                               | 7,198            | -                | -                | 7,198            |
| Other   | 11,568           | -                | -                | 11,568           |
| <b>Fixed income funds:</b>                        |                  |                  |                  |                  |
| Intermediate-term core fixed income               | 58,384           | -                | -                | 58,384           |
| Employer securities                               | 41,329           | -                | -                | 41,329           |
| Interest in common collective trust               | -                | 25,884           | -                | 25,884           |
| Money market funds                                | 35,843           | -                | -                | 35,843           |
| Cash and cash equivalents                         | 1,964            | 278              | -                | 2,242            |
| Limited partnerships                              | -                | -                | 5,900            | 5,900            |
| Fair value  | \$ 337,028       | \$ 26,162        | \$ 5,900         | \$ 369,090       |

| Non-U.S. Plans, October 2, 2010                  | Level 1   | Level 2   | Level 3   | Total     |
|--|-----------|-----------|-----------|-----------|
| <b>Shares of registered investment companies</b> |           |           |           |           |
| Domestic equity                                  | 2,573     | 305       | -         | 2,878     |
| International equity                             | 7,740     | -         | -         | 7,740     |
| Fixed income funds                               | -         | 19,836    | -         | 19,836    |
| Cash and cash equivalents                        | 3,900     | -         | -         | 3,900     |
| Insurance contracts and other                    | -         | 435       | 16,210    | 16,645    |
| Fair value                                       | \$ 14,213 | \$ 41,996 | \$ 16,210 | \$ 72,419 |

The following is a roll forward of the consolidated plan assets classified as Level 3 within the fair value hierarchy:

|                            | U.S. Plans | Non-U.S. Plans | Total     |
|----------------------------|------------|----------------|-----------|
| Balance at October 3, 2009 | \$ 2,076   | \$ 11,408      | \$ 13,484 |
| Return on assets           | 367        | 3,323          | 3,690     |

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|  |                 |                  |                  |
|--|-----------------|------------------|------------------|
| Purchases, sales, issuances and settlements, net | 3,457           | 1,479            | 4,936            |
| Balance at October 2, 2010                       | 5,900           | 16,210           | 22,110           |
| Return on assets                                 | (507)           | (6,197)          | (6,704)          |
| Purchases, sales, issuances and settlements, net | 3,240           | 1,365            | 4,605            |
| Balance at October 1, 2011                       | \$ <b>8,633</b> | \$ <b>11,378</b> | \$ <b>20,011</b> |

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The valuation methodologies used for pension plan assets measured at fair value have not changed between October 1, 2011 and October 2, 2010. Cash and cash equivalents consist of direct cash holdings and institutional short-term investment vehicles. Direct cash holdings are valued at cost, which approximates fair value. Institutional short-term investment vehicles are valued daily. Investments in U.S. treasury obligations are valued by a pricing service based upon closing market prices at year end. Shares of registered investment companies are valued at net asset value of shares held by the plan at year end. Common stocks traded on national exchanges are valued at the last reported sales price. Investments denominated in foreign currencies are translated into U.S. dollars using the last reported exchange rate. Fixed income funds, which primarily consist of corporate and government bonds, are valued using methods, such as dealer quotes, available trade information, spreads, bids and offers provided by a pricing vendor. Investments in limited partnerships are valued based on the net asset value of our share in the fair value of the investments at year end. Common collective trust funds consist of pools of investments used by institutional investors to obtain exposure to equity and fixed income markets. Common collective trust funds held by us invest primarily in investment grade, U.S. denominated fixed income securities. The common collective trusts have no unfunded commitments at October 1, 2011, and there are no significant restrictions on redemptions. Shares held in common collective trust funds are reported at the net unit value of units held by the trust at year end. The unit value is determined by the total value of fund assets divided by the total number of units of the fund owned. Investments in insurance contracts are valued at contract value, which is the fair value of the underlying investment of the insurance company. Securities or other assets for which market quotations are not readily available or for which market quotations do not represent the value at the time of pricing (including certain illiquid securities) are fair valued in accordance with procedures established under the supervision and responsibility of the Custodian of that investment.

Such procedures may include the use of independent pricing services or affiliated advisor pricing, which use prices based upon yields or prices of securities of comparable quality, coupon, maturity and type, indications as to values from dealers, operating data and general market conditions.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although we believe the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Pension expense for all plans, including costs for various defined contribution plans, was as follows:

|  | U.S. Plans |           |           | Non-U.S. Plans |           |          |
|--|------------|-----------|-----------|----------------|-----------|----------|
|  | 2011       | 2010      | 2009      | 2011           | 2010      | 2009     |
| Service cost                                   | \$ 22,566  | \$ 18,718 | \$ 13,977 | \$ 4,804       | \$ 3,139  | \$ 3,485 |
| Interest cost                                  | 28,683     | 27,067    | 25,529    | 6,260          | 5,868     | 5,747    |
| Expected return on plan assets                 | (39,089)   | (35,344)  | (31,924)  | (3,900)        | (3,605)   | (3,480)  |
| Amortization of prior service cost (credit)    | 9          | 203       | 295       | (60)           | (54)      | (44)     |
| Amortization of actuarial loss                 | 11,292     | 4,949     | 844       | 1,546          | 521       | 466      |
| Settlement loss                                | 16         | -         | -         | 275            | 91        | 283      |
| Curtailement loss                              | -          | -         | -         | -              | -         | 53       |
| Pension expense for defined benefit plans      | 23,477     | 15,593    | 8,721     | 8,925          | 5,960     | 6,510    |
| Pension expense for defined contribution plans | 7,674      | 6,571     | 6,417     | 4,765          | 6,053     | 1,915    |
| Total pension expense                          | \$ 31,151  | \$ 22,164 | \$ 15,138 | \$ 13,690      | \$ 12,013 | \$ 8,425 |

The estimated net prior service (credit) and net actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost for pension plans in 2012 are (\$54) and \$16,470, respectively.





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Benefits expected to be paid to the participants of the plans are:

|                       | U.S. Plans | Non-U.S. Plans |
|-----------------------|------------|----------------|
| 2012                  | \$ 19,403  | \$ 3,995       |
| 2013                  | 22,899     | 4,338          |
| 2014                  | 24,889     | 4,655          |
| 2015                  | 26,679     | 6,089          |
| 2016                  | 28,587     | 6,126          |
| Five years thereafter | 184,023    | 36,372         |

We presently anticipate contributing approximately \$950 to the U.S. plans and \$7,500 to the non-U.S. plans in 2012.

We provide postretirement health care benefits to certain domestic retirees, who were hired prior to October 1, 1989. There are no plan assets. The transition obligation is being expensed over 20 years through 2013. The changes in the accumulated benefit obligation of this unfunded plan for 2011 and 2010 are shown in the following table:

|  | October 1,<br>2011 | October 2,<br>2010 |
|--|--------------------|--------------------|
| Change in Accumulated Postretirement Benefit Obligation (APBO):                |                    |                    |
| APBO at prior year measurement date  | \$ 23,860          | \$ 25,077          |
| Service cost   | 491                | 571                |
| Interest cost  | 1,103              | 1,345              |
| Contributions by plan participants   | 1,453              | 1,360              |
| Benefits paid  | (2,460)            | (2,680)            |
| Actuarial gains  | (6,521)            | (1,953)            |
| Retiree drug subsidy receipts  | 99                 | 140                |
| <b>APBO at measurement date</b>  | <b>\$ 18,025</b>   | <b>\$ 23,860</b>   |
| Funded status  | \$ (18,025)        | \$ (23,860)        |
| <b>Accrued postretirement benefit liability</b>                                | <b>\$ 18,025</b>   | <b>\$ 23,860</b>   |
| Amount recognized in accumulated other comprehensive loss, before taxes:       |                    |                    |
| Transition obligation  | \$ 756             | \$ 1,150           |
| Actuarial losses   | 52                 | 7,151              |
| <b>Amount recognized in accumulated other comprehensive loss, before taxes</b> | <b>\$ 808</b>      | <b>\$ 8,301</b>    |

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The cost of the postretirement benefit plan is as follows:

|   | <b>0000000000</b> | <b>0000000000</b> | <b>0000000000</b> |
|---|-------------------|-------------------|-------------------|
|   | <b>2011</b>       | <b>2010</b>       | <b>2009</b>       |
| Service cost                                    | \$ 491            | \$ 571            | \$ 417            |
| Interest cost                                   | 1,103             | 1,345             | 1,366             |
| Amortization of transition obligation           | 394               | 394               | 394               |
| Amortization of prior service cost              | -                 | 215               | 267               |
| Amortization of actuarial loss                  | 579               | 842               | 385               |
| <b>Net periodic postretirement benefit cost</b> | <b>\$ 2,567</b>   | <b>\$ 3,367</b>   | <b>\$ 2,829</b>   |

The estimated transition obligation and actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic postretirement benefit cost in 2012 are \$394 and \$0, respectively.

As of the measurement date, the assumed discount rate used in the accounting for the postretirement benefit obligation was 4.5% in 2011, 4.8% in 2010, 5.5% in 2009. As of the measurement date, the assumed discount rate used in the accounting for the net periodic postretirement benefit cost was 4.8% in 2011, 5.5% in 2010, 7.0% in 2009.

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For measurement purposes, an 7.8%, 6.9% and 8.4% annual per capita rate of increase of medical and drug costs before age 65, medical costs after age 65 and drug costs after age 65, respectively, were assumed for 2012, all gradually decreasing to 4.5% for 2028 and years thereafter. A one percentage point increase in this rate would increase our accumulated postretirement benefit obligation as of the measurement date in 2011 by \$814, while a one percentage point decrease in this rate would decrease our accumulated postretirement benefit obligation by \$748. A one percentage point increase or decrease in this rate would not have a material effect on the total service cost and interest cost components of the net periodic postretirement benefit cost.

Employee and management profit sharing reflects a discretionary payment based on our financial performance. Profit share expense was \$32,025, \$21,100, and \$8,500 in 2011, 2010, and 2009, respectively.

**Table of Contents****Note 12 - Income Taxes**

The reconciliation of the provision for income taxes to the amount computed by applying the U.S. federal statutory tax rate to earnings before income taxes is as follows:

|  | 000000000000<br>2011 | 000000000000<br>2010 | 000000000000<br>2009 |
|--|----------------------|----------------------|----------------------|
| <b>Earnings before income taxes:</b>                       |                      |                      |                      |
| Domestic   | \$ 89,409            | \$ 82,654            | \$ 57,320            |
| Foreign  | 96,801               | 66,955               | 51,640               |
| Eliminations   | (2,425)              | (173)                | 1,601                |
| <b>Total</b>   | <b>\$ 183,785</b>    | <b>\$ 149,436</b>    | <b>\$ 110,561</b>    |
| Computed expected tax expense                              | \$ 64,325            | \$ 52,303            | \$ 38,696            |
| <b>Increase (decrease) in income taxes resulting from:</b> |                      |                      |                      |
| Foreign and R&D tax credits                                | (7,578)              | (3,185)              | (9,510)              |
| Foreign tax rates  | (6,704)              | (9,711)              | (6,301)              |
| Export and manufacturing incentives                        | (1,680)              | (840)                | (1,190)              |
| State taxes, net of federal benefit                        | 2,396                | 2,274                | 1,989                |
| Change in valuation allowance for deferred taxes           | (3,100)              | 634                  | 1,630                |
| Change in enacted tax rates                                | (277)                | -                    | -                    |
| Other  | 382                  | (133)                | 202                  |
| <b>Income taxes</b>  | <b>\$ 47,764</b>     | <b>\$ 41,342</b>     | <b>\$ 25,516</b>     |
| Effective income tax rate                                  | 26.0%                | 27.7%                | 23.1%                |

At October 1, 2011, various subsidiaries had tax benefit carryforwards totaling \$35,681. These tax benefit carryforwards generally do not expire and can be used to reduce current taxes otherwise due on future earnings of those subsidiaries. The change in the valuation allowance relates to tax benefit carryforwards reflecting recent and projected financial performance, tax planning strategies and statutory tax carryforward periods.

No provision has been made for U.S. federal or foreign taxes on that portion of certain foreign subsidiaries' undistributed earnings (\$518,486 at October 1, 2011) considered to be permanently reinvested. It is not practicable to determine the amount of tax that would be payable if these amounts were repatriated to the U.S.

The components of income taxes are as follows:

|                 | 000000000000<br>2011 | 000000000000<br>2010 | 000000000000<br>2009 |
|-----------------|----------------------|----------------------|----------------------|
| <b>Current:</b> |                      |                      |                      |
| Federal         | \$ 14,307            | \$ 10,642            | \$ (3,496)           |
| Foreign         | 27,746               | 17,362               | 13,464               |

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|                       |                  |           |           |
|-----------------------|------------------|-----------|-----------|
| State                 | 2,788            | 2,024     | 2,218     |
| <b>Total current</b>  | <b>44,841</b>    | 30,028    | 12,186    |
| Deferred:             |                  |           |           |
| Federal               | 7,449            | 12,744    | 14,487    |
| Foreign               | (5,424)          | (2,905)   | (1,999)   |
| State                 | 898              | 1,475     | 842       |
| <b>Total deferred</b> | <b>2,923</b>     | 11,314    | 13,330    |
| <b>Income taxes</b>   | <b>\$ 47,764</b> | \$ 41,342 | \$ 25,516 |

Realization of deferred tax assets is dependent, in part, upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making its assessment of the recoverability of deferred tax assets.

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The tax effects of temporary differences that generated deferred tax assets and liabilities are detailed in the following table.

|  | 000000000000               | 000000000000       |
|--|----------------------------|--------------------|
|  | <b>October 1,<br/>2011</b> | October 2,<br>2010 |
| <b>Deferred tax assets:</b>  |                            |                    |
| Benefit accruals   | \$ 188,473                 | \$ 150,346         |
| Inventory reserves   | 29,449                     | 26,552             |
| Contract loss reserves not currently deductible                        | 14,231                     | 11,914             |
| Tax benefit carryforwards  | 11,789                     | 13,796             |
| Other accrued expenses   | 13,303                     | 10,204             |
| <b>Total gross deferred tax assets</b>                                 | <b>257,245</b>             | 212,812            |
| Less valuation allowance   | (4,106)                    | (7,352)            |
| <b>Total net deferred tax assets</b>                                   | <b>253,139</b>             | 205,460            |
| <b>Deferred tax liabilities:</b>                                       |                            |                    |
| Differences in bases and depreciation of property, plant and equipment | 166,039                    | 147,363            |
| Pension  | 50,061                     | 42,986             |
| Foreign currency   | 1,492                      | 1,697              |
| Other  | -                          | 49                 |
| <b>Total gross deferred tax liabilities</b>                            | <b>217,592</b>             | 192,095            |
| <b>Net deferred tax assets</b>   | <b>\$ 35,547</b>           | \$ 13,365          |

Net deferred tax assets and liabilities are included in the balance sheet as follows:

|                                | 000000000000               | 000000000000       |
|--------------------------------|----------------------------|--------------------|
|                                | <b>October 1,<br/>2011</b> | October 2,<br>2010 |
| <b>Current assets</b>          | <b>\$ 82,513</b>           | \$ 75,367          |
| Other assets                   | 10,826                     | 9,739              |
| Other accrued liabilities      | (1,063)                    | (2,200)            |
| Long-term liabilities          | (56,729)                   | (69,541)           |
| <b>Net deferred tax assets</b> | <b>\$ 35,547</b>           | \$ 13,365          |

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We have unrecognized tax benefits which, if ultimately recognized, will reduce our annual effective tax rate. A reconciliation of the total amounts of unrecognized tax benefits, excluding interest and penalties, is as follows:

|  | <b>000000000000</b>        | <b>000000000000</b> |
|--|----------------------------|---------------------|
|  | <b>October 1,<br/>2011</b> | October 2,<br>2010  |
| Balance at beginning of year                                       | <b>\$ 9,836</b>            | \$ 10,161           |
| Increases (decreases) as a result of tax positions for prior years | <b>(41)</b>                | 732                 |
| Increases as a result of tax positions for current year            | <b>160</b>                 | 78                  |
| Reductions as a result of lapse of statute of limitations          | <b>(1,527)</b>             | (1,135)             |
| Settlement of tax positions  | <b>(1,732)</b>             | -                   |
| <br>   |                            |                     |
| Balance at end of year   | <b>\$ 6,696</b>            | \$ 9,836            |

We are subject to income taxes in the U.S. and in various states and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require the application of significant judgment. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2008. The statute of limitations in several jurisdictions will expire in the next twelve months and we have unrecognized tax benefits of \$2,622, which would be recognized if the statute of limitations expires without the relevant taxing authority examining the applicable returns.

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We accrue interest and penalties related to unrecognized tax benefits to income tax expense for all periods presented. At October 2, 2010, we had accrued interest and penalties of \$1,507. We expensed an additional \$585 of interest for 2011 and had \$1,634 of accrued interest and penalties at October 1, 2011.

**Note 13 - Shareholders Equity**

Class A and Class B common stock share equally in our earnings and are identical with certain exceptions. Other than on matters relating to the election of directors or as required by law where the holders of Class A and Class B shares vote as separate classes, Class A shares have limited voting rights, with each share of Class A being entitled to one-tenth of a vote on most matters, and each share of Class B being entitled to one vote. Class A shareholders are entitled, subject to certain limitations, to elect at least 25% of the Board of Directors (rounded up to the nearest whole number) with Class B shareholders entitled to elect the balance of the directors. No cash dividend may be paid on Class B shares unless at least an equal cash dividend is paid on Class A shares. Class B shares are convertible at any time into Class A shares on a one-for-one basis at the option of the shareholder. The number of common shares issued reflects conversion of Class B to Class A of 49,158 in 2011, 14,044 in 2010, and 2,850 in 2009.

Class A shares reserved for issuance at October 1, 2011 are as follows:

|   | Shares     |
|---|------------|
| Conversion of Class B to Class A shares | 7,745,138  |
| 2008 Stock Appreciation Rights Plan     | 1,985,499  |
| 2003 Stock Option Plan                  | 1,151,704  |
| 1998 Stock Option Plan                  | 306,161    |
| Class A shares reserved for issuance    | 11,188,502 |

On October 2, 2009, we completed the offering and sale of 2,675,000 shares of Class A common stock at a price of \$29.50 per share. We used the net proceeds of \$74,717 to repay a portion of the indebtedness incurred under our revolving bank credit facility to acquire the Wolverhampton flight control business.

We are authorized to issue up to 10,000,000 shares of preferred stock. The Board of Directors may authorize, without further shareholder action, the issuance of additional preferred stock which ranks senior to both classes of our common stock with respect to the payment of dividends and the distribution of assets on liquidation. The preferred stock, when issued, would have such designations relative to voting and conversion rights, preferences, privileges and limitations as determined by the Board of Directors.



**Table of Contents****Note 14 Equity-Based Compensation**

We have equity-based compensation plans that authorize the issuance of equity-based awards for shares of Class A common stock to directors, officers and key employees. Equity-based compensation grants are designed to reward long-term contributions to Moog and provide incentives for recipients to remain with Moog.

Equity-based compensation expense is based on share-based payment awards that are ultimately expected to vest. Vesting requirements vary for directors, officers and key employees. In general, options and stock appreciation rights (SARs) granted to outside directors vest one year from the date of grant, options granted to officers vest on various schedules, options granted to key employees vest in equal annual increments over a five-year period from the date of grant and SARs granted to officers and key employees vest in equal annual installments over a three-year period from the date of grant.

The fair value of equity-based awards granted was estimated on the date of grant using the Black-Scholes option-pricing model. The following table provides the range of assumptions used to value equity-based awards and the weighted-average fair value of the awards granted.

|   | 2011       | 2010        | 2009        |
|---|------------|-------------|-------------|
| Expected volatility                         | 39% - 49%  | 37% - 46%   | 34% - 35%   |
| Risk-free rate                              | .8% - 2.0% | 1.1% - 2.8% | 1.8% - 3.6% |
| Expected dividends                          | 0%         | 0%          | 0%          |
| Expected term                               | 3-7 years  | 3-7 years   | 3-7 years   |
| Weighted-average fair value of SARs granted | \$ 15.25   | \$ 10.92    | \$ 13.78    |

To determine expected volatility, we generally use historical volatility based on weekly closing prices of our Class A common stock over periods that correlate with the expected terms of the awards granted. The risk-free rate is based on the United States Treasury yield curve at the time of grant for the appropriate term of the awards granted. Expected dividends are based on our history and expectation of dividend payouts. The expected term of equity-based awards is based on vesting schedules, expected exercise patterns and contractual terms.

The 2008 Stock Appreciation Rights Plan (2008 Plan) authorizes the issuance of 2,000,000 SARs, which represent the right to receive shares of Class A common stock. The exercise price of the SARs, determined by a committee of the Board of Directors, may not be less than the fair market value of the Class A common stock on the grant date. The number of shares received upon exercise of a SAR is equal in value to the difference between the fair market value of the Class A common stock on the exercise date and the exercise price of the SAR. The term of a SAR may not exceed ten years from the grant date.

The 2003 Stock Option Plan (2003 Plan) authorizes the issuance of options for 1,350,000 shares of Class A common stock. The 1998 Stock Option Plan (1998 Plan) authorizes the issuance of options for 2,025,000 shares of Class A common stock. Under the terms of the plans, options may be either incentive or non-qualified. Options issued as of October 1, 2011 consisted of both incentive options and non-qualified options. The exercise price, determined by a committee of the Board of Directors, may not be less than the fair market value of the Class A common stock on the grant date. Options become exercisable over periods not exceeding ten years.

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Options and SARs are as follows:

|                                       | Stock<br>Options | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Remaining<br>Contractual Life | Aggregate<br>Intrinsic<br>Value |
|---------------------------------------|------------------|---|---|---------------------------------|
| <b>1998 Stock Option Plan</b>         |                  |   |   |                                 |
| Outstanding at September 27, 2008     | 588,181          | \$ 11.97                                  |   |                                 |
| Exercised in 2009                     | (48,937)         | 8.67                                      |   |                                 |
| Outstanding at October 3, 2009        | 539,244          | 12.27                                     |   |                                 |
| Exercised in 2010                     | (89,760)         | 7.69                                      |   |                                 |
| Outstanding at October 2, 2010        | 449,484          | 13.19                                     |   |                                 |
| Exercised in 2011                     | (143,323)        | 11.84                                     |   |                                 |
| <b>Outstanding at October 1, 2011</b> | <b>306,161</b>   | <b>\$ 13.81</b>                           | <b>1.2 years</b>                                      | <b>\$ 5,758</b>                 |
| <b>Exercisable at October 1, 2011</b> | <b>290,597</b>   | <b>\$ 13.49</b>                           | <b>1.1 years</b>                                      | <b>\$ 5,558</b>                 |
| <b>2003 Stock Option Plan</b>         |                  |   |   |                                 |
| Outstanding at September 27, 2008     | 1,171,892        | \$ 32.73                                  |   |                                 |
| Forfeited in 2009                     | (22,500)         | 28.01                                     |   |                                 |
| Outstanding at October 3, 2009        | 1,149,392        | 32.82                                     |   |                                 |
| Exercised in 2010                     | (12,065)         | 23.75                                     |   |                                 |
| Forfeited in 2010                     | (1,538)          | 42.45                                     |   |                                 |
| Outstanding at October 2, 2010        | 1,135,789        | 32.90                                     |   |                                 |
| Exercised in 2011                     | (10,065)         | 24.31                                     |   |                                 |
| <b>Outstanding at October 1, 2011</b> | <b>1,125,724</b> | <b>\$ 32.98</b>                           | <b>4.8 years</b>                                      | <b>\$ 3,166</b>                 |
| <b>Exercisable at October 1, 2011</b> | <b>847,121</b>   | <b>\$ 33.99</b>                           | <b>4.6 years</b>                                      | <b>\$ 2,101</b>                 |

**Total Stock Option Plans**

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|                                       |                  |           |              |
|---------------------------------------|------------------|-----------|--------------|
| <b>Outstanding at October 1, 2011</b> | <b>1,431,885</b> | <b>\$</b> | <b>28.88</b> |
| <b>Exercisable at October 1, 2011</b> | <b>1,137,718</b> | <b>\$</b> | <b>28.75</b> |

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|  | 000000000000     | 000000000000                    | 000000000000                                | 000000000000              |
|--|------------------|---------------------------------|---|---------------------------|
|  | SARs             | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life | Aggregate Intrinsic Value |
| <b>2008 Stock Appreciation Rights Plan</b> |                  |                                 |   |                           |
| Outstanding at September 27, 2008          | 108,000          | \$ 43.42                        |   |                           |
| Granted in 2009                            | 384,500          | 35.12                           |   |                           |
| Forfeited in 2009                          | (4,000)          | 43.42                           |   |                           |
| Outstanding at October 3, 2009             | 488,500          | 36.89                           |   |                           |
| Granted in 2010                            | 288,375          | 26.66                           |   |                           |
| Forfeited in 2010                          | (13,666)         | 38.12                           |   |                           |
| Outstanding at October 2, 2010             | 763,209          | 33.00                           |   |                           |
| Granted in 2011                            | 385,000          | 36.86                           |   |                           |
| Exercised in 2011                          | (14,501)         | 32.79                           |   |                           |
| Forfeited in 2011                          | (17,000)         | 37.74                           |   |                           |
| <b>Outstanding at October 1, 2011</b>      | <b>1,116,708</b> | <b>\$ 34.26</b>                 | <b>7.8 years</b>                            | <b>\$ 1,659</b>           |
| <b>Exercisable at October 1, 2011</b>      | <b>451,720</b>   | <b>\$ 34.71</b>                 | <b>6.6 years</b>                            | <b>\$ 646</b>             |

The aggregate intrinsic value in the preceding tables represent the total pre-tax intrinsic value, based on our closing price of Class A common stock of \$32.62 as of October 1, 2011. That value would have been effectively received by the option and SAR holders had all option and SAR holders exercised their options and SARs as of that date.

The intrinsic value of awards exercised and fair value of awards vested are as follows:

|  | 000000000000 | 000000000000 | 000000000000 |
|--|--------------|--------------|--------------|
|  | 2011         | 2010         | 2009         |
| <b>1998 Stock Option Plan</b>              |              |              |              |
| Intrinsic value of options exercised       | \$ 4,186     | \$ 1,821     | \$ 1,140     |
| Total fair value of options vested         | \$ 791       | \$ 186       | \$ 208       |
| <b>2003 Stock Option Plan</b>              |              |              |              |
| Intrinsic value of options exercised       | \$ 156       | \$ 88        | \$ -         |
| Total fair value of options vested         | \$ 4,758     | \$ 2,975     | \$ 783       |
| <b>2008 Stock Appreciation Rights Plan</b> |              |              |              |
| Intrinsic value of SARs exercised          | \$ 108       | \$ -         | \$ -         |

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|                                 |    |       |    |       |    |     |
|---------------------------------|----|-------|----|-------|----|-----|
| Total fair value of SARs vested | \$ | 3,438 | \$ | 2,473 | \$ | 648 |
|---------------------------------|----|-------|----|-------|----|-----|

As of October 1, 2011, total unvested compensation expense associated with stock options amounted to \$1,336 and will be recognized over a weighted-average period of four years, and total unvested compensation expense associated with SARs amounted to \$2,404 and will be recognized over a weighted-average period of two years.

### **Note 15 Stock Employee Compensation Trust**

We have a Stock Employee Compensation Trust (SECT) to assist in administering and to provide funding for employee stock plans and benefit programs, including the RSP. 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.

**Table of Contents****Note 16 Other Comprehensive Income (Loss)**

Other comprehensive income (loss), net of tax, consists of:

|   | 000000000000<br>2011 | 000000000000<br>2010 | 000000000000<br>2009 |
|---|----------------------|----------------------|----------------------|
| <b>Accumulated (loss) income on derivatives adjustment:</b>   |                      |                      |                      |
| Net (decrease) increase in fair value of derivatives, net of taxes of \$(34) in 2011, \$82 in 2010 and \$(279) in 2009                          | \$ (88)              | \$ 111               | \$ (547)             |
| Net reclassification from accumulated other comprehensive income into earnings, net of taxes of \$(125) in 2011, \$70 in 2010 and \$515 in 2009 | (221)                | 222                  | 867                  |
| Accumulated (loss) income on derivatives adjustment   | (309)                | 333                  | 320                  |
| Foreign currency translation adjustment   | (9,515)              | (858)                | (1,073)              |
| Retirement liability adjustment, net of taxes of \$(32,232) in 2011, \$(30,208) in 2010, and \$(55,204) in 2009                                 | (51,792)             | (57,977)             | (89,062)             |
| Other comprehensive loss  | \$ (61,616)          | \$ (58,502)          | \$ (89,815)          |

Accumulated other comprehensive income (loss), net of tax, consists of:

|  | 000000000000<br>October 1,<br>2011 | 000000000000<br>October 2,<br>2010 |
|--|------------------------------------|------------------------------------|
| Accumulated (loss) gain on derivatives   | \$ (165)                           | \$ 144                             |
| Accumulated foreign currency translation | 33,349                             | 42,864                             |
| Accumulated retirement liability         | (234,128)                          | (182,336)                          |
| Accumulated other comprehensive loss     | \$ (200,944)                       | \$ (139,328)                       |

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**Aircraft Controls.** We design, manufacture and integrate primary and secondary flight controls for military and commercial aircraft and provide aftermarket support. Our systems are used in large commercial transports, supersonic fighters, multi-role military aircraft, business jets and rotorcraft. We also supply ground-based navigation aids. We are well positioned on both development and production programs. Typically, development programs require concentrated periods of research and development by our engineering teams and involve design, development, testing and integration. We are currently working on several large development programs including the F-35 Joint Strike Fighter, Boeing 787 Dreamliner, Boeing's extended range 747-8, Airbus A350XWB and several business jet programs. The F-35 is in the flight test phase and recently entered low rate initial production. The 787 program began design and development in 2004 and is transitioning to production, with Boeing's initial aircraft delivery occurring in September 2011. The Airbus A350XWB is in development with entry into service planned for 2013. Production programs are generally long-term manufacturing efforts that extend for as long as the aircraft builder receives new orders. Our large military production programs include the F/A-18E/F Super Hornet, the V-22 Osprey tiltrotor, the Black Hawk/Seahawk helicopter and the F-35. Our large commercial production programs include the full line of Boeing 7-series aircraft, Airbus A330/340 and a variety of business jets. Aftermarket sales, which represented 36% of 2011 sales for this segment, consist of the maintenance, repair, overhaul and parts supply for both military and commercial aircraft. Further, both our military and commercial customers throughout the world carry spares inventory in order to minimize down time.

**Space and Defense Controls.** Space and Defense Controls provides controls for satellites and space vehicles, armored combat vehicles, launch vehicles, tactical and strategic missiles, security and surveillance and other defense applications. For commercial and military satellites, we design, manufacture and integrate steering and propulsion controls and controls for positioning antennae and deploying solar panels. The Atlas, Delta and Ariane launch vehicle programs use our steering and propulsion controls. We are also developing products for NASA's replacement for the Space Shuttle. We supplied couplings, valves and actuators for the International Space Station. We design and build steering and propulsion controls for tactical and strategic missile programs, including Hellfire, TOW and Trident. We supply valves and steering controls on the U.S. National Missile Defense development initiative. We design and manufacture systems for gun aiming, stabilization, automatic ammunition loading and driver vision enhancement on armored combat vehicles for a variety of international and U.S. customers.

**Industrial Systems.** Industrial Systems serves a global customer base across a variety of markets. For wind energy, we design and manufacture electric rotor blade pitch controls and blade monitoring systems for wind turbines. We supply electromechanical motion simulation bases for the flight simulation and training markets. For the plastics making machinery market, we design, manufacture and integrate systems for all axes of injection and blow molding machines using leading edge technology, both hydraulic and electric. In the power generation market, we design, manufacture and integrate complete control assemblies for fuel, steam and variable geometry control applications. For the test markets, we supply controls for automotive, structural and fatigue testing. Metal forming markets use our systems to provide precise control of position, velocity, force, pressure, acceleration and other critical parameters. Heavy industry uses our high precision electrical and hydraulic servovalves for steel and aluminum mill equipment. Other markets include oil exploration, material handling, auto racing, carpet tufting, paper and lumber mills.

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**Components.** The Components segment serves many of the same markets as our other segments. The Components segment's three largest product categories are slip rings, fiber optic rotary joints and motors. Slip rings and fiber optic rotary joints use sliding contacts and optical technology to allow unimpeded rotation while delivering power and data through a rotating interface. They come in a range of sizes that allow them to be used in many applications, including diagnostic imaging CT scan medical equipment featuring high-speed data communications, de-icing and data transfer for rotorcraft, forward-looking infrared camera installations, radar pedestals, surveillance cameras and remotely operated vehicles and floating platforms for offshore oil exploration. Our motors are used in an equally broad range of markets, many of which are the same as for slip rings. Components designs and manufactures a series of fractional horsepower brushless motors that provide extremely low acoustic noise and reliable long life operation, with the largest market being sleep apnea equipment. Industrial markets use our motors for material handling and electric pumps. Military applications use our motors for gimbals, missiles and radar pedestals. Components' other product lines include electromechanical actuators for military, aerospace and commercial applications, fiber optic modems that provide electrical-to-optical conversion of communication and data signals, avionic instrumentation, optical switches and resolvers.

**Medical Devices.** This segment operates within four medical devices market areas: infusion therapy, enteral clinical nutrition, sensors and surgical hand pieces. For infusion therapy, our primary products are electronic ambulatory infusion pumps along with the necessary administration sets. Applications of these products include hydration, nutrition, patient-controlled analgesia, local anesthesia, chemotherapy and antibiotics. We manufacture and distribute a complete line of portable pumps, stationary pumps and disposable sets that are used in the delivery of enteral nutrition for patients in their own homes, hospitals and long-term care facilities. We manufacture and distribute ultrasonic and optical sensors used to detect air bubbles in infusion pump lines and ensure accurate fluid delivery. Our surgical hand pieces are used to safely fragment and aspirate tissue in common medical procedures such as cataract removal.



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Segment information and reconciliations to consolidated amounts are as follows:

|   | 000000000000        | 000000000000        | 000000000000        |
|---|---------------------|---------------------|---------------------|
|   | <b>2011</b>         | <b>2010</b>         | <b>2009</b>         |
| <b>Net sales:</b>                           |                     |                     |                     |
| Aircraft Controls                           | \$ 850,490          | \$ 756,550          | \$ 663,463          |
| Space and Defense Controls                  | 355,762             | 325,474             | 274,501             |
| Industrial Systems                          | 629,312             | 545,672             | 454,629             |
| Components                                  | 353,142             | 359,992             | 345,509             |
| Medical Devices                             | 141,974             | 126,564             | 110,816             |
| <b>Net sales</b>                            | <b>\$ 2,330,680</b> | <b>\$ 2,114,252</b> | <b>\$ 1,848,918</b> |
| <b>Operating profit (loss) and margins:</b> |                     |                     |                     |
| Aircraft Controls                           | \$ 83,776           | \$ 76,374           | \$ 52,349           |
|   | 9.9%                | 10.1%               | 7.9%                |
| Space and Defense Controls                  | 49,245              | 35,844              | 40,018              |
|   | 13.8%               | 11.0%               | 14.6%               |
| Industrial Systems                          | 62,805              | 48,109              | 30,797              |
|   | 10.0%               | 8.8%                | 6.8%                |
| Components                                  | 50,353              | 60,159              | 55,671              |
|   | 14.3%               | 16.7%               | 16.1%               |
| Medical Devices                             | 241                 | (4,044)             | (7,425)             |
|   | 0.2%                | (3.2%)              | (6.7%)              |
| <b>Total operating profit</b>               | <b>246,420</b>      | <b>216,442</b>      | <b>171,410</b>      |
|   | <b>10.6%</b>        | <b>10.2%</b>        | <b>9.3%</b>         |
| <b>Deductions from operating profit:</b>    |                     |                     |                     |
| Interest expense                            | (35,666)            | (38,742)            | (39,321)            |
| Equity-based compensation expense           | (6,952)             | (5,445)             | (5,682)             |
| Corporate and other expenses, net           | (20,017)            | (22,819)            | (15,846)            |
| <b>Earnings before income taxes</b>         | <b>\$ 183,785</b>   | <b>\$ 149,436</b>   | <b>\$ 110,561</b>   |
| <b>Depreciation and amortization:</b>       |                     |                     |                     |
| Aircraft Controls                           | \$ 40,945           | \$ 37,211           | \$ 28,979           |
| Space and Defense Controls                  | 11,349              | 10,690              | 9,072               |
| Industrial Systems                          | 23,194              | 24,461              | 19,644              |
| Components                                  | 7,409               | 6,605               | 7,706               |
| Medical Devices                             | 11,472              | 10,655              | 9,333               |
|   | <b>94,369</b>       | <b>89,622</b>       | <b>74,734</b>       |

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|                                     |    |                  |              |              |
|-------------------------------------|----|------------------|--------------|--------------|
| Corporate                           |    | <b>1,958</b>     | 1,594        | 1,650        |
| Total depreciation and amortization | \$ | <b>96,327</b>    | \$ 91,216    | \$ 76,384    |
| <b>Identifiable assets:</b>         |    |                  |              |              |
| Aircraft Controls                   | \$ | <b>1,110,771</b> | \$ 1,028,213 | \$ 998,048   |
| Space and Defense Controls          |    | <b>342,093</b>   | 349,987      | 309,958      |
| Industrial Systems                  |    | <b>731,193</b>   | 684,021      | 692,348      |
| Components                          |    | <b>384,409</b>   | 362,417      | 362,022      |
| Medical Devices                     |    | <b>243,283</b>   | 246,606      | 238,378      |
|                                     |    | <b>2,811,749</b> | 2,671,244    | 2,600,754    |
| Corporate                           |    | <b>31,218</b>    | 40,890       | 33,563       |
| Total assets                        | \$ | <b>2,842,967</b> | \$ 2,712,134 | \$ 2,634,317 |
| <b>Capital expenditures:</b>        |    |                  |              |              |
| Aircraft Controls                   | \$ | <b>51,727</b>    | \$ 30,449    | \$ 28,035    |
| Space and Defense Controls          |    | <b>11,589</b>    | 7,315        | 14,103       |
| Industrial Systems                  |    | <b>11,702</b>    | 12,478       | 20,643       |
| Components                          |    | <b>4,620</b>     | 3,961        | 10,653       |
| Medical Devices                     |    | <b>2,737</b>     | 11,746       | 8,392        |
|                                     |    | <b>82,375</b>    | 65,949       | 81,826       |
| Corporate                           |    | <b>1,320</b>     | -            | -            |
| Total capital expenditures          | \$ | <b>83,695</b>    | \$ 65,949    | \$ 81,826    |

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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, manpower or profit.

Sales, based on the customer's location, and property, plant and equipment by geographic area are as follows:

|  | 0000000000<br>2011  | 0000000000<br>2010  | 0000000000<br>2009  |
|--|---------------------|---------------------|---------------------|
| <b>Net sales:</b>                          |                     |                     |                     |
| United States                              | \$ 1,293,058        | \$ 1,185,743        | \$ 1,118,178        |
| Germany                                    | 185,840             | 150,427             | 98,718              |
| China                                      | 144,586             | 157,501             | 85,230              |
| United Kingdom                             | 113,253             | 115,944             | 62,658              |
| Japan                                      | 81,999              | 96,431              | 93,025              |
| Other                                      | 511,944             | 408,206             | 391,109             |
| <b>Net sales</b>                           | <b>\$ 2,330,680</b> | <b>\$ 2,114,252</b> | <b>\$ 1,848,918</b> |
| <b>Property, plant and equipment, net:</b> |                     |                     |                     |
| United States                              | \$ 288,647          | \$ 274,591          | \$ 264,243          |
| Philippines                                | 70,159              | 74,720              | 82,465              |
| United Kingdom                             | 35,468              | 27,866              | 29,776              |
| Germany                                    | 24,177              | 25,899              | 30,256              |
| Other                                      | 85,421              | 83,868              | 74,986              |
| <b>Property, plant and equipment, net</b>  | <b>\$ 503,872</b>   | <b>\$ 486,944</b>   | <b>\$ 481,726</b>   |

Sales to Boeing were \$229,825 and \$206,775, or 10% of sales, in 2011 and 2010, respectively, including sales to Boeing Commercial Airplanes of \$110,802 and \$91,112 in 2011 and 2010, respectively. Sales arising from U.S. Government prime or sub-contracts, including military sales to Boeing, were \$738,429, \$740,701, and \$705,145 in 2011, 2010, and 2009, respectively. Sales to Boeing and the U.S. Government and its prime- or sub-contractors are made primarily from the Aircraft Controls and Space and Defense Controls segments.

**Note 18 - Commitments and Contingencies**

From time to time, we are named as a defendant in legal actions. We are not a party to any pending legal proceedings which management believes will result in a material adverse effect on our financial condition or results of operations.

We are engaged in administrative proceedings with governmental agencies and legal proceedings with governmental agencies and other third parties in the normal course of our business, including litigation under Superfund laws, regarding environmental matters. We believe that adequate reserves have been established for our share of the estimated cost for all currently pending environmental administrative or legal proceedings and do not expect that these environmental matters will have a material adverse effect on our financial condition or results of operations.

We lease certain facilities and equipment under operating lease arrangements. These arrangements may include fair market renewal or purchase options. Rent expense under operating leases amounted to \$26,544 in 2011, \$25,061 in 2010, and \$24,044 in 2009. Future minimum rental payments required under non-cancelable operating leases are \$20,379 in 2012, \$16,410 in 2013, \$12,590 in 2014, \$9,073 in 2015, \$8,101 in

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2016, and \$30,926 thereafter.

We are contingently liable for \$12,593 of standby letters of credit issued by a bank to third parties on our behalf at October 1, 2011. Purchase commitments outstanding at October 1, 2011 are \$652,747, including \$39,107 for property, plant and equipment.

**Table of Contents****Note 19 - Quarterly Data - Unaudited****Net Sales and Earnings**

|                         | 000000000000 | 000000000000 | 000000000000 | 000000000000 | 000000000000 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
|                         | 1st          | 2nd          | 3rd          | 4th          | Total        |
| 2011                    | Qtr.         | Qtr.         | Qtr.         | Qtr.         |              |
| Net sales               | \$ 554,434   | \$ 574,226   | \$ 582,959   | \$ 619,061   | \$ 2,330,680 |
| Gross profit            | 164,553      | 167,248      | 168,884      | 178,792      | 679,477      |
| Net earnings            | 33,407       | 30,615       | 33,838       | 38,161       | 136,021      |
| Net earnings per share: |              |              |              |              |              |
| Basic                   | \$ .74       | \$ .67       | \$ .74       | \$ .84       | \$ 2.99      |
| Diluted                 | \$ .73       | \$ .66       | \$ .73       | \$ .83       | \$ 2.95      |

|                         | 1st        | 2nd        | 3rd        | 4th        | Total        |
|-------------------------|------------|------------|------------|------------|--------------|
| 2010                    | Qtr.       | Qtr.       | Qtr.       | Qtr.       |              |
| Net sales               | \$ 495,178 | \$ 510,488 | \$ 536,775 | \$ 571,811 | \$ 2,114,252 |
| Gross profit            | 144,402    | 147,901    | 155,947    | 164,361    | 612,611      |
| Net earnings            | 21,561     | 25,001     | 29,232     | 32,300     | 108,094      |
| Net earnings per share: |            |            |            |            |              |
| Basic                   | \$ .48     | \$ .55     | \$ .64     | \$ .71     | \$ 2.38      |
| Diluted                 | \$ .47     | \$ .55     | \$ .64     | \$ .71     | \$ 2.36      |

Note: Quarterly amounts may not add to the total due to rounding.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Shareholders and Board of Directors of Moog Inc.

We have audited the accompanying consolidated balance sheets of Moog Inc. as of October 1, 2011 and October 2, 2010, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended October 1, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Moog Inc. at October 1, 2011 and October 2, 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 1, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for defined benefit pension and other postretirement plans with the adoption of the measurement provisions effective September 28, 2008 of the guidance originally issued in Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R) (codified in FASB ASC Topic 715, Compensation - Retirement Benefits).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Moog Inc.'s internal control over financial reporting as of October 1, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 30, 2011 expressed an unqualified opinion thereon.

Buffalo, New York

November 30, 2011

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**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of October 1, 2011 based upon the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting is effective as of October 1, 2011.

We completed three acquisitions in 2011, which were excluded from our management's report on internal control over financial reporting as of October 1, 2011. On December 22, 2010, we acquired certain assets and the business of Triumph. On May 24, 2011, we acquired Animatics Corporation. On June 5, 2011, we acquired Crossbow Technology, Inc. All of these acquisitions are included in our 2011 consolidated financial statements and collectively constituted \$73.2 million and \$62.4 million of total and net assets, respectively, as of October 1, 2011 and \$17.9 million and \$1.3 million of net sales and net income, respectively, for the year then ended.

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

By **ROBERT T. BRADY**  
Robert T. Brady  
Chairman of the Board,  
Chief Executive Officer  
(Principal Executive Officer)

By **DONALD R. FISHBACK**  
**Donald R. Fishback**  
Vice President,  
Chief Financial Officer  
(Principal Financial Officer)

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL**

**OVER FINANCIAL REPORTING**

Shareholders and Board of Directors of Moog Inc.

We have audited Moog Inc.'s internal control over financial reporting as of October 1, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Moog Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls, certain assets and the business of Triumph acquired on December 22, 2010, Animatics Corporation acquired on May 24, 2011 and Crossbow Technology on June 5, 2011 which are included in the 2011 consolidated financial statements of Moog Inc. and collectively constituted \$73.2 million and \$62.4 million of total and net assets, respectively, as of October 1, 2011 and \$17.9 million and \$1.3 million of net sales and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Moog Inc. also did not include an evaluation of the internal control over financial reporting of Animatics Corporation and Crossbow Technology.

In our opinion, Moog Inc. maintained, in all material respects, effective internal control over financial reporting as of October 1, 2011, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Moog Inc. as of October 1, 2011 and October 2, 2010, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended October 1, 2011 of Moog Inc. and our report dated November 30, 2011 expressed an unqualified opinion thereon.

Buffalo, New York

November 30, 2011





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**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Not applicable.

**Item 9A. Controls and Procedures.**

**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 Securities and Exchange 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.

**Management's Report on Internal Control over Financial Reporting.**

See the report appearing under Item 8, Financial Statements and Supplemental Data of this report.

**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.

**Item 9B. Other Information.**

On November 30, 2011, the Board of Directors (the "Board") of Moog Inc. (the "Company") adopted amendments to the Company's Restated By-laws (the "By-laws"). The amendments to the By-laws are summarized below.

The amendment to Article IV, Section 4.01 clarifies that the President need not be elected from the members of the Board.

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The amendments to Article IV, Section 4.03 replace the description of the duties of the Company's officers (included in new Article IV, Section 4.04 described below) and add the office of Senior Management Official. The Senior Management Official will be designated by and solely responsible to the Board for purpose of the United States National Industrial Security Program Operating Manual and will have the authority to limit access by the Company's officers and employees to classified materials.

The amendments to Article IV include new Section 4.04 that: (i) adds the description of the duties of the Company's officers as previously included in Article IV, Section 4.03 (except as modified below); (ii) clarifies that the duties and powers of the Company's officers are subject to specific directions and limitations established by the Board; (iii) clarifies that the President need not be the Chief Executive Officer; (iv) confirms that the President, together with the Chief Executive Officer, will be responsible for executing, carrying out and fulfilling all acts of the Board and will generally assist the Chief Executive Officer; and (v) clarifies that the President will have such other powers and duties as may be assigned by the Board or the Chief Executive Officer.

A copy of the By-laws is attached as Exhibit 3.2 to this Annual Report on Form 10-K and is incorporated by reference to this Item 9B. The foregoing description of the By-laws is qualified in its entirety by reference to the full text thereof.

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**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

The information required herein with respect to our directors and certain information required herein with respect to our executive officers is incorporated by reference to the 2011 Proxy. Other information required herein is included in Item 1, Business, under Executive Officers of the Registrant of this report.

We have adopted a code of ethics that applies to our Chief Executive Officer, President, Chief Financial Officer, and Controller. The code of ethics is available upon request without charge by contacting our Chief Financial Officer at 716-652-2000.

**Item 11. Executive Compensation.**

The information required herein is incorporated by reference to the 2011 Proxy.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required herein is incorporated by reference to the 2011 Proxy.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required herein is incorporated by reference to the 2011 Proxy.

**Item 14. Principal Accountant Fees and Services.**

The information required herein is incorporated by reference to the 2011 Proxy.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

(a) Documents filed as part of this report:

**1. Index to Financial Statements.**

The following financial statements are included:

- (i) Consolidated Statements of Earnings for the years ended October 1, 2011, October 2, 2010 and October 3, 2009.
- (ii) Consolidated Balance Sheets as of October 1, 2011 and October 2, 2010.
- (iii) Consolidated Statements of Shareholders' Equity for the years ended October 1, 2011, October 2, 2010, and October 3, 2009.
- (iv) Consolidated Statements of Cash Flows for the years ended October 1, 2011, October 2, 2010, and October 3, 2009.
- (v) Notes to Consolidated Financial Statements.
- (vi) Reports of Independent Registered Public Accounting Firm.

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**2. Index to Financial Statement Schedules.**

The following Financial Statement Schedule as of and for the years ended October 1, 2011, October 2, 2010, and October 3, 2009, is included in this Annual Report on Form 10-K:

II. Valuation and Qualifying Accounts.

Schedules other than that listed above are omitted because the conditions requiring their filing do not exist or because the required information is provided in the Consolidated Financial Statements, including the Notes thereto.

**3. Exhibits**

The exhibits required to be filed as part of this Annual Report on Form 10-K have been included as follows:

- (3) (i) Restated Certificate of Incorporation of Moog Inc., as amended, incorporated by reference to exhibit 3.1 of our report on Form 10-Q for the quarter ended December 30, 2006.
- (ii) Restated By-laws of Moog Inc., dated November 30, 2011. (Filed herewith)
- (4) (i) Form of Indenture between Moog Inc. and JPMorgan Chase Bank, N.A., as Trustee, dated January 10, 2005, relating to the 6 1/4% Senior Subordinated Notes due 2015, incorporated by reference to exhibit 4.1 of our report on Form 8-K dated January 5, 2005.
- (ii) First Supplemental Indenture between Moog Inc. and Banc of America Securities, LLC, dated as of September 12, 2005, incorporated by reference to exhibit 4.2 of our report on Form 10-K for the year ended September 24, 2005.
- (iii) Form of Indenture between Moog Inc. and Wells Fargo Bank, N.A., as Trustee, dated June 2, 2008, relating to the 7 1/4% Senior Subordinated Notes due 2018, incorporated by reference to exhibit 4.1 of our report on Form 10-Q for the quarter ended June 28, 2008.
- (9) (i) Agreement as to Voting, effective November 30, 1983, incorporated by reference to exhibit (i) of our report on Form 8-K dated December 9, 1983.
- (ii) Agreement as to Voting, effective October 15, 1988, incorporated by reference to exhibit (i) of our report on Form 8-K dated November 30, 1988.
- (10) (i) Deferred Compensation Plan for Directors and Officers, amended and restated May 16, 2002, incorporated by reference to exhibit 10(ii) of our Annual Report on Form 10-K for the year ended September 28, 2002.\*
- (ii) Form of Employment Termination Benefits Agreement between Moog Inc. and Employee-Officers, incorporated by reference to exhibit 10(vii) of our Annual Report on Form 10-K for the year ended September 25, 1999.\*
- (iii) Supplemental Retirement Plan, as amended and restated, effective October 1, 1978, as amended August 30, 1983, May 19, 1987, August 30, 1988, December 12, 1996, November 11, 1999 and November 29, 2001, incorporated by reference to exhibit 10.1 of our report on Form 10-Q for the quarter ended December 31, 2002.\*

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- (iv) 1998 Stock Option Plan, incorporated by reference to exhibit A of definitive proxy statement filed under Schedule 14A on January 5, 1998.\*
  
- (v) 2003 Stock Option Plan, incorporated by reference to exhibit A of definitive proxy statement filed under Schedule 14A on January 9, 2003.\*

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- (vi) Forms of Stock Option Agreements under the 1998 Stock Option Plan and 2003 Stock Option Plan, incorporated by reference to exhibit 10.12 of our Annual Report on Form 10-K for the year ended September 25, 2004.\*
- (vii) Moog Inc. Stock Employee Compensation Trust Agreement effective December 2, 2003, incorporated by reference to exhibit 10.1 of our report on Form 10-Q for the quarter ended December 31, 2003.
- (viii) Form of Indemnification Agreement for officers, directors and key employees, incorporated by reference to exhibit 10.1 of our report on Form 8-K dated November 30, 2004.\*
- (ix) Third Amended and Restated Loan Agreement between Moog Inc., HSBC Bank USA, National Association, Manufacturers and Traders Trust Company, Bank of America, N.A. and JPMorgan Chase Bank, N.A. dated as of March 18, 2011, incorporated by reference to exhibit 10.1 of our report on Form 8-K dated March 18, 2011.
- (x) 2008 Stock Appreciation Rights Plan, incorporated by reference to exhibit A of definitive proxy statement filed under Schedule 14A on December 10, 2007.\*
- (xi) Form of Stock Appreciation Rights Award Agreement under 2008 Stock Appreciation Rights Plan, incorporated by reference to exhibit 10.14 of our report on Form 10-K for the year ended September 27, 2008.
- (xii) Description of Management Profit Sharing Program, incorporated by reference to exhibit 10.1 of our report on Form 10-Q for the quarter ended July 2, 2011.\*

\*Identifies a management contract or compensatory plan or arrangement.

(21) Our subsidiaries.

- (i) Advanced Integrated Systems, Ltd., Incorporated in Nevada, wholly-owned subsidiary
- (ii) Animatics Corporation, Incorporated in California, wholly-owned subsidiary
  - (a) Animatics GmbH, Incorporated in Germany, wholly-owned subsidiary of Animatics Corporation
  - (b) Euomotion Ltd., Incorporated in England, wholly-owned subsidiary of Animatics Corporation
  - (c) Harmonic Linear Drives Ltd., Incorporated in England, wholly-owned subsidiary of Animatics Corporation
- (iii) Crossbow Technology, Incorporated in California, wholly-owned subsidiary



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- (iv) CSA Engineering, Inc., Incorporated in California, wholly-owned subsidiary
  
- (v) Curlin Medical Inc., Incorporated in Delaware, wholly-owned subsidiary
  - (a) Moog MDG SRL, Incorporated in Costa Rica, wholly-owned subsidiary of Curlin Medical, Inc.
  
  - (b) Viltechmeda UAB, Incorporated in Lithuania, wholly-owned subsidiary of Curlin Medical, Inc.

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- (c) X.O. Tec Corporation, Incorporated in Delaware, wholly-owned subsidiary of Curlin Medical, Inc.
  - (1) Ethox (Beijing) Medical Devices Trading Inc., Incorporated in People's Republic of China, wholly-owned subsidiary of X.O. Tec Corporation
  - (2) Ethox International, Inc., Incorporated in New York, wholly-owned subsidiary of X.O. Tec Corporation
- (2.a) MMC Sterilization Services Group Inc., Incorporated in Pennsylvania, wholly-owned subsidiary of Ethox International, Inc.
  - (d) ZEVEX Inc., Incorporated in Delaware, wholly-owned subsidiary of Curlin Medical, Inc.
  - (vi) Flo-Tork Inc., Incorporated in Delaware, wholly-owned subsidiary
  - (vii) Ingenieurburo Pieper GmbH, Incorporated in Germany, wholly-owned subsidiary
  - (viii) Mid-America Aviation, Inc., Incorporated in North Dakota, wholly-owned subsidiary
  - (ix) Moog AG, Incorporated in Switzerland, wholly-owned subsidiary with branch operation in Ireland
  - (x) Moog Australia Pty. Ltd., Incorporated in Australia, wholly-owned subsidiary
  - (xi) Moog do Brasil Controles Ltda., Incorporated in Brazil, wholly-owned subsidiary
    - (a) Moog de Argentina SRL, Incorporated in Argentina, wholly-owned subsidiary of Moog do Brasil Controles Ltda.
  - (xii) Moog Controls Corporation, Incorporated in Ohio, wholly-owned subsidiary with branch operation in the Republic of the Philippines
  - (xiii) Moog Controls Hong Kong Ltd., Incorporated in People's Republic of China, wholly-owned subsidiary
    - (a) Moog Control Systems (Shanghai) Co., Ltd., Incorporated in People's Republic of China, wholly-owned subsidiary of Moog Controls Hong Kong Ltd.
    - (b) Moog Industrial Controls (Shanghai) Co., Ltd., Incorporated in People's Republic of China, wholly-owned subsidiary of Moog Controls Hong Kong Ltd.

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(xiv) Moog Controls (India) Private Ltd., Incorporated in India, wholly-owned subsidiary

(xv) Moog Controls Ltd., Incorporated in the United Kingdom, wholly-owned subsidiary

(a) Fernau Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Moog Controls Ltd.

(1) Fernau Avionics Ltd., Incorporated in the United Kingdom, wholly-owned subsidiary of Fernau Limited

(b) Moog Components Group Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Moog Controls Ltd.

(c) Moog Norden A.B., Incorporated in Sweden, wholly-owned subsidiary of Moog Controls Ltd.

(d) Moog OY, Incorporated in Finland, wholly-owned subsidiary of Moog Controls Ltd.

(e) Moog Wolverhampton Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Moog Controls Ltd.

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- (xvi) Moog Europe Holdings Luxembourg SCS, Incorporated in Luxembourg, wholly-owned subsidiary
  - (a) Moog Holdings & Co. GmbH KG, a partnership organized in Germany, wholly-owned subsidiary of Moog Europe Holdings Luxembourg SCS
    - (1) Insensys Holding Ltd., Incorporated in the United Kingdom, wholly-owned subsidiary of Moog Holdings & Co. GmbH KG
- (1.a) Moog Insensys Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Insensys Holding Ltd.
- (1.b) Aston Photonic Technologies Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Moog Insensys Limited
- (1.c) Indigo Photonics Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Aston Photonic Technologies Limited
- (2) Moog Unna GmbH, Incorporated in Germany, wholly-owned subsidiary of Moog Holdings & Co. GmbH KG
- (2.a) Moog Control Equipment (Shanghai) Co. Ltd., Incorporated in People's Republic of China, wholly-owned subsidiary of Moog Unna GmbH
  - (3) Moog B.V., Incorporated in The Netherlands, wholly-owned subsidiary of Moog Holdings & Co. GmbH KG
  - (4) Moog FCS Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Moog B.V.
  - (5) Moog GmbH, Incorporated in Germany, wholly-owned subsidiary of Moog Holdings & Co. GmbH KG
- (5.a) Moog Italiana S.r.l., Incorporated in Italy, wholly-owned subsidiary of Moog GmbH
  - (6) Moog Luxembourg, S.a.r.l., Incorporated in Luxembourg, wholly-owned subsidiary of Moog Holdings & Co. GmbH KG
  - (7) ProControl AG, Incorporated in Switzerland, wholly-owned subsidiary of Moog Holdings & Co. GmbH KG
- (b) Moog Luxembourg Finance S.a.r.l., Incorporated in Luxembourg, wholly-owned subsidiary of Moog Europe Holdings Luxembourg SCS, with branch operations in Switzerland
  - (1) Moog Ireland International Financial Services Centre Limited, Incorporated in Ireland, wholly-owned subsidiary of Moog Luxembourg Finance S.a.r.l.
- (c) Focal Technologies Corporation, Incorporated in Canada, wholly-owned subsidiary of Moog Europe Holdings Luxembourg SCS

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- (d) Moog Verwaltungs GmbH, Incorporated in Germany, wholly-owned subsidiary of Moog Europe Holdings Luxembourg SCS
  
- (xvii) Moog Holland Aircraft Services B.V., Incorporated in The Netherlands, wholly-owned subsidiary
  
- (xviii) Moog Ireland Limited, Incorporated in Ireland, wholly-owned subsidiary
  
- (xix) Moog Japan Ltd., Incorporated in Japan, wholly-owned subsidiary
  
- (xx) Moog Korea Ltd., Incorporated in South Korea, wholly-owned subsidiary

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- (xxi) Moog Receivables LLC, Incorporated in Delaware, wholly-owned subsidiary
- (xxii) Moog S.A.R.L., Incorporated in France, wholly-owned subsidiary, 95% owned by Moog Inc.; 5% owned by Moog GmbH
- (xxiii) Moog Singapore Pte. Ltd., Incorporated in Singapore, wholly-owned subsidiary
  - (a) Moog Motion Controls Private Limited, Incorporated in India, wholly-owned subsidiary of Moog Singapore Pte. Ltd.
  - (b) Moog India Technology Center Pvt. Ltd., Incorporated in India, wholly-owned subsidiary of Moog Singapore Pte. Ltd.
- (xxiv) Moog Techtron Corp. Incorporated in Florida, wholly-owned subsidiary
- (xxv) Obshestwo s Ogranizennoi Otvetstvennostju Moog, Incorporated in Russia, wholly-owned subsidiary
- (xxvi) QuickSet International, Inc., Incorporated in Illinois, wholly-owned subsidiary
- (xxvii) Videolarm Inc., Incorporated in Georgia, wholly-owned subsidiary
- (23) Consent of Ernst & Young LLP. (Filed herewith)
- (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. (Filed herewith)
- (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. (Filed herewith)
- (32.1) Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith)
- (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\*

\* 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 Statements of Earnings for the fiscal years ended October 1, 2011, October 2, 2010, and October 3, 2009, (ii) Consolidated Balance Sheets at October 1, 2011 and October 2, 2010, (iii) Consolidated Statements of Cash Flows for the fiscal years ended October 1, 2011, October 2, 2010 and October 3, 2009 and (iv) Notes to Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K 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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**MOOG Inc.****Valuation and Qualifying Accounts - Fiscal Years 2009, 2010 and 2011**

(dollars in thousands)

| Description                              |                              |   |            |              |                                   | <b>Schedule II</b>     |  |
|--|------------------------------|---|------------|--------------|-----------------------------------|------------------------|--|
|  | Balance at beginning of year | Additions charged to costs and expenses | Deductions | Acquisitions | Foreign exchange impact and other | Balance at end of year |  |
| <b>Fiscal year ended October 3, 2009</b> |                              |   |            |              |                                   |                        |  |
| Contract loss reserves                   | \$ 20,536                    | \$ 23,529                               | \$ 24,766  | \$ 30,927    | \$ (36)                           | \$ 50,190              |  |
| Allowance for doubtful accounts          | 3,349                        | 1,297                                   | 655        | -            | 23                                | 4,014                  |  |
| Reserve for inventory valuation          | 62,529                       | 18,340                                  | 6,944      | -            | (643)                             | 73,282                 |  |
| Deferred tax valuation allowance         | 7,957                        | 2,545                                   | 915        | -            | (111)                             | 9,476                  |  |
| <b>Fiscal year ended October 2, 2010</b> |                              |   |            |              |                                   |                        |  |
| Contract loss reserves                   | \$ 50,190                    | \$ 32,298                               | \$ 39,799  | \$ (1,895)   | \$ 16                             | \$ 40,810              |  |
| Allowance for doubtful accounts          | 4,014                        | 1,511                                   | 599        | -            | (113)                             | 4,813                  |  |
| Reserve for inventory valuation          | 73,282                       | 20,395                                  | 7,900      | -            | (169)                             | 85,608                 |  |
| Deferred tax valuation allowance         | 9,476                        | 946                                     | 2,664      | -            | (406)                             | 7,352                  |  |
| <b>Fiscal year ended October 1, 2011</b> |                              |   |            |              |                                   |                        |  |
| Contract loss reserves                   | \$ 40,810                    | \$ 53,197                               | \$ 48,666  | \$ -         | \$ (168)                          | \$ 45,173              |  |
| Allowance for doubtful accounts          | 4,813                        | 1,230                                   | 1,260      | -            | (65)                              | 4,718                  |  |
| Reserve for inventory valuation          | 85,608                       | 17,566                                  | 8,804      | -            | 100                               | 94,470                 |  |
| Deferred tax valuation allowance         | 7,352                        | 257                                     | 3,151      | -            | (352)                             | 4,106                  |  |

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**Signatures**

Pursuant to the requirements of Section 13 or 15(d) 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)

**By**                    **ROBERT T. BRADY**  
                             **Robert T. Brady**  
                             Chairman of the Board,  
  
                             Chief Executive Officer

Date: November 30, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

**By**                    **ROBERT T. BRADY**  
                             **Robert T. Brady**  
  
                             Chairman of the Board,  
  
                             Chief Executive Officer  
  
                             and Director  
  
                             (Principal Executive Officer)  
  
                             Date: November 30, 2011

**By**                    **JOE C. GREEN**  
                             **Joe C. Green**  
  
                             Director  
  
                             Date: November 30, 2011

**By**                    **JOHN R. SCANNELL**  
                             **John R. Scannell**  
  
                             President  
  
                             and Chief Operating Officer  
  
                             Date: November 30, 2011

**By**                    **PETER J. GUNDERMANN**  
                             **Peter J. Gundermann**  
  
                             Director  
  
                             Date: November 30, 2011

**By**                    **DONALD R. FISHBACK**  
                             **Donald R. Fishback**

**By**                    **JOHN D. HENDRICK**  
                             **John D. Hendrick**

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Vice President  
and Chief Financial Officer,  
(Principal Financial Officer)  
Date: November 30, 2011

Director  
Date: November 30, 2011

By **JENNIFER WALTER**  
Jennifer Walter  
Controller  
(Principal Accounting Officer)  
Date: November 30, 2011

By **KRAIG H. KAYSER**  
Kraig H. Kayser  
Director  
Date: November 30, 2011

By **RICHARD A. AUBRECHT**  
Richard A. Aubrecht  
Director  
Date: November 30, 2011

By **BRIAN J. LIPKE**  
Brian J. Lipke  
Director  
Date: November 30, 2011

By **RAYMOND W. BOUSHIE**  
Raymond W. Boushie  
Director  
Date: November 30, 2011

By **ROBERT H. MASKREY**  
Robert H. Maskrey  
Director  
Date: November 30, 2011

By **ALBERT F. MYERS**  
Albert F. Myers  
Director  
Date: November 30, 2011