

MOOG INC  
Form 10-Q  
May 11, 2010

**Table of Contents**

**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 April 3, 2010**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 1-5129**

**MOOG inc.**

(Exact name of registrant as specified in its charter)

**New York State**

(State or other jurisdiction of incorporation or  
organization)

**16-0757636**

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

**East Aurora, New York**

(Address of principal executive offices)

**14052-0018**

(Zip Code)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="radio"/>	Accelerated filer <input type="radio"/>	Non-accelerated filer <input type="radio"/>	Smaller reporting company <input type="radio"/>
(Do not check if a smaller reporting company)			

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

The number of shares outstanding of each class of common stock as of May 6, 2010 was:

Class A common stock, \$1.00 par value 41,245,572 shares

Class B common stock, \$1.00 par value 4,120,713 shares

**MOOG inc.**  
**QUARTERLY REPORT ON FORM 10-Q**  
**TABLE OF CONTENTS**

	<b>PAGE</b>
 <b><u>PART 1 FINANCIAL INFORMATION</u></b>	
<b><u>Item 1</u></b>	<b><u>Financial Statements:</u></b>
	3
	4
	5
	6 - 17
<b><u>Item 2</u></b>	18 - 31
<b><u>Item 3</u></b>	31
<b><u>Item 4</u></b>	31
 <b><u>PART II OTHER INFORMATION</u></b>	
<b><u>Item 2</u></b>	31
<b><u>Item 5</u></b>	32
<b><u>Item 6</u></b>	32
<b><u>SIGNATURES</u></b>	33
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.**

**MOOG inc.**  
**Consolidated Condensed Balance Sheets**  
**(Unaudited)**

(dollars in thousands)	April 3, 2010	October 3, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 88,598	\$ 81,493
Receivables	570,270	547,571
Inventories	465,829	484,261
Other current assets	99,121	97,073
<b>TOTAL CURRENT ASSETS</b>	<b>1,223,818</b>	<b>1,210,398</b>
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$464,293 and \$445,426, respectively	475,605	481,726
GOODWILL	685,209	698,459
INTANGIBLE ASSETS, net	205,696	220,311
OTHER ASSETS	20,169	23,423
<b>TOTAL ASSETS</b>	<b>\$2,610,497</b>	<b>\$2,634,317</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable	\$ 3,341	\$ 16,971
Current installments of long-term debt	1,413	1,541
Accounts payable	128,104	125,257
Customer advances	71,950	66,811
Contract loss reserves	38,799	50,190
Other accrued liabilities	191,557	185,491
<b>TOTAL CURRENT LIABILITIES</b>	<b>435,164</b>	<b>446,261</b>
LONG-TERM DEBT, excluding current installments		
Senior debt	396,844	435,944
Senior subordinated notes	378,622	378,630
LONG-TERM PENSION AND RETIREMENT OBLIGATIONS	215,679	225,747
DEFERRED INCOME TAXES	78,731	76,910
OTHER LONG-TERM LIABILITIES	1,199	5,792

Edgar Filing: MOOG INC - Form 10-Q

TOTAL LIABILITIES	1,506,239	1,569,284
SHAREHOLDERS' EQUITY		
Common stock	51,280	51,280
Other shareholders' equity	1,052,978	1,013,753
TOTAL SHAREHOLDERS' EQUITY	1,104,258	1,065,033
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$2,610,497	\$2,634,317

See accompanying Notes to Consolidated Condensed Financial Statements.

3

---

**Table of Contents**

**MOOG inc.**  
**Consolidated Condensed Statements of Earnings**  
**(Unaudited)**

	Three Months Ended		Six Months Ended	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
(dollars in thousands, except per share data)				
NET SALES	\$ 510,488	\$ 453,335	\$ 1,005,666	\$ 899,423
COST OF SALES	362,587	317,563	713,363	625,803
GROSS PROFIT	147,901	135,772	292,303	273,620
Research and development	25,504	24,192	49,386	49,322
Selling, general and administrative	76,098	68,806	154,225	138,005
Restructuring	1,320		3,139	
Interest	9,248	9,422	19,976	19,023
Equity in earnings of LTi and other	236	(3,150)	630	(5,605)
EARNINGS BEFORE INCOME TAXES	35,495	36,502	64,947	72,875
INCOME TAXES	10,494	12,810	18,385	18,913
NET EARNINGS	\$ 25,001	\$ 23,692	\$ 46,562	\$ 53,962
NET EARNINGS PER SHARE				
Basic	\$ 0.55	\$ 0.56	\$ 1.03	\$ 1.27
Diluted	\$ 0.55	\$ 0.55	\$ 1.02	\$ 1.26
AVERAGE COMMON SHARES OUTSTANDING				
Basic	45,374,912	42,535,691	45,349,131	42,571,490
Diluted	45,730,252	42,823,791	45,661,564	42,904,940

See accompanying Notes to Consolidated Condensed Financial Statements.

**Table of Contents**

**MOOG inc.**  
**Consolidated Condensed Statements of Cash Flows**  
**(Unaudited)**

	Six Months Ended	
	April 3, 2010	March 28, 2009
(dollars in thousands)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 46,562	\$ 53,962
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	29,954	26,554
Amortization	14,859	8,697
Provisions for non-cash losses on contracts, inventories and receivables	19,310	21,788
Equity-based compensation expense	3,678	3,620
Other	2,084	(4,025)
Changes in assets and liabilities providing cash, excluding the effects of acquisitions:		
Receivables	(27,782)	(4,106)
Inventories	7,348	(26,363)
Accounts payable	3,854	(5,531)
Customer advances	5,606	(185)
Accrued expenses	(21,517)	(25,945)
Accrued income taxes	6,606	10,486
Other assets and liabilities	(6,729)	(10,660)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>83,833</b>	<b>48,292</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of businesses, net of acquired cash	(369)	(149,468)
Purchase of property, plant and equipment	(27,997)	(43,247)
Supplemental retirement plan investment redemption		11,930
Other	(212)	212
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(28,578)</b>	<b>(180,573)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (repayments of) proceeds from notes payable	(12,871)	3,799
Net (repayments of) proceeds from revolving lines of credit	(32,209)	132,930
Payments on long-term debt	(2,109)	(819)
Redemption of senior subordinated notes		(11,930)
Excess tax benefits from equity-based payment arrangements	53	43
Other	1,083	(5,508)
<b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>	<b>(46,053)</b>	<b>118,515</b>

Edgar Filing: MOOG INC - Form 10-Q

Effect of exchange rate changes on cash	(2,097)	(4,790)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,105	(18,556)
Cash and cash equivalents at beginning of period	81,493	86,814
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 88,598	\$ 68,258
CASH PAID FOR:		
Interest	\$ 19,395	\$ 19,389
Income taxes, net of refunds	8,305	9,521

See accompanying Notes to Consolidated Condensed Financial Statements.



**Table of Contents**

**MOOG inc.**  
**Notes to Consolidated Condensed Financial Statements**  
**Six Months Ended April 3, 2010**  
**(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 three and six months ended April 3, 2010 are not necessarily indicative of the results expected for the full year. The accompanying unaudited consolidated condensed financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the fiscal year ended October 3, 2009. All references to years in these financial statements are to fiscal years.

**Note 2 Acquisitions**

All of our acquisitions are accounted for under the purchase method and, accordingly, the operating results for the acquired companies are included in the consolidated statements of earnings from the respective dates of acquisition. Under purchase accounting, we record assets and liabilities at fair value on the balance sheet. All of the following acquisitions, with the exception of LTi REEnergy GmbH, resulted in goodwill being recorded as a result of the respective purchase price allocations.

On September 25, 2009, we acquired the flight control actuation business of GE Aviation Systems, with operations in Wolverhampton, U.K. The purchase price, net of cash acquired, was \$90,797, which was initially financed with credit facility borrowings. The Wolverhampton flight controls business designs and manufactures primary and secondary flight control actuation for a number of commercial and military programs, including high-lift actuation systems for the Boeing 777 and 787 and the Airbus A330 and A380. Sales for the 2008 calendar year were approximately \$100,000. This acquisition is included in our Aircraft Controls segment.

On June 4, 2008, we acquired a 40% ownership in LTi REEnergy GmbH, with operations in Germany and China, for cash of \$28,288. LTi REEnergy specializes in the design and manufacture of servo controllers as well as complete drive systems for electric rotor blade controls for wind turbines. We accounted for this investment using the equity method of accounting with our net investment reflected in other assets on the balance sheet. On June 1, 2009, we acquired the remaining 60% of LTi REEnergy and began to consolidate 100% of the operating results from that date forward. The total purchase price, net of cash acquired, was \$72,022. We financed the purchase price with available cash on hand of \$12,834, issuance of a \$13,451 unsecured note due to the seller in February 2010, \$17,449 of assumed debt and the \$28,288 cash paid for the 40% investment in 2008. Sales for the twelve months preceding the acquisition of the remaining 60% ownership were approximately \$140,000. This acquisition is included in our Industrial Systems segment.

On March 2, 2009, we acquired Fernau Avionics Limited, a UK-based company. The purchase price, net of cash acquired, was \$45,787, which was financed with credit facility borrowings. Fernau Avionics is a leading supplier of ground-based air navigation systems for military, naval and civil aviation. This acquisition complements our present navigation aids business in the U.S. Sales for the 2008 calendar year were approximately \$22,500. This acquisition is included in our Aircraft Controls segment.

On February 13, 2009, we acquired Videolarm Inc., based in Decatur, Georgia. The purchase price, net of cash acquired, was \$44,853, which was financed with credit facility borrowings. Videolarm produces products for surveillance systems including integrated cameras, vandal resistant protective housings and networked solutions. Sales for the 2008 calendar year were approximately \$19,500. This acquisition is included in our Space and Defense Controls segment.

On January 30, 2009, we acquired 70% of the stock of Insensys Ltd., a UK-based company. On April 30, 2009, we acquired the remaining 30%. The purchase price, net of cash acquired, was \$23,558 and was financed with available cash on hand. Insensys is a supplier of pitch control and rotor blade monitoring systems for wind turbines. Sales for

the 2008 calendar year were approximately \$8,000. This acquisition is included in our Industrial Systems segment.

**Table of Contents**

On January 23, 2009, we acquired Ethox International, based in Buffalo, New York. The purchase price, net of cash acquired, was \$15,131, which was financed with credit facility borrowings plus \$6,814 of assumed debt. Ethox produces proprietary medical devices and is engaged in contract manufacturing of disposables for medical device companies. Ethox also provides microbiology, toxicology and sterilization services. Sales for the 2008 calendar year were approximately \$27,000. This acquisition is included in our Medical Devices segment.

On December 30, 2008, we acquired Aitecs Medical UAB, a Lithuanian-based manufacturer of syringe-style infusion therapy pumps. The purchase price, net of cash acquired, was \$21,379, which was financed with credit facility borrowings. Aitecs has a product portfolio that includes pumps for general hospital use, operating rooms and patient controlled analgesia. Sales for the twelve months preceding the acquisition were approximately \$9,000. This acquisition is included in our Medical Devices segment.

On October 8, 2008, we acquired Berkeley Process Control, Inc., based in Richmond, California. The purchase price, net of cash acquired, was \$14,036, which was financed with credit facility borrowings. Berkeley manufactures motion control software and hardware that automates the precise handling of semiconductor wafers and enhances the speed, quality and safety of welding in the oil and gas market and in nuclear fuel canisters. Sales for the twelve months preceding the acquisition were approximately \$6,000. This acquisition is included in our Industrial Systems segment. Our purchase price allocations are substantially complete with the exception of the Wolverhampton flight controls business and LTi REEnergy. Wolverhampton's purchase price allocation is based on preliminary estimates of fair values of assets acquired and liabilities assumed. LTi REEnergy's purchase price allocation is substantially complete with the exception of other current liabilities.

**Note 3 Inventories**

	April 3, 2010	October 3, 2009
Raw materials and purchased parts	\$183,390	\$206,414
Work in progress	219,573	214,021
Finished goods	62,866	63,826
Total	\$465,829	\$484,261

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

The changes in the carrying amount of goodwill for the six months ended April 3, 2010 are as follows:

	Balance as of October 3, 2009	Adjustment To Prior Year Acquisitions	Foreign Currency Translation	Balance as of April 3, 2010
Aircraft Controls	\$ 180,694	\$ (8,273)	\$(1,075)	\$ 171,346
Space and Defense Controls	106,802			106,802
Industrial Systems	124,155		(4,791)	119,364
Components	159,359		1,844	161,203
Medical Devices	127,449	(82)	(873)	126,494
Total	\$698,459	\$ (8,355)	\$(4,895)	\$685,209

The components of acquired intangible assets are as follows:

		April 3, 2010		October 3, 2009	
	Weighted- Average Life (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer-related	10	\$ 139,992	\$(41,700)	\$ 142,555	\$(34,748)
Program-related	18	62,710	(3,301)	61,599	(1,475)
Technology-related	9	50,167	(18,780)	50,698	(15,955)
Marketing-related	9	22,497	(11,209)	22,616	(10,109)
Contract-related	3	3,312	(552)	3,000	
Artistic-related	10	25	(21)	25	(20)
Acquired intangible assets	11	\$278,703	\$(75,563)	\$280,493	\$(62,307)

All acquired intangible assets other than goodwill are being amortized. Customer-related intangible assets primarily consist of customer relationships. Program-related intangible assets consist of long-term programs.

Technology-related intangible assets primarily consist of technology, patents, intellectual property and engineering drawings. Marketing-related intangible assets primarily consist of trademarks, trade names and non-compete agreements. Contract-related intangible assets consist of favorable operating lease terms.

Amortization of acquired intangible assets was \$6,869 and \$13,977 for the three and six months ended April 3, 2010 and \$4,410 and \$7,851 for the three and six months ended March 28, 2009, respectively. Based on acquired intangible assets recorded at April 3, 2010, amortization is expected to be approximately \$27,000 in 2010, \$26,000 in 2011, \$25,000 in 2012, \$22,000 in 2013 and \$19,000 in 2014.

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

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

	Three Months Ended		Six Months Ended	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Warranty accrual at beginning of period	\$ 13,749	\$ 10,904	\$ 14,675	\$ 10,015
Additions from acquisitions		599		682
Warranties issued during current period	1,693	903	3,427	2,830
Adjustments to pre-existing warranties	(3)	1,079	(101)	1,728
Reductions for settling warranties	(913)	(1,773)	(3,425)	(3,304)
Foreign currency translation	(344)	(240)	(394)	(479)
Warranty accrual at end of period	\$ 14,182	\$ 11,472	\$ 14,182	\$ 11,472

**Note 6 Derivative Financial Instruments**

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

**Derivatives designated as hedging instruments**

Interest rate swaps are used to adjust the proportion of total debt that is subject to variable and fixed interest rates. The interest rate swaps are designated as hedges of the amount of future cash flows related to interest payments on variable-rate debt that, in combination with the interest payments on the debt, convert a portion of the variable-rate debt to fixed-rate debt. At April 3, 2010, we had interest rate swaps with notional amounts totaling \$50,000. The interest rate swaps effectively convert this amount of variable-rate debt to fixed-rate debt at 3.8%, including the applicable margin of 200 basis points as of April 3, 2010. The interest will revert back to variable rates based on LIBOR plus the applicable margin upon the maturity of the interest rate swaps in 2012.

We use foreign currency forward contracts as cash flow hedges to effectively fix the exchange rates on future payments and, to a much lesser extent, receipts. To mitigate exposure in movements between various currencies, primarily the British pound and Philippine peso, we had outstanding foreign currency forwards with notional amounts of \$22,787 at April 3, 2010. These contracts mature at various times through the third quarter of 2011.

These interest rate swaps and foreign currency forwards are recorded in the consolidated balance sheet at fair value and the related gains or losses are deferred in shareholders' equity as a component of Accumulated Other Comprehensive Income (Loss) (AOCI). These deferred gains and losses are reclassified into expense during the periods in which the related payments or receipts affect earnings. However, to the extent the interest rate swaps and foreign currency forwards are not perfectly effective in offsetting the change in the value of the payments being hedged, the ineffective portion of these contracts is recognized in earnings immediately. Ineffectiveness was not material in 2010 or 2009.

Activity in Accumulated Other Comprehensive Income (Loss) (AOCI) related to these derivatives during the first six months of 2010 is summarized below:

	Pre-tax Amount	Income Tax	After-Tax Amount
Balance at October 3, 2009	\$(262)	\$ 73	\$(189)

Edgar Filing: MOOG INC - Form 10-Q

Net increase in fair value of derivatives	116	(51)	65
Net reclassification from AOCI into earnings	(88)	11	(77)
Accumulated loss at April 3, 2010	\$(234)	\$ 33	\$(201)

**Table of Contents**

Activity and classification of derivatives for the six months ended April 3, 2010 are as follows:

	Classification of net gain (loss) recognized in earnings	Net reclassification from AOCI into earnings (effective portion)	Net deferral in AOCI of derivatives (effective portion)
Interest rate swaps	Interest expense	\$ (433)	\$ (293)
Foreign currency forwards	Cost of sales	521	409
Net gain		\$ 88	\$ 116

**Derivatives not designated as hedging instruments**

We also have foreign currency exposure on intercompany balances that are denominated in a foreign currency and are adjusted to current values using period-end exchange rates. The resulting gains or losses are recorded in the statement of earnings. To minimize foreign currency exposure, we had foreign currency forwards with notional amounts of \$121,730 at April 3, 2010. The foreign currency forwards are recorded in the consolidated balance sheet at fair value and resulting gains or losses are recorded in the statements of earnings. We recorded a net loss of \$932 and \$3,504 for the three and six months ended April 3, 2010 on the 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.

**Summary of derivatives**

The fair value and classification of derivatives on the consolidated balance sheet as of April 3, 2010 are summarized as follows:

	Other current assets	Other assets	Other accrued liabilities	Other long-term liabilities
Derivatives designated as hedging instruments:				
Foreign currency forwards	\$ 454	\$ 14	\$ 588	\$
Interest rate swaps			95	63
	\$ 454	\$ 14	\$ 683	\$ 63
Derivatives not designated as hedging instruments:				
Foreign currency forwards	\$1,258	\$	\$1,370	\$

**Table of Contents****Note 7 Fair Value**

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

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

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

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

Our derivatives are valued using various pricing models or discounted cash flow analyses that incorporate observable market data, such as interest rate yield curves and currency rates, classified as Level 2 within the valuation hierarchy. The following table presents the fair values and classification of our financial assets and liabilities measured on a recurring basis as of April 3, 2010:

	Classification	Level 1	Level 2	Level 3	Total
Foreign currency forwards	Other current assets	\$	\$ 1,712	\$	\$ 1,712
Foreign currency forwards	Other assets		14		14
Foreign currency forwards	Other accrued liabilities		(1,958)		(1,958)
Interest rate swaps	Other accrued liabilities		(95)		(95)
Interest rate swaps	Other long-term liabilities		(63)		(63)
Net fair value		\$	\$ (390)	\$	\$ (390)

Our only financial instrument for which the carrying value differs from its fair value is long-term debt. At April 3, 2010, the fair value of long-term debt was \$767,858 compared to its carrying value of \$776,879. The fair value of long-term debt was estimated based on quoted market prices.

**Note 8 Restructuring**

We initiated restructuring plans to better align our cost structure with lower sales activity associated with the global recession. The restructuring actions taken have or will result in workforce reductions, primarily in the U.S., the Philippines and Europe.

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

	Three Months Ended April 3, 2010	Six Months Ended April 3, 2010
Aircraft Controls	\$ 971	\$2,163
Industrial Systems	87	481
Components	179	418
Medical Devices	83	77
Total	\$ 1,320	\$3,139

Restructuring expense related to these actions was \$15,067 in 2009. We anticipate additional amounts for the remainder of 2010, primarily in Industrial Systems. Payments related to these severance benefits are expected to be



paid in full by the end of 2010.

**Table of Contents**

Restructuring activity for the six months ended April 3, 2010 is as follows:

	Severance
Restructuring accrual at beginning of period	\$ 14,332
Restructuring charges	3,399
Expense adjustments for prior year accruals	(260)
Cash payments	(9,711)
Foreign currency translation	(406)
Restructuring accrual at end of period	\$ 7,354

**Note 9 Employee Benefit Plans**

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

	Three Months Ended		Six Months Ended	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Service cost	\$ 4,679	\$ 3,494	\$ 9,359	\$ 6,988
Interest cost	6,766	6,382	13,533	12,764
Expected return on plan assets	(8,836)	(7,981)	(17,672)	(15,962)
Amortization of prior service cost	51	74	101	148
Amortization of actuarial loss	1,238	211	2,475	422
Pension expense for defined benefit plans	3,898	2,180	7,796	4,360
Pension expense for defined contribution plans	1,745	1,626	3,473	2,980
Total pension expense for U.S. plans	\$ 5,643	\$ 3,806	\$ 11,269	\$ 7,340

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

	Three Months Ended		Six Months Ended	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Service cost	\$ 786	\$ 870	\$ 1,604	\$ 1,755
Interest cost	1,479	1,380	3,042	2,805
Expected return on plan assets	(902)	(829)	(1,846)	(1,700)
Amortization of prior service credit	(13)	(12)	(27)	(24)
Amortization of actuarial loss	128	110	261	228
Pension expense for defined benefit plans	1,478	1,519	3,034	3,064
Pension expense for defined contribution plans	1,449	429	2,879	840
Total pension expense for non-U.S. plans	\$ 2,927	\$ 1,948	\$ 5,913	\$ 3,904

During the six months ended April 3, 2010, we made contributions to our defined benefit pension plans of \$12,000 to the U.S. plans and \$2,099 to the non-U.S. plans. We anticipate contributing approximately \$12,000 more to the U.S.

plans and approximately \$2,000 more to the non-U.S. plans for a total of approximately \$28,000 in 2010.

**Table of Contents**

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

	Three Months Ended		Six Months Ended	
	April 3,	March	April 3,	March 28,
	2010	2009	2010	2009
Service cost	\$ 143	\$ 104	\$ 286	\$ 209
Interest cost	336	341	672	683
Amortization of transition obligation	99	99	198	197
Amortization of prior service cost	54	67	108	134
Amortization of actuarial loss	210	96	420	192
Total periodic post-retirement benefit cost	\$ 842	\$ 707	\$ 1,684	\$ 1,415

**Note 10 Income Taxes**

The effective tax rate for the three and six months ended April 3, 2010 is lower than would be expected by applying the U.S. federal statutory tax rate to earnings before income taxes as a significant portion of earnings came from foreign operations with lower tax rates. The effective tax rate for the six months ended March 28, 2009 is lower than would be expected as a result of our decision to repatriate approximately \$31,000 of cash to the U.S. from our Japanese subsidiary, resulting in a \$4,850 foreign tax credit, which reduced our U.S. tax provision. In addition, we recorded a benefit in the first quarter of 2009 related to our 2008 tax year as a result of the reinstatement of the U.S. research and development tax credit under the TARP legislation.

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

The changes in shareholders equity for the six months ended April 3, 2010 are summarized as follows:

		Number of Shares	
	Amount	Class A Common Stock	Class B Common Stock
<b>COMMON STOCK</b>			
Beginning and end of period	\$ 51,280	43,471,373	7,808,340
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Beginning of period	381,099		
Equity-based compensation expense	3,678		
Issuance of Treasury shares at more than cost	359		
Income tax effect of equity-based compensation	54		
Adjustment to market SECT	2,462		
End of period	387,652		
<b>RETAINED EARNINGS</b>			
Beginning of period	772,639		
Net earnings	46,562		
End of period	819,201		
<b>TREASURY STOCK</b>			
Beginning of period	(47,733)	(2,303,699)	(3,305,971)
Issuance of treasury shares	514	96,259	
Purchase of treasury shares	(534)	(19,761)	
End of period	(47,753)	(2,227,201)	(3,305,971)
<b>STOCK EMPLOYEE COMPENSATION TRUST (SECT)</b>			
Beginning of period	(11,426)		(398,552)
Issuance of shares	1,071		39,844
Purchase of shares	(327)		(10,000)
Adjustment to market SECT	(2,462)		
End of period	(13,144)		(368,708)
<b>ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME</b>			
Beginning of period	(80,826)		

Edgar Filing: MOOG INC - Form 10-Q

Foreign currency translation adjustment	(13,822)
Retirement liability adjustment	1,682
Increase in accumulated loss on derivatives	(12)
End of period	(92,978)

TOTAL SHAREHOLDERS' EQUITY	\$ 1,104,258	41,244,172	4,133,661
----------------------------	--------------	------------	-----------

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

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

**Note 13 Earnings per Share**

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

	Three Months Ended		Six Months Ended	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Weighted-average shares outstanding				
Basic	45,374,912	42,535,691	45,349,131	42,571,490
Dilutive effect of equity-based awards	355,340	288,100	312,433	333,450
Weighted-average shares outstanding				
Diluted	45,730,252	42,823,791	45,661,564	42,904,940

On October 2, 2009, we completed the offering and sale of 2,675,000 shares of Class A common stock at a price of \$29.50 per share.

**Note 14 Comprehensive Income**

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

	Three Months Ended		Six Months Ended	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Net earnings	\$ 25,001	\$ 23,692	\$ 46,562	\$ 53,962
Other comprehensive income (loss):				
Foreign currency translation adjustment	(12,396)	(15,288)	(13,822)	(35,858)
Retirement liability adjustment, net of tax of \$660, \$235, \$1,321 and \$472, respectively	707	420	1,682	1,621
Decrease (increase) in accumulated loss on derivatives	(778)	208	(12)	(149)
Comprehensive income	\$ 12,534	\$ 9,032	\$ 34,410	\$ 19,576

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

	April 3, 2010	October 3, 2009
Cumulative foreign currency translation adjustment	\$ 29,900	\$ 43,722
Accumulated retirement liability adjustments	(122,677)	(124,359)
Accumulated loss on derivatives	(201)	(189)

Accumulated other comprehensive (loss) income	\$ (92,978)	\$ (80,826)
---	-------------	-------------



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

Below are sales and operating profit by segment for the three and six months ended April 3, 2010 and March 28, 2009 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	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Net sales:				
Aircraft Controls	\$ 188,753	\$ 162,025	\$ 363,813	\$ 325,173
Space and Defense Controls	79,084	68,320	148,575	139,702
Industrial Systems	120,441	104,512	256,793	214,547
Components	89,839	84,504	174,745	166,008
Medical Devices	32,371	33,974	61,740	53,993
Net sales	\$ 510,488	\$ 453,335	\$ 1,005,666	\$ 899,423
Operating profit (loss) and margins:				
Aircraft Controls	\$ 19,575 10.4%	\$ 14,519 9.0%	\$ 37,185 10.2%	\$ 28,019 8.6%
Space and Defense Controls	8,678 11.0%	9,806 14.4%	16,197 10.9%	23,386 16.7%
Industrial Systems	8,139 6.8%	10,860 10.4%	19,320 7.5%	22,359 10.4%
Components	14,396 16.0%	15,049 17.8%	26,518 15.2%	30,050 18.1%
Medical Devices	12 0.0%	(77) (0.2%)	151 0.2%	(2,301) (4.3%)
Total operating profit	50,800 10.0%	50,157 11.1%	99,371 9.9%	101,513 11.3%
Deductions from operating profit:				
Interest expense	9,248	9,422	19,976	19,023
Equity-based compensation expense	894	1,031	3,678	3,620
Corporate expenses and other	5,163	3,202	10,770	5,995
Earnings before income taxes	\$ 35,495	\$ 36,502	\$ 64,947	\$ 72,875

**Table of Contents****Note 16 Recent Accounting Pronouncements**

In December 2007, the Financial Accounting Standards Board (FASB) issued new standards for business combinations as codified in Accounting Standards Codification (ASC) 805-10. The objective of the new standard is to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. It establishes principles and requirements for the acquirer to recognize and measure the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree, the goodwill acquired or a gain from a bargain purchase. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The new standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We have adopted this standard as of October 4, 2009.

In April 2009, the FASB issued new standards on identifiable assets and liabilities assumed in a business combination as codified in ASC 805-20. The new standard amends the provisions related to the initial recognition and measurement, subsequent measurement and disclosure of assets and liabilities arising from contingencies in a business combination. The new standard carries forward the requirements in current standards for acquired contingencies, thereby requiring that such contingencies be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the allocation period. Otherwise, entities would typically account for the acquired contingencies in accordance with standards codified in ASC 450-10. The new standard is effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We have adopted this standard as of October 4, 2009. The adoption of this standard did not have a material impact on our consolidated financial statements.

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

In February 2010, the FASB issued ASU 2010-09, Amendments to Certain Recognition and Disclosure Requirements, ( ASU 2010-09 ) which amends ASC 855, Subsequent Events, to address certain implementation issues related to an entity's requirement to perform and disclose subsequent-events procedures. ASU 2010-09 requires SEC filers to evaluate subsequent events through the date the financial statements are issued and exempts SEC filers from disclosing the date through which subsequent events have been evaluated. The ASU was effective immediately upon issuance. The adoption of ASU 2010-09 did not have a material impact on our consolidated financial statements.

**Table of Contents**

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

The following should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Form 10-K for the fiscal year ended October 3, 2009. All references to years in this Management's Discussion and Analysis of Financial Condition and Results of Operations are to fiscal years.

**OVERVIEW**

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

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

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

- superior technical competence and customer intimacy breeding market leadership,

- customer diversity and broad product portfolio,

- well-established international presence serving customers worldwide, and

- proven ability to successfully integrate acquisitions.

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

- maintaining our technological excellence by building upon our systems integration capabilities while solving our customers' most demanding technical problems,

- taking advantage of our global capabilities,

- growing our profitable aftermarket business,

- capitalizing on strategic acquisitions and opportunities,

entering and developing new markets, and

striving for continuing cost improvements.

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

## **Table of Contents**

### **Acquisitions**

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

In 2009, we completed eight business combinations within four of our segments. We completed two acquisitions in our Aircraft Controls segment, both of which are located in the U.K., for a total purchase price of \$136 million. These acquisitions complement our flight control actuation business and expand our business in ground-based air navigation systems. We acquired one business in our Space and Defense Controls segment for \$45 million that expands our capabilities in the security and surveillance markets. We completed three acquisitions in our Industrial Systems segment, two of which specialize in systems and blade controls of turbines for the wind energy market, for a total of \$110 million, which includes \$28 million for a 40% ownership paid in 2008 for one of the acquired companies. We also completed two acquisitions in our Medical Devices segment for a total purchase price of \$36 million expanding our portfolio to include syringe style pumps, proprietary medical devices and contract manufacturing of disposables as well as microbiology, toxicology and sterilization services.

See the discussion in Note 2 of Item 1, Financial Statements of this report for further information on our acquisitions.

### **CRITICAL ACCOUNTING POLICIES**

There have been no changes in critical accounting policies in the current year from those disclosed in our 2009 Form 10-K.

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

Our most recent test of goodwill for impairment was our annual test as of the beginning of our fourth quarter in 2009. The results of that test indicated that goodwill was not impaired. However, the fair value of our Aircraft Controls reporting unit was not significantly in excess of its carrying value. Its excess of fair value over carrying value was 6%. This reporting unit is one level below our Aircraft Controls segment and excludes the navigation aids business we acquired last year. This reporting unit had \$104 million of goodwill allocated to it as of our most recent test. The most significant assumptions in determining fair value are projected revenue growth rates, operating profit margins and cash flows, the terminal growth rate and the discount rate. Management projects revenue growth rates, operating margins and cash flows based on each reporting unit's current business, expected developments and operational strategies over a five-year period. In estimating the terminal growth rate, we consider our historical and projected results, as well as the economic environment in which our reporting units operate. Significant program delays, changes in demand due to economic pressures or unfavorable terms in our contracts could have a negative effect on the fair value of this reporting unit.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

In September 2009, the FASB issued new standards for allocating revenue to multiple deliverables in a contract as codified in ASC 605-25. The new standard is effective for us at the beginning of 2011, with early adoption permitted. The new standard allows entities to allocate consideration in a multiple element arrangement in a manner that better reflects the transaction economics. When vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, entities will be allowed to develop a best estimate of the selling price to separate deliverables and allocate arrangement consideration using the relative selling price method. Additionally, use of the residual method has been eliminated. We are currently evaluating the impact of adopting this standard on our consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
(dollars in millions)	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Net sales	\$510.5	\$453.3	\$1,005.7	\$899.4
Gross margin	29.0%	29.9%	29.1%	30.4%
Research and development expenses	\$ 25.5	\$ 24.2	\$ 49.4	\$ 49.3
Selling, general and administrative expenses as a percentage of sales	14.9%	15.2%	15.3%	15.3%
Restructuring expense	\$ 1.3	\$	\$ 3.1	\$
Interest expense	\$ 9.3	\$ 9.4	\$ 20.0	\$ 19.0
Effective tax rate	29.6%	35.1%	28.3%	26.0%
Net earnings	\$ 25.0	\$ 23.7	\$ 46.6	\$ 54.0

Net sales increased \$57 million, or 13%, in the second quarter of 2010 compared to 2009 predominantly as a result of incremental sales from recent acquisitions.

Net sales increased \$106 million, or 12%, for the first half of the year. Our sales were positively impacted by \$136 million of incremental sales from recent acquisitions, particularly in Aircraft Controls and Industrial Systems, partially offset by continued negative effects of the global recession, most significantly in Industrial Systems.

Our gross margin was lower in the second quarter of 2010 compared to 2009, reflecting the impact of lower gross margin products attributable to the recent acquisitions of wind energy and high lift actuation businesses. Our gross margin was also lower in the first half of 2010 compared to 2009 due to the impact of the acquisitions on the product mix, partially offset by lower contract loss reserve charges in the first half of 2010 compared to 2009. The loss reserves are primarily within our Aircraft Controls segment.

Research and development expenses remained relatively unchanged in the second quarter and first half of 2010 compared to the same periods of 2009, as reduced expenses for the Boeing 787 have been offset by increases for the Airbus A350 program and the impact from acquisitions.

Selling, general and administrative expenses as a percentage of sales were lower in the second quarter of 2010 compared to the same period last year. The decrease is a result of the impact of recent acquisitions that have lower selling, general and administrative cost structures, which more than offset increased costs in our core businesses.

We incurred \$1 million and \$3 million of restructuring charges for severance in the second quarter and first six months of 2010, respectively, primarily in Aircraft Controls. We expect that payment of these restructuring costs will be complete by the end of 2010.

The effective tax rate for the second quarter of 2010 is lower than the same period last year as a result of an adjustment in the second quarter of 2009 in which we reduced our projected earnings in foreign operations with lower tax rates. The effective tax rate in the first half of 2010 is higher than the same period of 2009 as a result of \$5 million of foreign tax credits in 2009 from the repatriation of \$31 million of cash to the U.S. from our Japanese subsidiary in 2009, partially offset by a greater proportion of 2010 earnings coming from foreign operations with lower tax rates. Net earnings increased 6% in the second quarter of 2010; however, diluted earnings per share were unchanged, reflecting additional shares outstanding from a stock offering completed at the end of 2009. Net earnings and diluted earnings per share decreased 14% and 19%, respectively, in the first half of 2010.

**2010 Outlook** We expect sales in 2010 to increase by 14% to approximately \$2.1 billion reflecting increases in all of our segments, primarily from recent acquisitions, especially in Industrial Systems and Aircraft Controls. We expect operating margins to be approximately 10.0% in 2010 compared to 9.3% in 2009. We expect operating margins to increase in Aircraft Controls, Industrial Systems and Medical Devices and decrease in Space and Defense Controls and Components. Restructuring costs are estimated to be \$5 million in 2010 resulting from the continuation of staff

reduction plans started in 2009. We expect net earnings to increase to \$107 million and diluted earnings per share to increase by 19% to \$2.35.

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

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

**Aircraft Controls**

(dollars in millions)		Three Months Ended		Six Months Ended	
		April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Net sales	military aircraft	\$ 114.0	\$ 102.2	\$ 222.7	\$ 205.1
Net sales	commercial aircraft	64.8	53.3	122.1	110.9
Net sales	navigation aids	10.0	6.5	19.0	9.2
		\$ 188.8	\$ 162.0	\$ 363.8	\$ 325.2
Operating profit		\$ 19.6	\$ 14.3	\$ 37.2	\$ 28.0
Operating margin		10.4%	9.0%	10.2%	8.6%
Backlog				\$ 510.6	\$ 404.7

Net sales in Aircraft Controls increased \$27 million, or 16%, in the second quarter of 2010 from the second quarter of 2009. The recent acquisition of the high lift actuation business located in Wolverhampton, UK in the fourth quarter of 2009 contributed \$26 million. Military aircraft sales increased \$12 million as the Wolverhampton operation contributed \$12 million of incremental sales. In our core business, a \$6 million increase on the V-22 Osprey was offset by a \$3 million decrease on the F-35 program as we have begun to shift work from the development phase into the low-rate initial production phase. There were also smaller decreases on other programs. Commercial aircraft sales increased \$11 million as Wolverhampton contributed \$14 million of incremental sales. Increased sales to Boeing were more than offset by an \$8 million decrease in business jets as this business continues to be affected by the economic downturn. Navigation aids increased \$4 million as a result of incremental sales from the Fernau acquisition, which was completed in the second quarter of 2009.

Net sales in Aircraft Controls increased \$39 million, or 12%, in the first half of 2010 with Wolverhampton contributing \$47 million. Military aircraft sales increased \$18 million as Wolverhampton contributed \$22 million of incremental sales. Military aftermarket and the V-22 production program sales increased \$8 million and \$7 million, respectively, which offset the decrease on the F-35 program. Commercial aircraft sales increased \$11 million as \$25 million of incremental sales from Wolverhampton more than offset the decrease of \$14 million in business jets. Navigation aids increased \$10 million as a result of the incremental sales from the Fernau acquisition.

Our operating margin was higher in the second quarter of 2010 compared to 2009 as research and development spending as a percentage of sales declined and we had a more favorable product mix. These benefits were partially offset by \$2 million of increased contract loss reserve charges and \$1 million of restructuring charges incurred in 2010.

Our operating margin was higher in the first half of 2010 as a result of lower research and development spending as a percentage of sales and \$4 million of lower contract loss reserve charges. These benefits were partially offset by \$2 million of restructuring charges incurred in 2010.

The higher level of twelve-month backlog for Aircraft Controls at April 3, 2010 compared to March 28, 2009 reflects the Wolverhampton acquisition along with strong military aircraft orders.

**2010 Outlook for Aircraft Controls** We expect sales in Aircraft Controls to increase 12% to \$742 million in 2010. Military aircraft sales are expected to increase 4% to \$433 million as sales from Wolverhampton are expected to more than offset decreases on the F-35 program. Commercial aircraft sales are expected to increase 23% to \$263 million,



principally related to the Wolverhampton acquisition and increased sales to Boeing more than offsetting a decrease in business jets. Navigation aids are expected to increase to \$46 million due in large part to the incremental sales from a full year of owning Fernau. We expect our operating margin to be 10.1% in 2010, an improvement from 7.9% in 2009, resulting from lower research and development spending as a percentage of sales and improved cost performance on various production programs.

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

(dollars in millions)	Three Months Ended		Six Months Ended	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Net sales	\$79.1	\$68.3	\$148.6	\$139.7
Operating profit	\$ 8.7	\$ 9.8	\$ 16.2	\$ 23.4
Operating margin	11.0%	14.4%	10.9%	16.7%
Backlog			\$208.4	\$164.2

Net sales in Space and Defense Controls increased \$11 million, or 16%, in the second quarter of 2010 compared to the second quarter of 2009. Sales of launch vehicles increased \$5 million as revenue on the Orbital Sciences Taurus II (Taurus) was higher. Sales of tactical missiles increased \$3 million primarily a result of increased sales of the Hellfire missile. Sales of defense controls increased \$3 million as a result of strong sales on the Driver's Vision Enhancer (DVE) program more than offsetting declines in other defense control products. Sales in our NASA business increased \$2 million primarily from activity on the Ares I launch vehicle. Offsetting those increases were modest declines in a few of our other markets, including \$2 million in vibration controls.

Net sales in Space and Defense Controls increased \$9 million, or 6%, in the first half of 2010 compared to the first half of 2009. Sales of launch vehicles increased \$7 million, principally from the Taurus program. Sales of tactical missiles increased \$6 million mainly from the Hellfire missile. Sales increased in homeland security by \$4 million as a result of our acquisition of Videolarm in the second quarter of 2009 and sales in our NASA business increased \$3 million. Offsetting those increases was a decline of \$12 million in sales of defense controls, reflecting the strong sales on the DVE program in the first half of 2009.

Our operating margin for Space and Defense Controls decreased in the second quarter and first half of 2010. This decrease primarily relates to a more favorable product mix in the second quarter of 2009 and the strong volume and profitability on the DVE program in the first quarter of 2009.

The higher level of twelve-month backlog at April 3, 2010 compared to March 28, 2009 relates primarily to increased orders for tactical missiles and NASA programs.

**2010 Outlook for Space and Defense Controls** We expect sales in Space and Defense Controls to increase \$46 million, or 17%, to \$320 million in 2010. We expect sales increases in tactical missiles, launch vehicles, NASA programs and homeland security. We expect our operating margin in 2010 to decrease to 11.2% from 14.6% in 2009, primarily the result of a larger proportion of sales in 2010 coming from lower margin cost plus development work.

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

(dollars in millions)	Three Months Ended		Six Months Ended	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Net sales	\$ 120.4	\$ 104.5	\$ 256.8	\$ 214.5
Operating profit	\$ 8.1	\$ 10.9	\$ 19.3	\$ 22.4
Operating margin	6.8%	10.4%	7.5%	10.4%
Backlog			\$ 237.2	\$ 134.2

Net sales in Industrial Systems increased \$16 million, or 15%, in the second quarter of 2010 compared to 2009. The acquisitions of LTi REEnergy and Insensys accounted for \$25 million of increased sales in the wind energy market. Sales for plastic making machinery increased \$6 million as a result of strong demand, particularly in Europe. Offsetting those increases were lower sales in many of our major markets as a result of the global recession which first started to affect our industrial business in 2009. Sales in the motion simulation business, heavy industry and power generation declined \$3 million each.

Net sales in Industrial Systems increased \$42 million, or 20%, in the first half of 2010. The acquisitions accounted for \$69 million of increased sales in the wind energy market. Offsetting the incremental sales from these acquisitions were lower sales in many of our major markets as a result of the global recession. Sales in the motion simulation business decreased \$9 million, power generation declined \$7 million and sales for controls for metal forming presses decreased \$4 million.

Our operating margin for Industrial Systems decreased in the second quarter of 2010 compared to the second quarter 2009. This decrease is a result of low profitability on the sales volume of the wind energy businesses in 2010 and the impact of \$2 million of equity earnings recorded in the second quarter of 2009 for our 40% ownership of LTi REEnergy.

Our operating margin for Industrial Systems decreased in the first half of 2010 compared to the first half of 2009. This decrease is a result of the lower sales volume in 2010, excluding the effects of the acquired companies, and the impact of \$4 million of equity earnings recorded in the first half of 2009 for LTi REEnergy.

The higher level of twelve-month backlog for Industrial Systems at April 3, 2010 compared to March 28, 2009 primarily relates to the backlog from acquired companies.

**2010 Outlook for Industrial Systems** We expect sales in Industrial Systems to increase 22% to \$553 million in 2010. We expect sales to increase \$96 million for wind energy as a result of the LTi REEnergy and Insensys acquisitions. Sales, excluding the effects of acquired businesses, will be relatively flat compared to the prior year. We expect sales increases in plastics making machinery and test equipment to be offset by declines in power generation, motion simulators and heavy industry. We expect our operating margin to increase to 7.7% in 2010 from 6.8% in 2009. The expected increase in our operating margin will reflect lower restructuring charges and higher sales volume, partially offset by the impact of the equity earnings from our 40% ownership of LTi REEnergy in 2009.

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

(dollars in millions)	Three Months Ended		Six Months Ended	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Net sales	\$89.8	\$84.5	\$174.7	\$166.0
Operating profit	\$14.4	\$15.0	\$ 26.5	\$ 30.1
Operating margin	16.0%	17.8%	15.2%	18.1%
Backlog			\$164.1	\$193.7

Net sales in Components increased \$5 million, or 6%, in the second quarter of 2010 compared to the second quarter of 2009. Sales increased in all of our markets except for marine. Aircraft sales increased \$6 million across multiple programs, including fiber optic controls on the Eurofighter, the Guardian program and systems for the Black Hawk helicopter and V-22 tilt rotor aircraft. Industrial sales increased \$2 million primarily from slip ring sales to Sinovel, one of China's largest wind turbine manufacturers. Sales of space and defense controls increased \$1 million, primarily driven by a new contract for a slip ring system on the Common Remotely Operated Weapons Station (CROWS) system. Marine sales decreased \$5 million, mostly for equipment used on undersea robots as demand has declined in line with the price of oil.

Net sales in Components increased \$9 million, or 5%, in the first half of 2010. Aircraft sales increased \$11 million across multiple programs. Sales of space and defense controls increased \$6 million, primarily driven by the new contract on the CROWS system. Marine sales decreased \$8 million, mostly for equipment used on undersea robots. Our operating margin decreased in the second quarter and first half of 2010 compared to 2009 as a result of the sales mix shift toward more aerospace and defense sales and away from marine products.

The lower level of twelve-month backlog at April 3, 2010 compared to March 28, 2009 primarily relates to slowing orders for defense controls, marine products and military aircraft programs.

**2010 Outlook for Components** We expect sales in Components to increase to \$356 million in 2010. We expect a sales increase of \$20 million in aircraft, which is primarily driven by the Guardian program. We also expect a \$5 million increase from industrial markets, primarily from slip rings for wind turbines. Sales in the medical market will remain flat. We expect sales decreases within space and defense controls and the marine market. We expect our operating margin in 2010 to be 15.1%, slightly lower than the 16.1% we achieved in 2009 due to the sales mix.

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

(dollars in millions)	Three Months Ended		Six Months Ended	
	April 3, 2010	March 28, 2009	April 3, 2010	March 28, 2009
Net sales	\$32.3	\$34.0	\$61.7	\$54.0
Operating profit (loss)	\$	\$ (0.1)	\$ 0.2	\$ (2.3)
Operating margin	0.0%	(0.2%)	0.2%	(4.3%)
Backlog			\$11.0	\$16.4

Net sales in Medical Devices decreased \$2 million, or 5%, in the second quarter of 2010 compared to the second quarter of 2009. Sales in the second quarter of 2009 reached a record high, benefiting from strong infusion pump sales including a large one-time order for enteral pumps.

Net sales in Medical Devices increased \$8 million, or 14%, in the first half of 2010 compared to the first half of 2009. The acquisitions of Aitecs and Ethox International contributed \$5 million of incremental sales. Sales of administration sets also increased \$3 million, or 18%.

Our operating margin was around breakeven in the second quarters of 2010 and 2009. In 2010, we experienced \$1 million of start up costs for a new production facility in Costa Rica. We also recorded a loss on the sale of our machine shop in Southern California. In 2009, we recorded \$1 million of costs for a voluntary software modification for certain of our enteral feeding pumps.

Our operating margin increased in the first half of 2010 as a result of the higher sales volume and lower costs as a result of \$1 million of first year purchase accounting adjustments for the Aitecs and Ethox acquisitions in 2009.

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

**2010 Outlook for Medical Devices** We expect sales in Medical Devices to increase \$18 million, or 16%, to \$129 million in 2010. We expect sales increases partly due to a broader product offering, including increases of \$7 million in pumps and \$5 million in administration sets. In addition, we expect \$3 million of incremental sales from a full year of owning Aitecs and Ethox. We expect our operating margin to be 2.6% as a result of the sales volume increases and cost improvements expected in the latter half of the year.

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

(dollars in millions)	Six Months Ended	
	April 3, 2010	March 28, 2009
Net cash provided (used) by:		
Operating activities	\$ 83.8	\$ 48.3
Investing activities	(28.6)	(180.6)
Financing activities	(46.1)	118.5

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

**Operating activities**

Net cash provided by operating activities increased in the first six months of 2010 compared to 2009, primarily due to lower inventory levels in 2010 as a result of improved inventory control management.

**Investing activities**

Net cash used by investing activities in the first six months of 2010 includes \$28 million for capital expenditures. Net cash used by investing activities in the first six months of 2009 includes \$149 million for various acquisitions, consisting of \$14 million for Berkeley Process Controls, \$21 million for Aitecs, \$8 million for Ethox, \$15 million for Insensys, \$45 million for Videolarm and \$46 million for Fernau Avionics. Net cash used by investing activities also included \$43 million for capital expenditures in the first half of 2009. The 2009 amounts were partially offset by the redemption of \$12 million of supplemental retirement plan investments that were used to purchase \$13 million par value of the Company's 6.25% senior subordinated notes.

**Financing activities**

Net cash used by financing activities in the first six months of 2010 primarily reflects pay downs on our U.S. credit facility. Net cash provided by financing activities in the first six months of 2009 reflects borrowings on our U.S. credit facility to fund most of the acquisitions and \$7 million used for our share repurchase program. The 2009 amounts were partially offset by the redemption of \$13 million par value of the Company's senior subordinated notes.

**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 2009 Form 10-K.

**Table of Contents**

**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.

Our largest credit facility is our U.S. credit facility, which matures on March 14, 2013. It consists of a \$750 million revolver and had an outstanding balance of \$385 million at April 3, 2010. Interest on the majority of the outstanding credit facility borrowings is based on LIBOR plus the applicable margin, which was 200 basis points at April 3, 2010. 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 net worth, defined as total shareholders' equity adjusted to maintain the amounts of accumulated other comprehensive loss at the level in existence as of September 30, 2006, is \$600 million. 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 4.0. The covenant for maximum senior leverage ratio, defined as the ratio of net senior debt to consolidated EBITDA for the most recent four quarters is 2.75. The covenant for maximum capital expenditures is \$100 million annually. 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. The definition of EBITDA allows for the exclusion of up to \$17 million of restructuring charges incurred in calendar year 2009.

We are required to obtain the consent of lenders of the U.S. credit facility before raising significant additional debt financing. In recent years, we have demonstrated our ability to secure consents to access debt markets. We have also been successful in accessing equity markets, as demonstrated most recently by our October 2, 2009 sale of 2,675,000 shares of Class A common stock at \$29.50 per share. We believe that we will be able to obtain additional debt or equity financing as needed.

At April 3, 2010, we had \$388 million of unused borrowing capacity, including \$356 million from the U.S. credit facility after considering standby letters of credit. Our ability to utilize the unused borrowing capacity is limited by the maximum leverage ratio covenant, which would restrict borrowings to an additional \$350 million as of April 3, 2010. Net debt to capitalization was 39% at April 3, 2010 and 41% at October 3, 2009. The decrease in net debt to capitalization is primarily due to debt reductions funded by our positive cash flow and net earnings in the first six months of 2010.

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

## **Table of Contents**

### **ECONOMIC CONDITIONS AND MARKET TRENDS**

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

#### **Aerospace and Defense**

Approximately 62% of our 2009 sales were generated in aerospace and defense markets. The military aircraft market is dependent on military spending for development and production programs. Production programs are typically long-term in nature, offering predictability as to capacity needs and future revenues. We maintain positions on numerous high priority programs, including the F-35 Joint Strike Fighter, F/A-18E/F Super Hornet and V-22 Osprey. The large installed base of our products leads to attractive aftermarket sales and service opportunities. Aftermarket revenues are expected to continue to grow due to a number of scheduled military retrofit programs and increased flight hours resulting from increased military commitments.

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

The military and government space market is primarily dependent on the authorized levels of funding for satellite communications. Government spending on military satellites has risen in recent years as the military's need for improved intelligence gathering has increased. The commercial space market is comprised of large satellite customers, traditionally telecommunications companies. Trends for this market, as well as for commercial launch vehicles, follow the telecommunications companies' need for increased capacity and the satellite replacement lifecycle of 7-10 years. Our position as a legacy supplier of steering and fuel controls to NASA on a variety of programs over the past decades, including the Constellation program, positions us to take advantage of opportunities regardless of the direction that Congress and the Administration decide.

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

#### **Industrial**

Approximately 29% of our 2009 sales were generated in industrial markets. The industrial markets we serve are influenced by several factors, including capital investment, product innovation, economic growth, cost-reduction efforts and technology upgrades. We are experiencing challenges as the economy recovers from the global recession. These challenges include reacting to slow demand for industrial automation equipment, steel and automotive manufacturing as customers manage inventory levels.

#### **Medical**

Approximately 9% of our 2009 sales were generated in medical markets. The medical markets we serve are influenced by economic conditions, hospital and outpatient clinic spending on equipment, population demographics, medical advances, patient demands and the need for precision control components and systems. Advances in medical technology and medical treatments have had the effect of extending the average life span, in turn resulting in greater need for medical services. These same technology and treatment advances also drive increased demand from the general population as a means to improve quality of life. Greater access to medical insurance, whether through government funded health care plans or private insurance, also increases the demand for medical services.



**Table of Contents**

**Foreign Currencies**

We are affected by the movement of foreign currencies compared to the U.S. dollar, particularly in Industrial Systems. About one-quarter of our 2009 sales were denominated in foreign currencies including the euro, British pound and Japanese yen. During the first six months of 2010, foreign currencies generally strengthened against the U.S. dollar and the translation of the results of our foreign subsidiaries into U.S. dollars increased sales by \$15 million compared to the same period one year ago. During 2009, foreign currencies generally weakened against the U.S. dollar and the translation of the results of our foreign subsidiaries into U.S. dollars decreased sales by \$49 million compared to 2008.

**Table of Contents**

**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, inter projects, approximate, estimates, predicts, potential, outlook, forecast, anticipates, presume and ass forward-looking statements. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and are subject to several factors, risks and uncertainties, the impact or occurrence of which could cause actual results to differ materially from the expected results described in the forward-looking statements. These important factors, risks and uncertainties include:

fluctuations in general business cycles for commercial aircraft, military aircraft, space and defense products, industrial capital goods and medical devices;

our dependence on government contracts that may not be fully funded or may be terminated;

our dependence on certain major customers, such as The Boeing Company and Lockheed Martin, for a significant percentage of our sales;

delays by our customers in the timing of introducing new products, which may affect our earnings and cash flow;

the possibility that the demand for our products may be reduced if we are unable to adapt to technological change;

intense competition, which may require us to lower prices or offer more favorable terms of sale;

our indebtedness, which could limit our operational and financial flexibility;

the possibility that new product and research and development efforts may not be successful, which could reduce our sales and profits;

increased cash funding requirements for pension plans, which could occur in future years based on assumptions used for our defined benefit pension plans, including returns on plan assets and discount rates;

a write-off of all or part of our goodwill or intangible assets, which could adversely affect our operating results and net worth and cause us to violate covenants in our bank agreements;

the potential for substantial fines and penalties or suspension or debarment from future contracts in the event we do not comply with regulations relating to defense industry contracting;

the potential for cost overruns on development jobs and fixed-price contracts and the risk that actual results may differ from estimates used in contract accounting;

the possibility that our subcontractors may fail to perform their contractual obligations, which may adversely affect our contract performance and our ability to obtain future business;

our ability to successfully identify and consummate acquisitions, and integrate the acquired businesses and the risks associated with acquisitions, including that the acquired businesses do not perform in accordance with our expectations, and that we assume unknown liabilities in connection with acquired businesses for which we are not indemnified;

our dependence on our management team and key personnel;

the possibility of a catastrophic loss of one or more of our manufacturing facilities;

the possibility that future terror attacks, war or other civil disturbances could negatively impact our business;

that our operations in foreign countries could expose us to political risks and adverse changes in local, legal, tax and regulatory schemes;

the possibility that government regulation could limit our ability to sell our products outside the United States;

product quality or patient safety issues with respect to our medical devices business that could lead to product recalls, withdrawal from certain markets, delays in the introduction of new products, sanctions, litigation, declining sales or actions of regulatory bodies and government authorities;

the impact of product liability claims related to our products used in applications where failure can result in significant property damage, injury or death and in damage to our reputation;

changes in medical reimbursement rates of insurers to medical service providers, which could affect sales of our medical products;

the possibility that litigation results may be unfavorable to us;

our ability to adequately enforce our intellectual property rights and the possibility that third parties will assert intellectual property rights that prevent or restrict our ability to manufacture, sell, distribute or use our products or technology;

foreign currency fluctuations in those countries in which we do business and other risks associated with international operations;

the cost of compliance with environmental laws;

the risk of losses resulting from maintaining significant amounts of cash and cash equivalents at financial institutions that are in excess of amounts insured by governments;

the inability to modify, to refinance or to utilize amounts presently available to us under our credit facilities given uncertainties in the credit markets;

our ability to meet the restrictive covenants under our credit facilities since a breach of any of these covenants could result in a default under our credit agreements; and

**Table of Contents**

our customers' inability to continue operations or to pay us due to adverse economic conditions or their inability to access available credit.

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

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

Refer to the Company's Annual Report on Form 10-K for the year ended October 3, 2009 for a complete discussion of our market risk. There have been no material changes in the current year regarding this market risk information.

**Item 4. Controls and Procedures.**

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

**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 April 3, 2010.

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)
January 3, 2010 - January 31, 2010	6,842	\$ 29.23		766,400
February 1, 2010 - February 28, 2010	10,000	\$ 32.73		766,400
March 1, 2010 - April 3, 2010		\$		766,400
Total	16,842	\$ 31.31		766,400

- (1) In connection with the exercise of stock options, we accept, from time to time, delivery of shares to pay the exercise price of employee stock options. During January, we accepted the delivery of 6,842 shares at \$29.23 per share in connection with the exercise of stock options.
- (2) Purchases in February consisted of 10,000 shares of class B common stock from the Moog family at \$32.73 per share.
- (3) In October 2008, the Board of Directors authorized a share repurchase program. The program permits the purchase of up to 1,000,000 Class A or Class B common shares in open market or privately negotiated transactions at the discretion of management.

The transactions will be made in accordance with rules and regulations of the U.S. Securities and Exchange Commission and other rules that govern such purchases. The approximate dollar value of the maximum number of shares that may yet be purchased as determined by the Class A Stock price on the last day of the quarter is \$27 million.

**Table of Contents****Item 5. Other Information**

The Company's Annual Meeting of Shareholders was held on January 13, 2010. The following matters were submitted to a vote of security holders at the Annual Meeting.

(a) The nominees to the Board of Directors were elected based on the following votes:

<b>Nominee</b>	<b>For</b>	<b>Authority Withheld</b>	<b>Broker Non-Votes</b>
Class A			
Robert R. Banta	18,613,516	12,823,001	2,284,678
Class B			
Kraig H. Kayser	3,952,847	21,726	217,593
Robert H. Maskrey	3,924,066	50,507	217,593
Albert F. Myers	3,953,344	21,229	217,593

The terms of the following directors continued after the Annual Meeting: Richard A. Aubrecht, Peter J. Gundermann and John D. Hendrick (Class B directors through 2012); Brian J. Lipke (Class A director through 2012); Joe C. Green and Raymond W. Boushie (Class B directors through 2011); and Robert T. Brady (Class A director through 2011).

(b) The appointment of Ernst & Young LLP as auditors was approved based on the following votes:

Class A\*: For, 31,828,433; Against, 1,872,892; Abstain, 19,870.

Class B: For, 4,165,397; Against 17,511; Abstain, 9,258.

\* Other than on matters relating to the election of directors or as required by law, where the holders of Class A shares and Class B shares vote as a separate class, each Class A share is entitled to one-tenth vote per share, and each Class B share is entitled to one vote per share.

**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.



**Table of Contents**

**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 11, 2010

By /s/ Robert T. Brady  
Robert T. Brady  
Chairman  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 11, 2010

By /s/ John R. Scannell  
John R. Scannell  
Vice President  
Chief Financial Officer  
(Principal Financial Officer)

Date: May 11, 2010

By /s/ Donald R. Fishback  
Donald R. Fishback  
Vice President Finance

Date: May 11, 2010

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

33

---

**Table of Contents**

**Exhibit Index**

Exhibits

Description

- |      |  |
|------|--|
| 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.                                |

34