

MOOG INC
Form 10-Q
May 02, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 30, 2013

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

INC.
(Exact name of registrant as specified in its charter)

New York State
(State or other jurisdiction of incorporation or organization)

16-0757636
(I.R.S. Employer Identification No.)

East Aurora, New York
(Address of principal executive offices)
(716) 652-2000
(Telephone number including area code)

14052-0018
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of each class of common stock as of April 29, 2013 was:

Class A common stock, \$1.00 par value, 41,500,935 shares

Class B common stock, \$1.00 par value, 3,815,286 shares

Moog Inc.
 QUARTERLY REPORT ON FORM 10-Q
 TABLE OF CONTENTS

| PART 1 | FINANCIAL INFORMATION | PAGE |
|---------------------------|---|-------|
| Item 1 | <u>Financial Statements:</u> | |
| | <u>Consolidated Condensed Balance Sheets as of March 30, 2013 and September 29, 2012</u> | 3 |
| | <u>Consolidated Condensed Statements of Earnings for the Three and Six Months Ended March 30, 2013 and March 31, 2012</u> | 4 |
| | <u>Consolidated Condensed Statements of Comprehensive Income for the Three and Six Months Ended March 30, 2013 and March 31, 2012</u> | 5 |
| | <u>Consolidated Condensed Statements of Cash Flows for the Six Months Ended March 30, 2013 and March 31, 2012</u> | 6 |
| | <u>Notes to Consolidated Condensed Financial Statements</u> | 7-19 |
| Item 2 | <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 20-34 |
| Item 3 | <u>Quantitative and Qualitative Disclosures about Market Risk</u> | 35 |
| Item 4 | <u>Controls and Procedures</u> | 35 |
| PART II OTHER INFORMATION | | |
| Item 2 | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 36 |
| Item 6 | <u>Exhibits</u> | 37 |
| | <u>SIGNATURES</u> | 38 |

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Moog Inc.

Consolidated Condensed Balance Sheets

(Unaudited)

| (dollars in thousands) | March 30, 2013 | September 29, 2012 |
|--|--------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 149,848 | \$ 148,841 |
| Receivables | 770,470 | 744,551 |
| Inventories | 558,821 | 538,262 |
| Other current assets | 124,981 | 117,254 |
| TOTAL CURRENT ASSETS | 1,604,120 | 1,548,908 |
| PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$578,418 and \$560,856 respectively | 552,488 | 546,179 |
| GOODWILL | 797,342 | 762,854 |
| INTANGIBLE ASSETS, net | 221,671 | 212,195 |
| OTHER ASSETS | 48,654 | 35,771 |
| TOTAL ASSETS | \$3,224,275 | \$3,105,907 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Short-term borrowings | \$ 102,229 | \$ 90,774 |
| Current installments of long-term debt | 3,275 | 3,186 |
| Accounts payable | 177,851 | 169,587 |
| Customer advances | 123,017 | 112,204 |
| Contract loss reserves | 43,394 | 48,428 |
| Other accrued liabilities | 226,542 | 239,697 |
| TOTAL CURRENT LIABILITIES | 676,308 | 663,876 |
| LONG-TERM DEBT, excluding current installments | | |
| Senior debt | 520,233 | 292,083 |
| Senior subordinated notes | 191,571 | 378,579 |
| LONG-TERM PENSION AND RETIREMENT OBLIGATIONS | 416,968 | 427,588 |
| DEFERRED INCOME TAXES | 47,536 | 36,455 |
| OTHER LONG-TERM LIABILITIES | 3,646 | 2,536 |
| TOTAL LIABILITIES | 1,856,262 | 1,801,117 |
| SHAREHOLDERS' EQUITY | | |
| Common stock | 51,280 | 51,280 |
| Other shareholders' equity | 1,316,733 | 1,253,510 |
| TOTAL SHAREHOLDERS' EQUITY | 1,368,013 | 1,304,790 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$3,224,275 | \$3,105,907 |

See accompanying Notes to Consolidated Condensed Financial Statements.

Moog Inc.
Consolidated Condensed Statements of Earnings
(Unaudited)

| (dollars in thousands, except per share data) | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| NET SALES | \$643,023 | \$624,970 | \$1,263,826 | \$1,225,588 |
| COST OF SALES | 445,600 | 440,540 | 873,703 | 856,023 |
| GROSS PROFIT | 197,423 | 184,430 | 390,123 | 369,565 |
| Research and development | 38,113 | 26,897 | 70,441 | 56,087 |
| Selling, general and administrative | 100,795 | 97,697 | 205,870 | 193,495 |
| Interest | 6,442 | 8,636 | 15,038 | 17,182 |
| Restructuring | 2,201 | — | 2,201 | — |
| Other | (88 |) 1,411 | (2,458 |) 63 |
| EARNINGS BEFORE INCOME TAXES | 49,960 | 49,789 | 99,031 | 102,738 |
| INCOME TAXES | 13,433 | 14,368 | 28,386 | 30,944 |
| NET EARNINGS | \$36,527 | \$35,421 | \$70,645 | \$71,794 |
| | | | | |
| NET EARNINGS PER SHARE | | | | |
| Basic | \$0.81 | \$0.78 | \$1.56 | \$1.59 |
| Diluted | \$0.80 | \$0.77 | \$1.54 | \$1.57 |
| | | | | |
| AVERAGE COMMON SHARES | | | | |
| OUTSTANDING | | | | |
| Basic | 45,333,612 | 45,227,921 | 45,343,312 | 45,219,828 |
| Diluted | 45,825,626 | 45,781,587 | 45,766,798 | 45,730,777 |
| See accompanying Notes to Consolidated Condensed Financial Statements. | | | | |

Moog Inc.
Consolidated Condensed Statements of Comprehensive Income
(Unaudited)

| (dollars in thousands) | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| NET EARNINGS | \$36,527 | \$35,421 | \$70,645 | \$71,794 |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX: | | | | |
| Foreign currency translation adjustment | (23,028 |) 15,293 | (16,854 |) 7,262 |
| Retirement liability adjustment | 5,582 | 2,832 | 10,101 | 5,522 |
| Change in accumulated income (loss) on derivatives | (470 |) 301 | (148 |) 87 |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX | (17,916 |) 18,426 | (6,901 |) 12,871 |
| COMPREHENSIVE INCOME | \$18,611 | \$53,847 | \$63,744 | \$84,665 |
| See accompanying Notes to Consolidated Condensed Financial Statements. | | | | |

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

| (dollars in thousands) | Six Months Ended | |
|--|-------------------|-------------------|
| | March 30, 2013 | March 31, 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net earnings | \$70,645 | \$71,794 |
| Adjustments to reconcile net earnings to net cash provided (used) by operating activities: | | |
| Depreciation | 36,460 | 32,026 |
| Amortization | 16,934 | 16,543 |
| Provisions for non-cash losses on contracts, inventories and receivables | 27,971 | 30,043 |
| Equity-based compensation expense | 4,724 | 4,790 |
| Other | (4,483) | (1,243) |
| Changes in assets and liabilities providing (using) cash, excluding the effects of acquisitions: | | |
| Receivables | (24,700) | (47,983) |
| Inventories | (23,272) | (25,449) |
| Accounts payable | 8,459 | 4,567 |
| Customer advances | 10,997 | 8,787 |
| Accrued expenses | (39,327) | (30,903) |
| Accrued income taxes | 9,744 | 3,690 |
| Pension assets and liabilities | 4,772 | 12,573 |
| Other assets and liabilities | (8,430) | (3,845) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 90,494 | 75,390 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of businesses, net of acquired cash | (69,807) | (25,673) |
| Purchase of property, plant and equipment | (45,322) | (53,720) |
| Other investing transactions | (12,774) | (5,103) |
| NET CASH USED BY INVESTING ACTIVITIES | (127,903) | (84,496) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net short term borrowings (repayments) | 12,972 | 85,205 |
| Net proceeds (repayments) from revolving lines of credit | 225,680 | (62,827) |
| Payments on long-term debt, other than senior subordinated notes | (3,255) | (1,096) |
| Payments on senior subordinated notes | (187,000) | — |
| Excess tax benefits from equity-based payment arrangements | 308 | 368 |
| Other financing transactions | (9,356) | (1,023) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 39,349 | 20,627 |
| Effect of exchange rate changes on cash | (933) | 615 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 1,007 | 12,136 |
| Cash and cash equivalents at beginning of period | 148,841 | 113,679 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 149,848 | \$ 125,815 |

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CASH PAID FOR:

| | | |
|------------------------------|-----------|-----------|
| Interest | \$ 16,503 | \$ 16,525 |
| Income taxes, net of refunds | 20,488 | 29,156 |

See accompanying Notes to Consolidated Condensed Financial Statements.

6

Moog Inc.
Notes to Consolidated Condensed Financial Statements
Six Months Ended March 30, 2013
(Unaudited)
(dollars in thousands, except per share data)

Note 1 - Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting of normal recurring adjustments considered necessary for the fair presentation of results for the interim period have been included. The results of operations for the six months ended March 30, 2013 are not necessarily indicative of the results expected for the full year. The accompanying unaudited consolidated condensed financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the fiscal year ended September 29, 2012. All references to years in these financial statements are to fiscal years.

Note 2 - Acquisitions

In 2013, we completed two business combinations. One of these business combinations was in our Space and Defense Controls segment. We acquired Broad Reach Engineering for \$34,550 of cash consideration, issuance of \$8,450 of notes payable and contingent consideration with an initial fair value of \$4,276. Based in Colorado, Broad Reach Engineering is a leading designer and manufacturer of spaceflight electronics and software for aerospace, scientific, commercial and military missions. The company also provides ground testing, launch and on-orbit operations. We also completed one business combination in our Components segment. We acquired Aspen Motion Technologies, located in Radford, Virginia for \$33,911 in cash. Aspen, founded in 1996, is a designer and manufacturer of high-performance permanent magnet brushless DC motors, integrated digital controls and motorized impellers for motors. Aspen also specializes in custom motor designs for end product integration and significant product enhancement in a variety of high-performance industrial applications.

In 2012, we completed four business combinations. Two of these business combinations were in our Components segment. We acquired Protokraft, LLC, based in Tennessee, for \$12,500 in cash plus contingent consideration with an initial fair value of \$4,809. Protokraft designs and manufactures opto-electronic transceivers, ethernet switches and media converters packaged into rugged, environmentally-sealed connectors. We also acquired Tritech International Limited, based in the U.K., for \$34,267, net of cash acquired, which includes a working capital adjustment of \$1,346 paid in 2013. Tritech is a leading designer and manufacturer of high performance acoustic sensors, sonars, video cameras and mechanical tooling equipment. We also completed two business combinations in our Space and Defense Controls segment. We acquired Bradford Engineering, based in The Netherlands, for \$13,173, net of cash acquired. Bradford is a developer and manufacturer of satellite equipment including attitude control, propulsion and thermal control subsystems. We also acquired In-Space Propulsion for \$45,495, net of cash acquired. In-Space Propulsion has locations in New York, California, Ireland and the United Kingdom and is a developer and manufacturer of liquid propulsion systems and components for satellites and missile defense systems.

The purchase price allocations for the 2012 acquisitions are substantially complete. Allocations for 2013 acquisitions are subject to subsequent adjustment as we obtain additional information for our estimates during the respective measurements periods.

Note 3 - Receivables

We securitize certain trade receivables in transactions that are accounted for as secured borrowings (Securitization Program). We maintain a subordinated interest in a portion of the pool of trade receivables that are securitized. The retained interest, which is included in Receivables in the consolidated condensed balance sheets, is recorded at fair value, which approximates the total amount of the designated pool of accounts receivable. Refer to Note 6, Indebtedness, for additional disclosures related to the Securitization Program.

Note 4 - Inventories

Inventories, net of reserves, consist of:

| | March 30, 2013 | September 29, 2012 |
|-----------------------------------|-------------------|-----------------------|
| Raw materials and purchased parts | \$193,585 | \$188,643 |
| Work in progress | 290,418 | 283,122 |
| Finished goods | 74,818 | 66,497 |
| Total | \$558,821 | \$538,262 |

Note 5 - Goodwill and Intangible Assets

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

| | Balance as of September 29, 2012 | Acquisitions | Adjustment To Prior Year Acquisitions | Foreign Currency Translation | Balance as of March 30, 2013 |
|----------------------------------|--|--------------|---|------------------------------------|------------------------------------|
| Aircraft Controls | \$192,386 | \$— | \$— | \$(3,810) | \$188,576 |
| Space and Defense Controls | 130,715 | 29,526 | 2,418 | (24) | 162,635 |
| Industrial Systems Components | 119,575 | — | — | (2,139) | 117,436 |
| Medical Devices | 194,464 | 10,680 | (366) | (1,777) | 203,001 |
| Total | 125,714 | — | — | (20) | 125,694 |
| | \$762,854 | \$40,206 | \$2,052 | \$(7,770) | \$797,342 |

The components of acquired intangible assets are as follows:

| | | March 30, 2013 | | September 29, 2012 | |
|----------------------------|---------------------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|
| | Weighted - Average Life (years) | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Customer-related | 10 | \$199,566 | \$(88,967) | \$179,383 | \$(80,953) |
| Program-related | 18 | 75,816 | (15,576) | 79,631 | (13,976) |
| Technology-related | 9 | 72,705 | (38,834) | 67,969 | (35,676) |
| Marketing-related | 9 | 31,784 | (17,290) | 29,327 | (16,145) |
| Acquired intangible assets | 11 | \$379,871 | \$(160,667) | \$356,310 | \$(146,750) |

Customer-related intangible assets primarily consist of customer relationships. Program-related intangible assets consist of long-term programs represented by current contracts and probable follow on work. 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.

Amortization of acquired intangible assets was \$8,053 and \$15,794 for the three and six months ended March 30, 2013 and \$7,622 and \$15,293 for the three and six months ended March 31, 2012. Based on acquired intangible assets recorded at March 30, 2013, amortization is expected to be approximately \$31,700 in 2013, \$30,000 in 2014, \$26,500 in 2015, \$24,900 in 2016 and \$21,500 in 2017.

We have \$4,896 and \$5,113 of identifiable assets with indefinite lives in marketing-related intangibles at March 30, 2013 and September 29, 2012, respectively.

Note 6 - Indebtedness

Short-term borrowings consist of:

| | March 30, 2013 | September 29, 2012 |
|------------------------|-------------------|-----------------------|
| Securitization program | \$94,800 | \$81,800 |
| Lines of credit | 7,429 | 8,974 |
| Short-term borrowings | \$102,229 | \$90,774 |

The Securitization Program matures on March 3, 2014 and effectively increases our borrowing capacity by up to \$100,000. Under the Securitization Program, we sell certain trade receivables and related rights to an affiliate, which in turn sells an undivided variable percentage ownership interest in the trade receivables to a financial institution, while maintaining a subordinated interest in a portion of the pool of trade receivables. The Securitization Program can be extended by agreement of the parties thereto for successive 364-day terms. Interest for the Securitization Program is based on prevailing market rates for short-term commercial paper plus an applicable margin. A commitment fee is also charged based on a percentage of the unused amounts available and is not material. The agreement governing the Securitization Program contains restrictions and covenants which include limitations on the making of certain restricted payments, creation of certain liens, and certain corporate acts such as mergers, consolidations and sale of substantially all assets.

In addition to the Securitization Program, we maintain short-term credit facilities with banks throughout the world that are principally demand lines subject to revision by the banks.

On January 15, 2013, we repurchased at par our 6¼% senior subordinated notes due on January 15, 2015, pursuant to an early redemption right. We redeemed the aggregate principal amount of \$200,000 using proceeds drawn from our U.S. credit facility.

On March 28, 2013, we amended our U.S. credit facility. The amendments primarily reflect a modification of the matrix used to determine the applicable interest margin, the commitment fee rate and extended the maturity of the credit facility to March 28, 2018. It consists of a \$900,000 revolver and had an outstanding balance of \$515,000 at March 30, 2013. Interest on the outstanding credit facility borrowings is based on LIBOR plus the applicable margin, which was 138 basis points at March 30, 2013. The credit facility is secured by substantially all of our U.S. assets.

Note 7 - Product Warranties

In the ordinary course of business, we warrant our products against defects in design, materials and workmanship typically over periods ranging from twelve to sixty 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:

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| Warranty accrual at beginning of period | \$18,040 | \$18,552 | \$18,859 | \$19,247 |
| Additions from acquisitions | — | 40 | — | 40 |
| Warranties issued during current period | 893 | 2,501 | 2,933 | 4,261 |
| Adjustments to pre-existing warranties | 91 | (331) | (475) | (305) |
| Reductions for settling warranties | (1,923) | (3,186) | (4,244) | (5,545) |
| Foreign currency translation | (651) | 144 | (623) | 22 |
| Warranty accrual at end of period | \$16,450 | \$17,720 | \$16,450 | \$17,720 |

Note 8 - Derivative Financial Instruments

We principally use derivative financial instruments to manage foreign exchange risk related to foreign operations and foreign currency transactions and interest rate risk associated with long-term debt. 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 March 30, 2013, we had interest rate swaps with notional amounts totaling \$120,000. The interest rate swaps effectively convert this amount of variable-rate debt to fixed-rate debt at 1.8%, including the applicable margin of 138 basis points as of March 30, 2013. The interest will revert back to variable rates based on LIBOR plus the applicable margin upon the maturity of the interest rate swaps on January 15, 2015 and January 15, 2016.

We use foreign currency forward contracts as cash flow hedges to effectively fix the exchange rates on future payments and revenue. To mitigate exposure in movements between various currencies, primarily the Philippine peso, we had outstanding foreign currency forwards with notional amounts of \$52,977 at March 30, 2013. These contracts mature at various times through the second quarter of 2015.

These interest rate swaps and foreign currency forwards are recorded in the consolidated condensed balance sheets 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 and revenue being hedged, the ineffective portion of these contracts is recognized in earnings immediately. Ineffectiveness was not material in the first six months of 2013 or 2012.

Activity in AOCI related to these derivatives is summarized below:

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| Balance at beginning of period | \$542 | \$(379) | \$220 | \$(165) |
| Net deferral in AOCI of derivatives: | | | | |
| Net increase (decrease) in fair value of derivatives | (511) | 426 | 167 | 195 |
| Tax effect | 166 | (146) | (70) | (72) |
| | (345) | 280 | 97 | 123 |
| Net reclassification from AOCI into earnings: | | | | |
| Reclassification from AOCI into earnings | (198) | 21 | (420) | (72) |
| Tax effect | 73 | — | 175 | 36 |
| | (125) | 21 | (245) | (36) |
| Balance at end of period | \$72 | \$(78) | \$72 | \$(78) |

Activity and classification of derivatives are as follows:

| | | Net deferral in AOCI of derivatives - effective portion | | | |
|---------------------------|--------------------------------------|--|----------------|------------------|----------------|
| | | Three Months Ended | | Six Months Ended | |
| | Statement of earnings classification | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| Interest rate swaps | Interest expense | \$ (203) | \$ — | \$ (203) | \$ — |
| Foreign currency forwards | Cost of sales | (308) | 426 | 370 | 195 |
| Net gain (loss) | | \$ (511) | \$ 426 | \$ 167 | \$ 195 |
| | | Net reclassification from AOCI into earnings - effective portion | | | |
| | | Three Months Ended | | Six Months Ended | |
| | Statement of earnings classification | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| Interest rate swaps | Interest expense | \$ (43) | \$ — | \$ (43) | \$ (67) |
| Foreign currency forwards | Cost of sales | 241 | (21) | 463 | 139 |
| Net gain (loss) | | \$ 198 | \$ (21) | \$ 420 | \$ 72 |

Derivatives not designated as hedging instruments

We also have foreign currency exposure on balances, primarily intercompany, that are denominated in foreign currencies and are adjusted to current values using period-end exchange rates. The resulting gains or losses are recorded in the consolidated condensed statements of earnings. To minimize foreign currency exposure, we had foreign currency forwards with notional amounts of \$255,921 at March 30, 2013. The foreign currency forwards are recorded in the consolidated condensed balance sheets at fair value and resulting gains or losses are recorded in the consolidated condensed statements of earnings. We recorded the following gains or losses on foreign currency forwards which are included in other income or expense and generally offset the gains or losses from the foreign currency adjustments on the intercompany balances that are also included in other income or expense:

| | Three Months Ended | | Six Months Ended | |
|-----------------|--------------------|----------------|------------------|----------------|
| | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| Net gain (loss) | \$4,979 | \$811 | \$5,901 | \$ (571) |

Summary of derivatives

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

| | | March 30, 2013 | September 29, 2012 |
|--|-----------------------------|-------------------|-----------------------|
| Derivatives designated as hedging instruments: | | | |
| Foreign currency forwards | Other current assets | \$612 | \$467 |
| Foreign currency forwards | Other assets | 1 | 32 |
| | Total assets | \$613 | \$499 |
| Foreign currency forwards | Other accrued liabilities | \$102 | \$41 |
| Foreign currency forwards | Other long-term liabilities | 250 | 40 |
| Interest rate swaps | Other accrued liabilities | 76 | — |
| Interest rate swaps | Other long-term liabilities | 95 | — |
| | Total liabilities | \$523 | \$81 |
| Derivatives not designated as hedging instruments: | | | |
| Foreign currency forwards | Other current assets | \$3,674 | \$1,456 |
| | Total assets | \$3,674 | \$1,456 |
| Foreign currency forwards | Other accrued liabilities | \$2,256 | \$2,549 |
| | Total liabilities | \$2,256 | \$2,549 |

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.

Our derivatives are valued using various pricing models or discounted cash flow analyses that incorporate observable market data, such as interest rate yield curves and currency rates, and are classified as Level 2 within the valuation hierarchy. Our Level 3 fair value liabilities represent contingent consideration recorded for acquisitions to be paid if various financial targets are met. The amounts recorded were calculated for each payment scenario in each period using an estimate of the probability of the future cash outflows. The varying contingent payments were then discounted to the present value at the weighted average cost of capital. Fair value is assessed on a quarterly basis, or whenever events or circumstances change that indicates an adjustment is required. The assessment includes an evaluation of the performance of the acquired business compared to previous expectations, changes to future projections and the probability of achieving the earn out targets.

The following table presents the fair values and classification of our financial assets and liabilities measured on a recurring basis as of March 30, 2013:

| | Classification | Level 1 | Level 2 | Level 3 | Total |
|--------------------------------------|-----------------------------|---------|---------|---------|---------|
| Foreign currency forwards | Other current assets | \$— | \$4,286 | \$— | \$4,286 |
| Foreign currency forwards | Other assets | — | 1 | — | 1 |
| | Total assets | \$— | \$4,287 | \$— | \$4,287 |
| Foreign currency forwards | Other accrued liabilities | \$— | \$2,358 | \$— | \$2,358 |
| Foreign currency forwards | Other long-term liabilities | — | 250 | — | 250 |
| Interest rate swaps | Other accrued liabilities | — | 76 | — | 76 |
| Interest rate swaps | Other long-term liabilities | — | 95 | — | 95 |
| Acquisition contingent consideration | Other accrued liabilities | — | — | 2,318 | 2,318 |
| Acquisition contingent consideration | Other long-term liabilities | — | — | 2,830 | 2,830 |
| | Total liabilities | \$— | \$2,779 | \$5,148 | \$7,927 |

The changes in financial liabilities classified as Level 3 within the fair value hierarchy are as follows:

| | Three Months Ended | | Six Months Ended | |
|--------------------------------|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| Balance at beginning of period | \$4,486 | \$1,990 | \$6,422 | \$1,990 |
| Additions from acquisitions | 4,276 | 4,438 | 4,276 | 4,438 |

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| | | | | |
|---|----------|---------|----------|---------|
| Increase in discounted future cash flows recorded as interest expense | 122 | 44 | 219 | 88 |
| Decrease in earn out provisions recorded as other income | (958) | (529) | (2,991) | (573) |
| Settlements paid in cash | (2,778) | — | (2,778) | — |
| Balance at end of period | \$5,148 | \$5,943 | \$5,148 | \$5,943 |

Our only financial instrument for which the carrying value differs from its fair value is long-term debt. At March 30, 2013, the fair value of long-term debt was \$723,704 compared to its carrying value of \$715,079. The fair value of long-term debt is classified as Level 2 within the fair value hierarchy and was estimated based on quoted market prices.

Note 10 - Employee Benefit Plans

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

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| Service cost | \$6,714 | \$5,837 | \$13,428 | \$11,674 |
| Interest cost | 7,204 | 7,446 | 14,409 | 14,892 |
| Expected return on plan assets | (10,335) | (10,492) | (20,670) | (20,984) |
| Amortization of prior service cost | 2 | 2 | 4 | 4 |
| Amortization of actuarial loss | 6,901 | 4,256 | 13,802 | 8,512 |
| Pension expense for defined benefit plans | 10,486 | 7,049 | 20,973 | 14,098 |
| Pension expense for defined contribution plans | 2,772 | 2,150 | 5,165 | 4,197 |
| Total pension expense for U.S. plans | \$13,258 | \$9,199 | \$26,138 | \$18,295 |

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

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| Service cost | \$1,163 | \$1,005 | \$2,411 | \$2,021 |
| Interest cost | 1,366 | 1,502 | 2,821 | 2,969 |
| Expected return on plan assets | (887) | (972) | (1,846) | (1,925) |
| Amortization of prior service credit | (12) | (13) | (26) | (29) |
| Amortization of actuarial loss | 372 | 217 | 779 | 435 |
| Pension expense for defined benefit plans | 2,002 | 1,739 | 4,139 | 3,471 |
| Pension expense for defined contribution plans | 1,321 | 1,218 | 2,671 | 2,416 |
| Total pension expense for non-U.S. plans | \$3,323 | \$2,957 | \$6,810 | \$5,887 |

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

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| Service cost | \$73 | \$82 | \$146 | \$164 |
| Interest cost | 138 | 196 | 275 | 392 |
| Amortization of transition obligation | 91 | 99 | 181 | 198 |
| Total periodic post-retirement benefit cost | \$302 | \$377 | \$602 | \$754 |

Activity in AOCI related to U.S. pension plans, non-U.S. pension plans and post-retirement health care benefit plans is summarized below:

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| Balance at beginning of period | \$(275,905) | \$(231,438) | \$(280,424) | \$(234,128) |
| Net reclassification from AOCI into earnings: | | | | |
| Reclassification from AOCI into earnings | 8,323 | 4,529 | 15,595 | 8,918 |
| Tax effect | (2,741) | (1,697) | (5,494) | (3,396) |
| Balance at end of period | \$(270,323) | \$(228,606) | \$(270,323) | \$(228,606) |

Actual contributions for the six months ended March 30, 2013 and anticipated additional 2013 contributions to our defined benefit pension plans are as follows:

| | U.S. Plans | Non-U.S. Plans | Total |
|-------------|------------|----------------|----------|
| Actual | \$15,819 | \$4,521 | \$20,340 |
| Anticipated | 15,844 | 2,921 | 18,765 |
| | \$31,663 | \$7,442 | \$39,105 |

Note 11 - Restructuring

We have initiated restructuring plans to better align our cost structure with projected sales levels. The restructuring actions taken have and will result in workforce reductions, primarily in the U.S., Europe and Asia.

Restructuring expense related principally to severance by segment for the three and six months ended March 30, 2013 is as follows:

| | |
|--------------------|---------|
| Aircraft Controls | \$474 |
| Industrial Systems | 1,727 |
| Total | \$2,201 |

Restructuring activity is as follows:

| | | |
|--------------------------------|--------|---|
| Balance at beginning of period | \$— | |
| Charged to expense | 2,201 | |
| Cash payments | (1,194 |) |
| Foreign currency translation | (38 |) |
| Balance at end of period | \$969 | |

Payments related to these costs are expected to be principally paid by the end of 2013. We anticipate that total restructuring charges will be approximately \$2,000 and \$9,000 in our Aircraft Controls and Industrial Systems segments, respectively, in 2013.

Note 12 - Income Taxes

The effective tax rates of 26.9% and 28.7% for the three and six months ended March 30, 2013 and 28.9% and 30.1% for the three and six months ended March 31, 2012 are lower than would be expected by applying the U.S. federal statutory tax rate to earnings before income taxes primarily as a result of a significant portion of our earnings that come from foreign operations with lower tax rates. In addition, the effective tax rate for the three months ended March 30, 2013 is lower due to the inclusion of a catch up adjustment for research and development tax credits mostly associated with 2012 following recently enacted legislation.

Note 13 - Shareholders' Equity

The changes in shareholders' equity for the six months ended March 30, 2013 are summarized as follows:

| | Amount | Number of Shares | |
|--|--------------------|-------------------------|-------------------------|
| | | Class A Common Stock | Class B Common Stock |
| COMMON STOCK | | | |
| Beginning of period | \$51,280 | 43,575,124 | 7,704,589 |
| Conversion of Class B to Class A | — | 22,236 | (22,236) |
| End of Period | 51,280 | 43,597,360 | 7,682,353 |
| ADDITIONAL PAID-IN CAPITAL | | | |
| Beginning of period | 421,969 | | |
| Equity-based compensation expense | 4,724 | | |
| Issuance of treasury shares at more than cost | 3,157 | | |
| Adjustment to market - SECT, and other | 3,585 | | |
| End of period | 433,435 | | |
| RETAINED EARNINGS | | | |
| Beginning of period | 1,169,216 | | |
| Net earnings | 70,645 | | |
| End of period | 1,239,861 | | |
| TREASURY STOCK | | | |
| Beginning of period | (74,980) | (2,253,318) | (3,305,971) |
| Issuance of treasury shares | 2,331 | 270,859 | — |
| Purchase of treasury shares | (4,649) | (114,995) | — |
| End of period | (77,298) | (2,097,454) | (3,305,971) |
| STOCK EMPLOYEE COMPENSATION TRUST (SECT) | | | |
| Beginning of period | (15,984) | | (418,317) |
| Issuance of shares | 781 | | 21,237 |
| Purchase of shares | (7,173) | | (164,016) |
| Adjustment to market - SECT | (3,277) | | — |
| End of period | (25,653) | — | (561,096) |
| ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME | | | |
| Beginning of period | (246,711) | | |
| Other comprehensive loss | (6,901) | | |
| End of period | (253,612) | | |
| TOTAL SHAREHOLDERS' EQUITY | \$1,368,013 | 41,499,906 | 3,815,286 |

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

| | March 30, 2013 | September 29, 2012 |
|--|-------------------|-----------------------|
| Accumulated foreign currency translation | \$16,639 | \$33,493 |
| Accumulated retirement liability | (270,323) | (280,424) |
| Accumulated gain on derivatives | 72 | 220 |

Accumulated other comprehensive loss \$(253,612) \$(246,711)

Note 14 - Stock Employee Compensation Trust

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

Note 15 - Earnings per Share

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

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 |
| Weighted-average shares outstanding - Basic | 45,333,612 | 45,227,921 | 45,343,312 | 45,219,828 |
| Dilutive effect of equity-based awards | 492,014 | 553,666 | 423,486 | 510,949 |
| Weighted-average shares outstanding - Diluted | 45,825,626 | 45,781,587 | 45,766,798 | 45,730,777 |

Note 16 - Segment Information

Below are sales and operating profit by segment for the three and six months ended March 30, 2013 and March 31, 2012 and a reconciliation of segment operating profit to earnings before income taxes. Operating profit is net sales less cost of sales and other operating expenses, excluding interest expense, equity-based compensation expense and other corporate expenses. Cost of sales and other operating expenses are directly identifiable to the respective segment or allocated on the basis of sales, number of employees or profit.

| | Three Months Ended | | Six Months Ended | | | |
|-----------------------------------|--------------------|-------------------|-------------------|-------------------|--|---|
| | March 30, 2013 | March 31, 2012 | March 30, 2013 | March 31, 2012 | | |
| Net sales: | | | | | | |
| Aircraft Controls | \$258,860 | \$236,388 | \$511,141 | \$467,468 | | |
| Space and Defense Controls | 105,688 | 89,811 | 192,153 | 178,205 | | |
| Industrial Systems | 144,201 | 168,015 | 292,177 | 326,100 | | |
| Components | 98,804 | 95,643 | 198,079 | 183,790 | | |
| Medical Devices | 35,470 | 35,113 | 70,276 | 70,025 | | |
| Net sales | \$643,023 | \$624,970 | \$1,263,826 | \$1,225,588 | | |
| Operating profit and margins: | | | | | | |
| Aircraft Controls | \$31,518 | \$22,783 | \$62,593 | \$47,610 | | |
| | 12.2 | % 9.6 | % 12.2 | % 10.2 | | % |
| Space and Defense Controls | 7,671 | 9,903 | 15,899 | 22,646 | | |
| | 7.3 | % 11.0 | % 8.3 | % 12.7 | | % |
| Industrial Systems | 7,837 | 19,272 | 16,884 | 35,098 | | |
| | 5.4 | % 11.5 | % 5.8 | % 10.8 | | % |
| Components | 15,342 | 13,479 | 34,188 | 28,508 | | |
| | 15.5 | % 14.1 | % 17.3 | % 15.5 | | % |
| Medical Devices | 1,306 | 1,489 | 2,908 | 3,087 | | |
| | 3.7 | % 4.2 | % 4.1 | % 4.4 | | % |
| Total operating profit | 63,674 | 66,926 | 132,472 | 136,949 | | |
| | 9.9 | % 10.7 | % 10.5 | % 11.2 | | % |
| Deductions from operating profit: | | | | | | |
| Interest expense | 6,442 | 8,636 | 15,038 | 17,182 | | |
| Equity-based compensation expense | 833 | 685 | 4,724 | 4,790 | | |
| Corporate expenses and other | 6,439 | 7,816 | 13,679 | 12,239 | | |
| Earnings before income taxes | \$49,960 | \$49,789 | \$99,031 | \$102,738 | | |

Note 17 - Recent Accounting Pronouncements

In July 2012, the FASB issued ASU No. 2012-02, "Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment." The amendment provides an option to make a qualitative assessment about the likelihood that an indefinite-lived intangible asset is impaired to determine whether it is necessary to perform a quantitative impairment test. The amendment also enhances the consistency of impairment testing guidance by making impairment testing requirements for indefinite-lived intangible assets equivalent to that of other long-lived assets. The amendment is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. We adopted this amendment in the first quarter of 2013. The adoption of this standard did not have a material impact on our financial statements.

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

The following should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Annual Report filed on Form 10-K for the fiscal year ended September 29, 2012. All references to years in this Management's Discussion and Analysis of Financial Condition and Results of Operations are to fiscal years and amounts may differ from reported values due to rounding.

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 and industrial markets. Within the aerospace and defense market, our products and systems include military and commercial aircraft flight controls, thrust vector controls for space launch vehicles, controls for gun aiming, stabilization and automatic ammunition loading for armored combat vehicles, satellite positioning controls and controls for steering tactical and strategic missiles. In the industrial market, our products are used in a wide range of applications including injection molding machines, metal forming, heavy industry, material and automotive testing, pilot training simulators, wind energy, enteral clinical nutrition pumps, infusion therapy pumps, oil exploration, motors used in sleep apnea devices, power generation, surveillance systems and slip rings used on CT scanners. 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, the United Kingdom, the Philippines, Germany, China, India, Italy, The Netherlands, Japan, Costa Rica, Luxembourg, Ireland and Canada.

We have long-term contracts with some of our customers. These contracts are predominantly within Aircraft Controls and Space and Defense Controls and represented 32% of our 2012 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,
- customer diversity and broad product portfolio, and
- well-established international presence serving customers worldwide.

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

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

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, pricing pressures from customers, strong competition, foreign currency fluctuations and increases in employee benefit costs.

We address these challenges by focusing on strategic revenue growth and by continuing to improve operating efficiencies through various process and manufacturing initiatives and using low cost manufacturing facilities without compromising quality. Based on periodic strategy reviews, including the financial outlook of our business, we may also engage in restructuring activities, including reducing overhead, consolidating facilities and exiting some product lines.

Acquisitions

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

In 2013, we completed two business combinations. One of these business combinations was in our Space and Defense Controls segment. We acquired Broad Reach Engineering for \$43 million and contingent consideration with an initial fair value of \$4 million. Based in Colorado, Broad Reach Engineering is a leading designer and manufacturer of spaceflight electronics and software for aerospace, scientific, commercial and military missions. The company also provides ground testing, launch and on-orbit operations. We also completed one business combination in our Components segment. We acquired Aspen Motion Technologies located in Radford, Virginia for \$34 million. Aspen, founded in 1996, is a designer and manufacturer of high-performance permanent magnet brushless DC motors, integrated digital controls and motorized impellers for motors. Aspen also specializes in custom motor designs for end product integration and significant product enhancement in a variety of high-performance industrial applications.

In 2012, we completed four business combinations. Two of these business combinations were in our Components segment. We acquired Protokraft, LLC, based in Tennessee, for \$13 million plus contingent consideration with an initial fair value of \$5 million. Protokraft designs and manufactures opto-electronic transceivers, ethernet switches and media converters packaged into rugged, environmentally-sealed connectors. We also acquired Tritech International Limited, based in the U.K., for \$34 million, which includes a working capital adjustment of \$1 million paid in 2013. Tritech is a leading designer and manufacturer of high performance acoustic sensors, sonars, video cameras and mechanical tooling equipment. We also completed two business combinations in our Space and Defense Controls segment. We acquired Bradford Engineering, based in The Netherlands, for \$13 million. Bradford is a developer and manufacturer of satellite equipment including attitude control, propulsion and thermal control subsystems. We also acquired In-Space Propulsion for \$45 million. In-Space Propulsion has locations in New York, California, Ireland and the United Kingdom and is a developer and manufacturer of liquid propulsion systems and components for satellites and missile defense systems.

CRITICAL ACCOUNTING POLICIES

On an ongoing basis, we evaluate the critical accounting policies used to prepare our consolidated financial statements, including, but not limited to, revenue recognition on long-term contracts, contract loss reserves, reserves for inventory valuation, reviews for impairment of goodwill, purchase price allocations for business combination, pension assumptions and deferred tax asset valuation allowances.

There have been no material changes in critical accounting policies in the current year from those disclosed in our 2012 Form 10-K.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2013, the FASB issued ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The amendments require companies to provide information about the amounts reclassified out of accumulated comprehensive income by component. The amendments also require the presentation of the significant amounts reclassified out of accumulated comprehensive income by line items of net income, if the amount is required to be reclassified in its entirety in the same reporting period, either on the face of the financial statements or in the related footnotes. For other amounts that are not required to be reclassified in their entirety to net income, a company is required to cross-reference to other disclosures that provide additional detail about those

amounts. The amendments are effective for interim and annual periods beginning after December 15, 2012 and should be applied prospectively. Early adoption is permitted. This amendment is applicable to us beginning in the first quarter of 2014. Other than modifying our disclosures, the adoption of this standard is not expected to have a material impact on our financial statements.

In March 2013, the FASB issued ASU No. 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Group of Assets within a Foreign Entity or of an Investment in a Foreign Entity." This ASU is intended to eliminate diversity in practice on the release of cumulative translation adjustments into net income when a parent either sells part or all of its investment in a foreign entity, or when it no longer holds a controlling financial interest. In addition, the amendments resolve the diversity in practice for the treatment of business combinations achieved in stages involving a foreign entity. The provisions of this ASU are effective for interim and annual periods beginning after December 15, 2013 and must be applied prospectively. This amendment is applicable to us beginning in the first quarter of 2015. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our financial statements.

CONSOLIDATED RESULTS OF OPERATIONS AND OUTLOOK

| (dollars in millions, except per share data) | Three Months Ended | | | | Six Months Ended | | | | | |
|---|--------------------|----------------|----------|----------|------------------|----------------|-----------|----------|-------|---|
| | March 30, 2013 | March 31, 2012 | \$ | % | March 30, 2013 | March 31, 2012 | \$ | % | | |
| | | | Variance | Variance | | | Variance | Variance | | |
| Net sales | \$643.0 | \$625.0 | \$18.1 | 3 | % | \$1,263.8 | \$1,225.6 | \$38.2 | 3 | % |
| Gross margin | 30.7 | %29.5 | % | | | 30.9 | %30.2 | % | | |
| Research and development expenses | \$38.1 | \$26.9 | \$11.2 | 42 | % | \$70.4 | \$56.1 | \$14.4 | 26 | % |
| Selling, general and administrative expenses as a percentage of sales | 15.7 | %15.6 | % | | | 16.3 | %15.8 | % | | |
| Interest expense | \$6.4 | \$8.6 | \$(2.2) | (25) | % | \$15.0 | \$17.2 | \$(2.1) | (12) | % |
| Restructuring | 2.2 | — | 2.2 | N/A | | 2.2 | — | 2.2 | N/A | |
| Other | (0.1) |) 1.4 | (1.5) |) N/A | | (2.5) |) 0.1 | (2.5) |) N/A | |
| Effective tax rate | 26.9 | %28.9 | % | | | 28.7 | %30.1 | % | | |
| Net earnings | \$36.5 | \$35.4 | \$1.1 | 3 | % | \$70.6 | \$71.8 | \$(1.1) | (2) | % |
| Diluted earnings per share | \$0.80 | \$0.77 | \$0.03 | 4 | % | \$1.54 | \$1.57 | \$(0.03) | (2) | % |

Net sales increased in the second quarter of 2013 compared to the second quarter of 2012. Net sales also increased in the first half of 2013 compared to the same period in 2012. For both comparisons, sales increased in Aircraft Controls, Space and Defense Controls and Components, while sales in Industrial Systems declined and sales in Medical Devices were relatively flat. Sales excluding businesses acquired in the last twelve months were down in both the second quarter and first half of 2013. Acquisitions contributed \$29 million of sales growth in the second quarter and \$51 million in the first half of 2013 as compared to the same time periods in 2012.

Gross margin increased in the second quarter and in the first half of 2013 compared to the same time periods of 2012. We had stronger gross margins in Aircraft Controls, Medical Devices and Components. Gross margins declined in Space and Defense Controls and Industrial Systems. Gross margin increased in the first half of 2013 compared to the first half of 2012 due in part to favorable product mixes in Aircraft Controls, Components and Medical Devices.

Research and development expenses were higher in the second quarter of 2013 compared to the same time period in 2012 primarily as a result of reimbursements negotiated on commercial transport programs that benefited the second quarter of 2012. Research and development expenses were also higher in the first half of 2013 compared to the same time period in 2012, due to increased activity on the Airbus A350 program in 2013 and reimbursements negotiated on commercial transport programs in 2012.

Selling, general and administrative expenses as a percentage of sales were relatively unchanged in the second quarter of 2013 compared to the second quarter of 2012, but increased in the first half of 2013 compared to the first half of 2012. The year-to-date increase is mostly driven by the timing of professional services and marketing costs in the first quarter of 2013 and by increased pension expenses.

Interest expense decreased in the second quarter and the first half of 2013 compared to the same periods in 2012 due to the early redemption of our 6¼% senior subordinated notes on January 15, 2013. This was slightly offset by higher average debt amounts used to fund acquisitions.

In the second quarter of 2013, we initiated restructuring plans to better align our cost basis with our projected sales levels. The restructuring actions taken have resulted in workforce reductions in our Industrial Systems and Aircraft

Controls segments.

Other expense in the second quarter of 2012 is primarily related to foreign currency exchange losses. In the first half of 2013, we recorded other income in our Components and Aircraft Controls segments related to acquisitions with earn out provisions for which financial projections were not achieved.

23

The effective tax rate decreased in the second quarter and first half of 2013 due to the inclusion of a catch up adjustment for research and development tax credits mostly associated with 2012 following the enactment of legislation in the second quarter of 2013.

2013 Outlook – We expect sales in 2013 to increase 5% to \$2.59 billion, with growth in Space and Defense Controls, Components and Aircraft Controls. Offsetting the increase is an expected sales decline in our Industrial Systems segment, reflecting continued weaker demand in our wind and industrial automation markets. We expect sales in our Medical Devices segment to remain flat. Of the sales growth in 2013, we expect sales from acquisitions to contribute \$119 million, accounting for substantially all of the increase. We expect operating margin to remain relatively unchanged from 2012, as the Aircraft Controls, Medical Devices and Components segments will contribute to margin growth. Offsetting these contributions are declines from Industrial Systems, in part due to restructuring expenses, and from Space and Defense Controls, due to adverse product mix and modest initial contribution from acquired businesses. We expect restructuring expenses to be \$11 million, primarily related to anticipated staff reductions in our Industrial Systems and Aircraft Controls segments. We will also benefit from \$7 million of lower interest expenses due to the early redemption of our 6¼% senior subordinated notes on January 15, 2013. We expect net earnings to increase to between \$155.7 and \$160.3 million, and diluted earnings per share to increase between 2% and 5% to between \$3.40 and \$3.50.

While sequestration (as noted in Economic Conditions and Market Trends) has been enacted, we do not anticipate any significant impact of sequestration reductions in fiscal 2013 from this legislation.

SEGMENT RESULTS OF OPERATIONS AND OUTLOOK

Operating profit, as presented below, is net sales less cost of sales and other operating expenses, excluding interest expense, equity-based compensation expense and other corporate expenses. Cost of sales and other operating expenses are directly identifiable to the respective segment or allocated on the basis of sales, number of employees or profit. Operating profit is reconciled to earnings before income taxes in Note 16 of the Notes to Consolidated Condensed Financial Statements included in this report.

Aircraft Controls

| (dollars in millions) | Three Months Ended | | | | Six Months Ended | | | | |
|---------------------------------|--------------------|-------------------|----------------|---------------|-------------------|-------------------|----------------|---------------|---|
| | March 30, 2013 | March 31, 2012 | \$ Variance | % Variance | March 30, 2013 | March 31, 2012 | \$ Variance | % Variance | |
| Net sales - military aircraft | \$144.6 | \$142.8 | \$1.8 | 1 | % \$294.3 | \$285.6 | \$8.8 | 3 | % |
| Net sales - commercial aircraft | \$114.2 | \$93.6 | \$20.7 | 22 | % \$216.8 | \$181.9 | \$34.9 | 19 | % |
| | \$258.9 | \$236.4 | \$22.5 | 10 | % \$511.1 | \$467.5 | \$43.7 | 9 | % |
| Operating profit | \$31.5 | \$22.8 | \$8.7 | 38 | % \$62.6 | \$47.6 | \$15.0 | 31 | % |
| Operating margin | 12.2 | %9.6 | % | | 12.2 | %10.2 | % | | |
| Backlog | | | | | \$616.0 | \$672.3 | \$(56.3) | (8) | % |

Aircraft Controls' sales increased in both the second quarter and first six months of 2013 compared to the same time periods in 2012 in both commercial and military markets. During the second quarter of 2013 within commercial aircraft, OEM sales to Boeing increased \$13 million, most notably on the Boeing 787 as we shipped product to match Boeing's production plan. Within military aircraft, aftermarket increased \$7 million in part due to foreign military test equipment and spares sales. Partially offsetting this increase was a \$6 million decrease related to the timing of F-35 production sales.

During the first half of 2013 within commercial aircraft, Boeing OEM sales increased \$26 million and the aftermarket increased \$4 million due to higher initial provisioning sales for the Boeing 787. Within military aircraft, aftermarket increased \$15 million. This increase was partly offset by a \$6 million decline in military OEM sales, mainly attributable to the timing of F-35 production sales and slower sales in navigation aids.

Operating margin expanded in both the second quarter and the first half of 2013 compared to the same time periods of 2012 due to higher volume and a more favorable sales mix. Partly offsetting the sales increase were a \$10 million increase in the second quarter and a \$11 million increase in the first half of 2013 for research and development expenses. In the second quarter of 2012, we had negotiated reimbursements on commercial aircraft transport programs that benefited that period. Additionally, research and development activity on the Airbus A350 and Boeing 787-9 platforms increased over the first six months of 2013 compared to 2012.

The decline of the twelve-month backlog balance for Aircraft Controls at March 30, 2013 when compared to March 31, 2012 is largely related to the timing of orders on military production programs.

2013 Outlook for Aircraft Controls – We expect sales in Aircraft Controls to increase 5% to \$1.02 billion in 2013. Commercial aircraft is expected to increase 13% to \$437 million due to stronger sales to Boeing and Airbus. Military aircraft sales are expected to increase 1% to \$579 million. Aftermarket sales are expected to drive the increase while OEM sales are expected to decrease \$10 million, due to declines on helicopter programs and in navigation aids. We expect our operating margin to increase to 12.2% from 10.9%, reflecting incremental margin on higher sales and a

decline in selling, general and administrative expenses as a percentage of sales. Partly offsetting this increase is an estimated \$2 million in restructuring expenses.

Space and Defense Controls

| (dollars in millions) | Three Months Ended | | | | Six Months Ended | | | |
|-----------------------|--------------------|-------------------|----------------|---------------|-------------------|-------------------|----------------|---------------|
| | March 30, 2013 | March 31, 2012 | \$ Variance | % Variance | March 30, 2013 | March 31, 2012 | \$ Variance | % Variance |
| Net sales | \$105.7 | \$89.8 | \$15.9 | 18 % | \$192.2 | \$178.2 | \$13.9 | 8 % |
| Operating profit | \$7.7 | \$9.9 | \$(2.2) | (23 %) | \$15.9 | \$22.6 | \$(6.7) | (30 %) |
| Operating margin | 7.3 | % 11.0 | % | | 8.3 | % 12.7 | % | |
| Backlog | | | | | \$278.5 | \$203.8 | \$74.7 | 37 % |

Space and Defense Controls' sales increased due to acquisitions in the space market in both the second quarter and the first six months of 2013 offset by declines in various legacy space programs. Within the space market for the quarter, sales increased \$17 million, of which \$22 million came from acquisitions. In-Space Propulsion and Broad Reach Engineering each contributed \$11 million in sales. Partly offsetting the sales increase attributable to acquisitions was a \$7 million decline in organic sales as activities wound down on the Orion multi purpose crew vehicle and the United Launch Alliance common thrust vector control system.

Within the space market for the first six months of 2013, sales increased \$21 million, as acquisitions contributed \$35 million. In-Space Propulsion contributed \$22 million, Broad Reach Engineering contributed \$11 million and Bradford Engineering contributed an incremental \$2 million of sales. Partially offsetting the increase attributable to acquisitions in the space market was a \$12 million decrease in organic sales as efforts slowed on the Orion multi purpose crew vehicle and the United Launch Alliance common thrust vector control system.

Operating margin declined in the second quarter and in the first half of 2013 compared to the same time periods of 2012 due to acquired businesses' incremental sales with little margin contribution in their initial year, and due to less favorable sales mix. Additionally, we incurred \$2 million of charges in the second quarter due to technical challenges on a space program.

The increased level in twelve-month backlog at March 30, 2013 is mainly due to acquisitions in the past year.

2013 Outlook for Space and Defense Controls – We expect sales in Space and Defense Controls to increase 17% to \$420 million in 2013. We expect this increase to be predominately attributable to our recent acquisitions of In-Space Propulsion and Broad Reach Engineering. We expect our operating margin to decrease to 10.3% from 11.9%, largely as a result of an unfavorable product mix and the impact of recent acquisitions.

Industrial Systems

| (dollars in millions) | Three Months Ended | | | | Six Months Ended | | | |
|-----------------------|--------------------|-------------------|----------------|---------------|-------------------|-------------------|----------------|---------------|
| | March 30, 2013 | March 31, 2012 | \$ Variance | % Variance | March 30, 2013 | March 31, 2012 | \$ Variance | % Variance |
| Net sales | \$ 144.2 | \$ 168.0 | \$(23.8) | (14 %) | \$ 292.2 | \$ 326.1 | \$(33.9) | (10 %) |
| Operating profit | \$ 7.8 | \$ 19.3 | \$(11.4) | (59 %) | \$ 16.9 | \$ 35.1 | \$(18.2) | (52 %) |
| Operating margin | 5.4 | % 11.5 | % | | 5.8 | % 10.8 | % | |
| Backlog | | | | | \$ 244.4 | \$ 268.5 | \$(24.1) | (9 %) |

Industrial Systems' sales declined in the second quarter of 2013 compared to the second quarter of 2012. Sales in wind energy declined \$13 million due to weak sales in China and slow demand in Europe and the U.S. Additionally, sales in the industrial automation market declined \$9 million, reflecting general economic conditions. Within this market, sales declined \$3 million in heavy industry, \$2 million in plastic and die casting and \$1 million in metal forming and presses.

Sales in Industrial Systems also declined in the first six months of 2013 compared to the first six months of 2012. Sales in our wind business declined \$25 million, primarily a result of continued weakness in China. Sales in the industrial automation market declined \$12 million with declines in heavy industry, in metal forming and presses and in plastic and die casting.

Operating margin declined in the second quarter and first half of 2013 compared to the same time periods of 2012. The decrease was largely due to the decline in sales volumes. Additionally, the second quarter of fiscal 2013 included \$2 million of restructuring costs.

The twelve-month backlog for Industrial Systems at March 30, 2013 decreased as compared to March 31, 2012, and is mainly associated with Asia-Pacific energy and European industrial automation orders.

2013 Outlook for Industrial Systems – We expect sales in Industrial Systems to decline 7% to \$590 million in 2013, closely aligning with the first half of 2013's run rate. We expect sales in our energy and industrial automation markets to decrease compared to the prior year. However, we expect simulation and test sales to increase \$8 million. We expect that our operating margin will decrease to 7.2% from 10.0%, which includes \$9 million of expected restructuring expenses, and reflects diminished margin on lower sales.

Components

| (dollars in millions) | Three Months Ended | | | | Six Months Ended | | | | |
|-----------------------|--------------------|-------------------|----------------|---------------|-------------------|-------------------|----------------|---------------|---|
| | March 30, 2013 | March 31, 2012 | \$ Variance | % Variance | March 30, 2013 | March 31, 2012 | \$ Variance | % Variance | |
| Net sales | \$98.8 | \$95.6 | \$3.2 | 3 | % \$198.1 | \$183.8 | \$14.3 | 8 | % |
| Operating profit | \$15.3 | \$13.5 | \$1.9 | 14 | % \$34.2 | \$28.5 | \$5.7 | 20 | % |
| Operating margin | 15.5 | % 14.1 | % | | 17.3 | % 15.5 | % | | |
| Backlog | | | | | \$199.8 | \$167.4 | \$32.4 | 19 | % |

Components' sales increased slightly in the second quarter of 2013 compared to the first quarter of 2012. Sales increased in our non-aerospace and defense markets due to \$6 million of incremental sales from our acquisition of Tritech. Sales remained flat in our aerospace and defense market.

Sales in the first half of 2013 also increased when compared to the first half of 2012. Sales in the energy market increased \$18 million, due to \$11 million of incremental sales from our Tritech acquisition as well as strong deliveries of large slip rings used on off-shore oil storage vessels. Space and defense programs decreased \$2 million as demand for military and defense controls products slowed.

Operating margin increased in the second quarter of 2013 compared to the second quarter of 2012 in part due to increased contributions from incremental sales. Our operating margin increased in the first half of 2013 compared to the first half of 2012, related to an acquisition with an earn out provision for which financial projections were not achieved, as well as increased marine sales in our energy market.

The twelve-month backlog at March 30, 2013 compared to March 31, 2012 increased primarily related to acquisitions.

2013 Outlook for Components – We expect sales to increase 14% to \$425 million in 2013. We expect acquisitions to drive sales growth in our marine and industrial markets. We expect operating margin will increase to 16.0% from 15.3%, reflecting our strong first half results.

Medical Devices

| (dollars in millions) | Three Months Ended | | | | Six Months Ended | | | |
|-----------------------|--------------------|-------------------|----------------|---------------|-------------------|-------------------|----------------|---------------|
| | March 30, 2013 | March 31, 2012 | \$ Variance | % Variance | March 30, 2013 | March 31, 2012 | \$ Variance | % Variance |
| Net sales | \$35.5 | \$35.1 | \$0.4 | 1% | \$70.3 | \$70.0 | \$0.3 | —% |
| Operating profit | \$1.3 | \$1.5 | \$(0.2) | (12)% | \$2.9 | \$3.1 | \$(0.2) | (6)% |
| Operating margin | 3.7 | %4.2 | % | | 4.1 | %4.4 | % | |
| Backlog | | | | | \$21.4 | \$21.4 | \$— | —% |

Medical Devices' sales increased slightly in both the second quarter and first half of 2013 when compared to the same time periods last year. Combined sales for enteral pumps and pump assemblies increased \$3 million in the second quarter of 2013 when compared to the same quarter in 2012. Offsetting that growth was a decline in enteral sets. For the first six months of 2013, pump assemblies increased \$3 million compared to the first six months of 2012. However, sensor and handpiece sales declined \$2 million in the same time period.

Operating margin declined modestly in the second quarter and first half of 2013 when compared to the second quarter and first half of 2012.

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

2013 Outlook for Medical Devices – We expect sales to increase 1% to \$141 million in 2013. Sales of pumps are expected to increase as our IV pumps gain traction in the marketplace. We expect our operating margin to increase to 5.0% from 3.9%, as a result of higher sales and some cost reduction activities.

FINANCIAL CONDITION AND LIQUIDITY

| (dollars in millions) | Six Months Ended | | \$ | % | |
|------------------------------|-------------------|-------------------|---------|------|---|
| | March 30, 2013 | March 31, 2012 | | | |
| Net cash provided (used) by: | | | | | |
| Operating activities | \$90.5 | \$75.4 | \$15.1 | 20 | % |
| Investing activities | (127.9 |) (84.5 |) (43.4 |) 51 | % |
| Financing activities | 39.3 | 20.6 | 18.7 | 91 | % |

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.

At March 30, 2013, our cash balance was \$150 million, which primarily is held outside of the U.S. Our U.S. operations fund on-going activities, debt requirements and future growth investments with cash generated from operations along with available borrowings. We reinvest the cash generated from foreign operations locally and such international balances are not available to pay down debt in the U.S. unless we decide to repatriate such amounts. If we determine repatriation of foreign funds was necessary, we would then be required to pay U.S. income taxes on those funds.

Operating activities

Cash provided by operating activities increased in the first six months of 2013 compared to the first six months of 2012. Cash provided by accounts receivables increased due to stronger collections and lower sales, primarily from our Industrial Systems segment. Partially offsetting the increase was higher pension contributions as we slowed the funding in 2012.

Investing activities

Cash used by investing activities for the first six months of 2013 includes \$70 million for two acquisitions, one in Space and Defense Controls and one in Components, \$45 million for capital expenditures and \$13 million resulting from redeeming our 6¼% senior subordinated notes that were invested in our supplemental retirement plan. Cash used by investing activities in the first six months of 2012 included \$26 million for two acquisitions, one in Space and Defense Controls and one in Components, \$54 million of capital expenditures, including a newly constructed facility in our Aircraft Controls segment, and \$5 million related to a technology investment.

We expect our 2013 capital expenditures to be approximately \$105 million.

Financing activities

The cash provided by financing activities for the first six months of 2013 includes borrowings to fund a higher level of acquisitions compared to the same time period in 2012. Within financing activities in 2013, we used credit facility borrowings to fund the redemption of our 6¼% senior subordinated notes. Within financing activities in 2012, we entered into a trade receivables securitization facility, which reduced borrowings on our U.S. credit facility.

Off Balance Sheet Arrangements

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

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments have not changed materially from the disclosures in our 2012 Annual Report on Form 10-K, with the exception of the redemption of our 6¼% senior subordinated notes, which was completed on January 15, 2013.

30

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 January 15, 2013, we repurchased at par our 6¼% senior subordinated notes due on January 15, 2015, pursuant to an early redemption right. We redeemed the aggregate principal amount of \$200 million using proceeds drawn from our U.S. credit facility.

On March 28, 2013, we amended our U.S. credit facility. The amendments primarily reflect a modification of the matrix used to determine the applicable interest margin, the commitment fee rate and extended the maturity of the credit facility to March 28, 2018. Our credit facility is a \$900 million revolver and had an outstanding balance of \$515 million at March 30, 2013. Interest on the outstanding credit facility borrowings is based on LIBOR plus the applicable margin, which was 138 basis points at March 30, 2013. 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 \$155 million for 2013 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 generally not required to obtain the consent of lenders of the U.S. credit facility before raising significant additional debt financing; however, certain limitations and conditions may apply that would require consent to be obtained. 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 March 30, 2013, we had \$385 million of unused borrowing capacity, including \$372 million from the U.S. credit facility after considering standby letters of credit.

We have a trade receivables securitization facility (the "Securitization Program"), which terminates on March 3, 2014. Under the Securitization Program, we sell certain trade receivables and related rights to an affiliate, which in turn sells an undivided variable percentage ownership interest in the trade receivables to a financial institution, while maintaining a subordinated interest in a portion of the pool of trade receivables. The Securitization Program can be extended by agreement of the parties thereto for successive 364-day terms. The Securitization Program effectively increases our borrowing capacity by up to \$100 million and lowers our cost to borrow funds as compared to the U.S. credit facility. We had an outstanding balance of \$95 million at March 30, 2013. The Securitization Program reduced the amount outstanding under our U.S. credit facility and increased the amount of short-term borrowings. Interest on the secured borrowings under the Securitization Program is based on prevailing market rates for short-term commercial paper plus an applicable margin, which was 88 basis points at March 30, 2013.

Net debt to capitalization was 33% at March 30, 2013 and 32% at September 29, 2012. The increase in net debt to capitalization is primarily due to debt incurred to fund acquisitions in the first six months of 2013.

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

ECONOMIC CONDITIONS AND MARKET TRENDS

We operate within the aerospace and defense and industrial 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 and economic conditions. A common factor throughout our markets is the continuing demand for technologically advanced products.

Aerospace and Defense

Approximately 59% of our 2012 sales were generated in aerospace and defense markets. Within aerospace and defense, we serve three end markets: defense, commercial aircraft and space.

The defense market is dependent on military spending for development and production programs. Aircraft 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. 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.

Starting on March 1, 2013, additional cuts to the U.S. Department of Defense's mandatory and discretionary budgeted spending, resulting from the 2011 Budget Control Act, will have ramifications for the aerospace and defense market. Currently the Budget Control Act provides that these cuts of approximately \$500 billion over the next decade (which is generally referred to as sequestration) are uniform by category for programs, projects and activities within accounts. Depending on how the spending cuts are eventually executed, these reductions could impact our sales, operating profit and cash flow. We believe our military aftermarket sales could be most affected in 2013, although we are not currently forecasting any direct impact from sequestration. Currently, we have approximately \$800 million in domestic defense sales forecasted for 2013.

Global demand for air travel generally follows economic growth and therefore the commercial aircraft market has historically exhibited cyclical swings. The aftermarket is driven by usage of the existing aircraft fleet and the age of the installed fleet, and is 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 aircraft products is in large part dependent on new aircraft production, which is increasing as Boeing and Airbus work down large backlogs of unfilled orders.

The commercial space market is comprised of large satellite customers, traditionally communications companies. Trends for this market, as well as for commercial launch vehicles, follow demand for increased capacity, satellite replacement and global navigation. The space market is also partially dependent on the governmental authorized levels of funding for satellite communications.

Industrial

Approximately 41% of our 2012 sales were generated in industrial markets. Within industrial, we serve three end markets: industrial automation, energy and medical.

The industrial automation market we serve is influenced by several factors including capital investment, product innovation, economic growth, cost-reduction efforts and technology upgrades. We experience challenges based on the need to react to the demands of our customers who are in large part sensitive to international and domestic economies. The energy market is in part affected by changing natural oil and gas prices, global urbanization and the resulting increase in demand for global energy. Drivers for global growth include investments in power generation infrastructure, including renewable energy, and exploration for new resource reservoirs.

The medical market we serve is 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. Access to medical insurance, whether through government funded health care plans or private insurance, also affects the demand for medical services.

Foreign Currencies

We are affected by the movement of foreign currencies compared to the U.S. dollar, particularly in our Industrial Systems segment. About one-third of our 2012 sales were denominated in foreign currencies. The translation of the results of our foreign subsidiaries into U.S. dollars did not have a significant impact on our sales in the first six months of 2013 compared to the same period one year ago.

Cautionary Statement

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

- the markets we serve are cyclical and sensitive to domestic and foreign economic conditions and events, which may cause our operating results to fluctuate;
- we operate in highly competitive markets with competitors who may have greater resources than we possess;
- 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;
- we make estimates in accounting for long-term contracts, and changes in these estimates may have significant impacts on our earnings;
- we enter into fixed-price contracts, which could subject us to losses if we have cost overruns;
- 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;
- 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;
- the loss of Boeing as a customer or a significant reduction in sales to Boeing could adversely impact our operating results;
- our new product research and development efforts may not be successful which could reduce our sales and earnings;
- our inability to adequately enforce and protect our intellectual property or defend against assertions of infringement could prevent or restrict our ability to compete;
- our business operations may be adversely affected by information systems interruptions or infringements;
- our indebtedness and restrictive covenants under our credit facilities could limit our operational and financial flexibility;
- 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;
- a write-off of all or part of our goodwill or other intangible assets could adversely affect our operating results and net worth;
- our sales and earnings growth may be affected if we cannot identify, acquire or integrate strategic acquisitions;
- our operations in foreign countries expose us to political and currency risks and adverse changes in local legal and regulatory environments;
- unforeseen exposure to additional tax income liabilities may affect our operating results;
- government regulations could limit our ability to sell our products outside the United States and otherwise adversely affect our business;
- 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;
- future terror attacks, natural disasters or other catastrophic events beyond our control could negatively impact our business;
- our operations are subject to environmental laws, and complying with those laws may cause us to incur significant costs; and

•we are involved in various legal proceedings, the outcome of which may be unfavorable to us.

These factors are not exhaustive. New factors, risks and uncertainties may emerge from time to time that may affect the forward-looking statements made herein. Given these factors, risks and uncertainties, investors should not place

34

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.

35

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Refer to the Company's Annual Report on Form 10-K for the year ended September 29, 2012 for a complete discussion of our market risk. There have been no material changes in the current year regarding this market risk information.

Item 4. Controls and Procedures.

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 (a) disclosure controls and procedures are effective as of the end of the period covered by this report, to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over (b) 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.

PART II OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) The following table summarizes our purchases of our common stock for the quarter ended March 30, 2013.

| Period | (a) Total Number of Shares Purchased (1)(2) | (b) Average Price Paid Per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3) | (d) Maximum Number (or Approximate Dollar Value) of Shares that May yet be Purchased Under the Plans or Programs (3) |
|--------------------------------------|---|--|---|--|
| December 31, 2012 - January 31, 2013 | 108,599 | \$43.91 | — | 1,000,000 |
| February 1, 2013 - February 28, 2013 | 63,991 | \$44.94 | — | 1,000,000 |
| March 1, 2013 - March 30, 2013 | 30,430 | \$45.59 | — | 1,000,000 |
| Total | 203,020 | \$44.49 | — | 1,000,000 |

Reflects purchases by the SECT of shares of Class B common stock from the Moog Inc. Retirement Savings Plan (RSP) as follows: January, 94,189 shares at \$43.86 per share, February, 28,242 shares at \$45.00 per share and (1) March, 15,537 shares at \$46.11 per share. Purchases by the SECT from members of the Moog family included: February, 11,962 shares of Class B common stock at \$44.55 per share and March, 400 shares of Class B common stock at \$45.22 per share.

In connection with the exercise of stock options, we accept, from time to time, delivery of shares to pay the exercise price of stock options. During January, we accepted delivery of 14,410 shares at \$44.20 per share, in (2) February, we accepted delivery of 23,787 shares at \$45.05 and in March, we accepted delivery of 14,493 shares at \$45.04 per share, in connection with the exercise of stock options.

In December 2011, the Board of Directors authorized a share repurchase program. The program permits the (3) purchase of up to 1,000,000 shares of Class A or Class B common stock in open market or privately negotiated transactions at the discretion of management.

Item 6. Exhibits.

- (a) Exhibits
 - 31.1 Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 31.2 Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
 - 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - 101 Interactive Data files (submitted electronically 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

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

SIGNATURES

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

Moog Inc.
(Registrant)

Date: May 2, 2013

By /s/ John R. Scannell
John R. Scannell
Chief Executive Officer
(Principal Executive Officer)

Date: May 2, 2013

By /s/ Donald R. Fishback
Donald R. Fishback
Vice President
Chief Financial Officer
(Principal Financial Officer)

Date: May 2, 2013

By /s/ Jennifer Walter
Jennifer Walter
Controller (Principal Accounting
Officer)