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

Washington, D.C. 20549

FORM 10-K

(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended October 1, 2011

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____ to ____ Commission file number **1-5129**

(Exact Name of Registrant as Specified in its Charter)

New York	**16-0757636**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
East Aurora, New York	**14052-0018**
(Address of Principal Executive Offices)	(Zip Code)

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

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

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

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

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

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

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 þ No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ¨ No þ

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

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

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

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Disclosure Regarding Forward-Looking Statements

Information included or incorporated by reference in this report that does not consist of historical facts, including statements accompanied by or containing words such as may, will, should, believes, expects, expected, intends, plans, projects, approximate, estimates, outlook, forecast, anticipates, presume and assume, are forward-looking statements. Such forward-looking statements are made pursuant to t safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and are subject to several factors, risks and uncertainties, the impact or occurrence of which could cause actual results to differ materially from the expected results described in the forward-looking statements. Certain of these factors, risks and uncertainties are discussed in the sections of this report entitled Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations. New factors, risks and uncertainties may emerge from time to time that may affect the forward-looking statements made herein. Given these factors, risks and uncertainties, investors should not place undue reliance on forward-looking statements as predictive of future results. We disclaim any obligation to update the forward-looking statements made in this report.

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PART I

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

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

Item 1. Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Customers in our five operating segments include:

- Aircraft Controls: Boeing, Lockheed Martin, Airbus, BAE, Bombardier, Gulfstream, Honeywell, Northrop Grumman and the U.S. Government.
- Space and Defense Controls: Lockheed Martin, Raytheon, Orbital Sciences, BAE, United Technologies-Pratt & Whitney Rocketdyne, Alliant Techsystems and General Dynamics.
- Industrial Systems: RePower AG, United Power (GUP), FlightSafety, CAE, Arburg, Metso and Schlumberger.
- Components: Respironics, Raytheon, Lockheed Martin, Philips Medical and the U.S. Government.
- Medical Devices: Danone and Abbott.

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

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

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

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

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

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

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

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

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

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Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- diversion of management time and attention from our core business,
- the potential exposure to unanticipated liabilities,
- the potential that expected benefits or synergies are not realized and that operating costs increase,
- the risks associated with incurring additional acquisition indebtedness, including that additional indebtedness could limit our cash flow availability for operations and our flexibility,
- difficulties in integrating the operations and personnel of acquired companies, and

- the potential loss of key employees, suppliers or customers of acquired businesses.

In addition, any acquisition, once successfully integrated, could negatively impact our financial performance if it does not perform as planned, does not increase earnings, or does not prove otherwise to be beneficial to us.

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

- the possibility of unfavorable circumstances arising from host country laws or regulations,
- partial or total expropriation,
- potential negative consequences from changes to significant taxation policies, laws or regulations,
- changes in tariff and trade barriers and import or export licensing requirements, and
- political or economic instability, insurrection, civil disturbance or war.

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments.

None

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Item 2. Properties.

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

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

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

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

Item 3. Legal Proceedings.

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

Item 4. (Removed and Reserved).

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PART II

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

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

Quarterly Stock Prices

	Class A		Class B	
Fiscal Year Ended	High	Low	High	Low
October 1, 2011				
1st Quarter	**$ 40.67**	**$ 33.97**	**$ 40.27**	**$ 34.26**
2nd Quarter	**46.38**	**39.24**	**46.25**	**40.42**
3rd Quarter	**46.46**	**39.54**	**46.14**	**39.29**
4th Quarter	**45.45**	**30.45**	**45.00**	**31.95**
October 2, 2010				
1st Quarter	$ 30.09	$ 22.49	$ 30.00	$ 24.69
2nd Quarter	40.21	29.34	38.00	29.39
3rd Quarter	39.77	30.18	39.70	30.51
4th Quarter	37.71	29.95	37.50	30.16

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

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

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

Issuer Purchases of Equity Securities

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

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

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

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Performance Graph

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

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Moog Inc., the NYSE Composite Index

and the S&P Aerospace & Defense Index

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

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Item 6. Selected Financial Data.

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

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

(1) Includes the effects of acquisitions. See Note 2 of the Consolidated Financial Statements at Item 8, Financial Statements and Supplementary Data of this report.

(2) Includes the sale of Class A common stock on October 2, 2009. See Note 13 of the Consolidated Financial Statements at Item 8 of this report.

(3) Includes the effects of acquisitions. In 2009, we acquired eight businesses, two each in our Aircraft Controls and Medical Devices segments, one in our Space and Defense Controls segment and three in our Industrial Systems segment. In 2008, we acquired two businesses, one each in our Space and Defense Controls and Components segments. In 2007, we acquired four businesses, two in our Components segment and one each in our Medical Devices and Industrial Systems segments.

(4) Includes the effects of the issuance of senior subordinated notes.

(5) Net debt is total debt less cash and cash equivalents. Capitalization is the sum of net debt and shareholders equity.

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

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

We have long-term contracts with some of our customers. These contracts are predominantly within Aircraft Controls and Space and Defense Controls and represent 29% of our sales. We recognize revenue on these contracts using the percentage of completion, cost-to-cost method of accounting as work progresses toward completion. The remainder of our sales are recognized when the risks and rewards of ownership and title to the product are transferred to the customer, principally as units are delivered or as service obligations are satisfied. This method of revenue recognition is predominantly used within the Industrial Systems, Components and Medical Devices segments, as well as with aftermarket activity.

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

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

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

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

We face numerous challenges to improve shareholder value. These include but are not limited to: adjusting to dynamic global economic conditions that are influenced by governmental, industrial and commercial factors, foreign currency fluctuations, pricing pressures from customers, strong competition and increases in costs such as health care benefits. We address these challenges by focusing on strategic revenue growth and by continuing to improve operating efficiencies through various process, manufacturing and restructuring initiatives and using low cost manufacturing facilities without compromising quality.

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Acquisitions

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

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

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

CRITICAL ACCOUNTING POLICIES

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

Revenue Recognition on Long-Term Contracts

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

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

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

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

Contract Loss Reserves

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

Reserves for Inventory Valuation

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

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

Reviews for Impairment of Goodwill

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

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

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

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In order to perform the two-step impairment test, we use the discounted cash flow method to estimate the fair value of each of our reporting units. The discounted cash flow method incorporates various assumptions, the most significant being projected revenue growth rates, operating profit margins and cash flows, the terminal growth rate and the discount rate. Management projects revenue growth rates, operating margins and cash flows based on each reporting unit s current business, expected developments and operational strategies over a five-year period. In estimating the terminal growth rate, we consider our historical and projected results, as well as the economic environment in which our reporting units operate. The discount rates utilized for each reporting unit reflect management s assumptions of marketplace participants cost of capital and risk assumptions, both specific to the reporting unit and overall in the economy.

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

Purchase Price Allocations for Business Combinations

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

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

Pension Assumptions

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

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

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

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Deferred Tax Asset Valuation Allowances

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

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

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CONSOLIDATED RESULTS OF OPERATIONS AND OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

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SEGMENT RESULTS OF OPERATIONS AND OUTLOOK

Operating profit, as presented below, is net sales less cost of sales and other operating expenses, excluding interest expense, equity-based compensation expense and other corporate expenses. Cost of sales and other operating expenses are directly identifiable to the respective segment or allocated on the basis of sales, manpower or profit. Operating profit is reconciled to earnings before income taxes in Note17 of Item 8, Financial Statements and Supplementary Data of this report.

Aircraft Controls

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

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

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

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

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

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

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Space and Defense Controls

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

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

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

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

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

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

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Industrial Systems

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

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

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

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

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

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

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Components

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

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

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

Our operating margin decreased in 2011 compared to 2010 as a result of the sales volume decline, a less favorable product mix and a general shift to newer products with larger up-front costs. In addition, we recorded a $2 million write down in 2011 on a technology investment in data compression technology for use in CAT scan machines. Our operating margin increased in 2010 compared to 2009 as a result of the higher sales volume and the sales mix.

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

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

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Medical Devices

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

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

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

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

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

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

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FINANCIAL CONDITION AND LIQUIDITY

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

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

Operating activities

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

Investing activities

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

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

Financing activities

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

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CAPITAL STRUCTURE AND RESOURCES

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

On March 18, 2011, we amended our U.S. credit facility. Our new revolving credit facility, which matures on March 18, 2016, increased our borrowing capacity to $900 million. Previously, our credit facility consisted of a $750 million revolver which was to mature on March 14, 2013. The new revolving credit facility had an outstanding balance of $333 million at October 1, 2011. Interest on the majority of the outstanding credit facility borrowings is based on LIBOR plus the applicable margin, which was 150 basis points at October 1, 2011. The credit facility is secured by substantially all of our U.S. assets.

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

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

At October 1, 2011, we had $571 million of unused borrowing capacity, including $555 million from the U.S. credit facility after considering standby letters of credit.

Net debt to capitalization was 34% at October 1, 2011 and 37% at October 2, 2010. The decrease in net debt to capitalization is primarily due to debt reductions funded by our positive cash flow and net earnings.

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

Off Balance Sheet Arrangements

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

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Contractual Obligations and Commercial Commitments

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

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

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

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

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

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

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ECONOMIC CONDITIONS AND MARKET TRENDS

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

Aerospace and Defense

Approximately 60% of our 2011 sales were generated in aerospace and defense markets. The military aircraft market is dependent on military spending for development and production programs. Production programs are typically long-term in nature, offering predictability as to capacity needs and future revenues. We maintain positions on numerous high priority programs, including the F-35 Joint Strike Fighter, F/A-18E/F Super Hornet and V-22 Osprey. The large installed base of our products leads to attractive aftermarket sales and service opportunities. Future defense spending may moderate in the coming years as the Administration balances U.S. military commitments and needs with domestic spending. We believe, however, that we re well positioned on key strategic platforms that will not be severely impacted by any U.S. defense budget reductions.

Global demand for air travel generally follows economic growth and, therefore, the commercial OEM market has historically exhibited cyclical swings. The aftermarket is driven by usage of the existing aircraft fleet, the age of the installed fleet and is currently being impacted by fleet re-sizing programs for passenger and cargo aircraft. Changes in aircraft utilization rates affect the need for maintenance and spare parts and impact aftermarket sales. Boeing and Airbus have historically adjusted production in line with air traffic volume. Demand for our commercial aerospace products is in large part dependent on new aircraft production, which is increasing as modest global economic growth continues.

The military and government space market is primarily dependent on the authorized levels of funding for satellite communications. Government spending on military satellites has increased along with the military s need for improved intelligence. The commercial space market is comprised of large satellite customers, traditionally telecommunications companies. Trends for this market, as well as for commercial launch vehicles, follow the telecommunications companies need for increased capacity and the satellite replacement lifecycle of 7-10 years. Our position on NASA programs is impacted by the Administration s willingness to fund those programs. We believe that we re well positioned to benefit from the Administration s decision to replace the retired Space Shuttle.

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

Industrial

Approximately 31% of our 2011 sales were generated in industrial markets. The industrial markets we serve are influenced by several factors, including capital investment, product innovation, economic growth, cost-reduction efforts and technology upgrades. As global economic conditions have modestly improved, we have seen a recovery in these markets. We experience challenges from the need to react to the demands of our customers, which are in large part sensitive to international and domestic economies. We currently see modest global growth across several of the markets in which we participate and are well positioned for increased demand in renewable energy markets.

Medical

Approximately 9% of our 2011 sales were generated in medical markets. The medical markets we serve are influenced by economic conditions, regulatory environments, hospital and outpatient clinic spending on equipment, population demographics, medical advances, patient demands and the need for precision control components and systems. Advances in medical technology and medical treatments have had the effect of extending the average life span, in turn resulting in greater need for medical services. These same technology and treatment advances also drive increased demand from the general population as a means to improve quality of life. Greater access to medical insurance, whether through government funded health care plans or private insurance, also increases the demand for medical services.

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Foreign Currencies

We are affected by the movement of foreign currencies compared to the U.S. dollar, particularly in Industrial Systems. About one-third of our 2011 sales were denominated in foreign currencies. During 2011, average foreign currency rates generally strengthened against the U.S. dollar compared to 2010. The translation of the results of our foreign subsidiaries into U.S. dollars increased sales by $32 million compared to the same period one year ago. During 2010, average foreign currency rates generally strengthened against the U.S. dollar compared to 2009. The translation of the results of our foreign subsidiaries into U.S. dollars increased 2010 sales by $11 million compared to 2009.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, Fair Value Measurements and Disclosures (ASC Topic 820) - Improving Disclosures About Fair Value Measurements. This amendment requires separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. The new disclosures are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. This standard is effective for us beginning in the first quarter of 2012. Other than requiring additional disclosures, the adoption of this new guidance will not have a material impact on our consolidated financial statements.

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

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

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

In July 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220) Presentation of Comprehensive Income. The amendment eliminates the option to present other comprehensive income and its components in the statement of stockholders equity. The amendment requires all nonowner changes in stockholders equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendment, which must be applied retrospectively, is effective for interim and annual periods beginning after December 15, 2011, with early adoption permitted. On October 21, 2011, the FASB Board decided that certain presentation requirements concerning reclassification adjustments will be deferred. While the Board is considering the operational concerns about presentation requirements for reclassification adjustments, it stated that the deferral did not affect the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. Other than requiring a change in the format of our current financial statement presentation, the adoption of this amendment will not have a material impact on our consolidated financial statements.

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

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

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

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

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

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

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Item 8. Financial Statements and Supplementary Data.

MOOG Inc.

Consolidated Statements of Earnings

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

See accompanying Notes to Consolidated Financial Statements.

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MOOG Inc.

Consolidated Balance Sheets

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

Accumulated other comprehensive loss	**(200,944)**	(139,328)
TOTAL SHAREHOLDERS EQUITY	**1,191,891**	1,120,956
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**$ 2,842,967**	$ 2,712,134

See accompanying Notes to Consolidated Financial Statements.

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MOOG Inc.

Consolidated Statements of Shareholders Equity

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

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

See accompanying Notes to Consolidated Financial Statements.

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MOOG Inc.

Consolidated Statements of Cash Flows

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

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

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(dollars in thousands, except per share data)

Note 1 - Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Note 2 - Acquisitions

All of our acquisitions are accounted for under the purchase method and, accordingly, the operating results for the acquired companies are included in the consolidated statements of earnings from the respective dates of acquisition. Under purchase accounting, we record assets and liabilities at fair value and such amounts are reflected in the respective captions on the balance sheet. All of the following acquisitions, with the exception of the 2011 military aftermarket business, resulted in goodwill being recorded as a result of the respective purchase price allocations.

In 2011, we completed three business combinations within two of our segments. We completed two business combinations within our Aircraft Controls segment, both of which are located in the U.S. We acquired Crossbow Technology Inc., based in California, for $31,999, net of cash acquired. Crossbow designs and manufactures acceleration sensors that are integrated into inertial navigation and guidance systems used in a variety of aerospace, defense and transportation applications. We also acquired a business that complements our military aftermarket business for $2,373 in cash. Combined sales of these acquisitions for the 2010 calendar year were approximately $19,000. We completed one business combination within our Components segment by acquiring Animatics Corporation, based in California. The purchase price, net of cash acquired, was $24,091, which includes 467,749 shares of Moog Class A common stock valued at $18,785 on the day of closing and $1,837 of debt assumed. Animatics supplies integrated servos, linear actuators and control electronics that are used in a variety of industrial, medical and defense applications and had approximately $15,000 of sales for the twelve months preceding the acquisition.

The purchase price allocations for the 2011 acquisitions are substantially complete. Allocations for the 2011 acquisitions are subject to subsequent adjustment as we obtain additional information for our estimates during the respective measurement periods.

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

Note 3 - Receivables

Receivables consist of:

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

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

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

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

Note 4 - Inventories

Inventories, net of reserves, consist of:

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

Note 5 - Property, Plant and Equipment

Property, plant and equipment consists of:

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

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

	October 1, 2011	October 2, 2010
Assets under capital leases, at cost	**$ 3,751**	$ 3,925
Less accumulated amortization	**(2,048)**	(1,334)
Net assets under capital leases	**$ 1,703**	$ 2,591

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Note 6 - Goodwill and Intangible Assets

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

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

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

The components of acquired intangible assets are as follows:

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

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

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

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Note 7 - Indebtedness

Long-term debt consists of:

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

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

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

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

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

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

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

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

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Note 8 - Derivative Financial Instruments

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

Derivatives designated as hedging instruments

Interest rate swaps are used to adjust the proportion of total debt that is subject to variable and fixed interest rates. The interest rate swaps are designated as hedges of the amount of future cash flows related to interest payments on variable-rate debt that, in combination with the interest payments on the debt, convert a portion of the variable-rate debt to fixed-rate debt. At October 1, 2011, we had interest rate swaps with notional amounts totaling $50,000. The interest rate swaps effectively convert this amount of variable-rate debt to fixed-rate debt at 2.6%, including the applicable margin of 150 basis points as of October 1, 2011. The interest will revert back to variable rates based on LIBOR plus the applicable margin upon the maturity of the interest rate swaps in 2012.

We use foreign currency forward contracts as cash flow hedges to effectively fix the exchange rates on future payments. To mitigate exposure in movements between various currencies, primarily the Philippine peso, we had outstanding foreign currency forwards with notional amounts of $14,174 at October 1, 2011. These contracts mature at various times through the first quarter of 2013.

These interest rate swaps and foreign currency forwards are recorded in the consolidated balance sheet at fair value and the related gains or losses are deferred in shareholders equity as a component of Accumulated Other Comprehensive Income (Loss) (AOCI). These deferred gains and losses are reclassified into expense during the periods in which the related payments or receipts affect earnings. However, to the extent the interest rate swaps and foreign currency forwards are not perfectly effective in offsetting the change in the value of the payments being hedged, the ineffective portion of these contracts is recognized in earnings immediately. Ineffectiveness was not material in 2011, 2010 or 2009.

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

	000000000000	000000000000
	October 1, 2011	October 2, 2010
Balance at beginning of period	**$ 144**	$ (189)
Net deferral in AOCI of derivatives:		
Net (decrease) increase in fair value of derivatives	**(122)**	193
Tax effect	**34**	(82)
	(88)	111
Net reclassification from AOCI into earnings:		
Reclassification from AOCI into earnings	**(346)**	292
Tax effect	**125**	(70)
	(221)	222
Balance at end of period	**$ (165)**	$ 144

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Activity and classification of derivatives are as follows:

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

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

Derivatives not designated as hedging instruments

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

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Summary of derivatives

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

	00000000	00000000 October 1, 2011	00000000 October 2, 2010
Derivatives designated as hedging instruments:			
Foreign currency forwards	Other current assets	**$ 25**	$ 498
Foreign currency forwards	Other assets	**-**	92
		$ 25	$ 590
Foreign currency forwards	Other accrued liabilities	**$ 143**	$ -
Foreign currency forwards	Other long-term liabilities	**81**	-
Interest rate swaps	Other accrued liabilities	**102**	381
Interest rate swaps	Other long-term liabilities	**-**	63
		$ 326	$ 444
Derivatives not designated as hedging instruments:			
Foreign currency forwards	Other current assets	**$ 1,524**	$ 3,101
Foreign currency forwards	Other assets	**-**	74
		$ 1,524	$ 3,175
Foreign currency forwards	Other accrued liabilities	**$ 2,640**	$ 2,346
Foreign currency forwards	Other long-term liabilities	**-**	61
		$ 2,640	$ 2,407

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Note 9 Fair Value

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

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

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

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

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

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

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

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

Balance at end of year	**$**	**1,990**	$	3,112

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Note 10 - Restructuring

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

Restructuring expense by segment is as follows:

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

Included above is $339 of expense initiated in the third quarter of 2011 associated with a restructuring of our Medical Devices segment in the U.S.

Restructuring activity is as follows:

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

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

Note 11 - Employee Benefit Plans

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

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

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

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

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

Amount recognized in accumulated other comprehensive loss, before taxes:

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

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

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

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

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

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

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

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

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

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Pension obligations and the related costs are determined using actuarial valuations that involve several assumptions. The return on assets assumption reflects the average rate of return expected on