MOOG INC
Form 10-Q
May 08, 2012

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

FORM 10-Q

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from ________ to _________

Commission File Number: 1-5129

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

New York State	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)

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

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

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

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

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

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

The number of shares outstanding of each class of common stock as of May 3, 2012 was:
Class A common stock, $1.00 par value 41,261,227 shares
Class B common stock, $1.00 par value 3,992,832 shares

MOOG Inc.
QUARTERLY REPORT ON FORM 10-Q
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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Moog Inc.
Consolidated Condensed Balance Sheets
(Unaudited)

(dollars in thousands)	March 31, 2012	October 1, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$125,815	$113,679
Receivables	710,125	655,805
Inventories	521,770	502,373
Other current assets	113,562	108,589
TOTAL CURRENT ASSETS	1,471,272	1,380,446
PROPERTY, PLANT AND EQUIPMENT, net of accumulated		
depreciation of $535,154 and $513,151 respectively	525,484	503,872
GOODWILL	748,400	735,021
INTANGIBLE ASSETS, net	194,029	197,545
OTHER ASSETS	33,561	26,083
TOTAL ASSETS	$2,972,746	$2,842,967
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$93,747	$9,283
Current installments of long-term debt	365	1,407
Accounts payable	173,322	165,893
Customer advances	107,168	97,331
Contract loss reserves	40,090	45,173
Other accrued liabilities	228,830	227,303
TOTAL CURRENT LIABILITIES	643,522	546,390
LONG-TERM DEBT, excluding current installments		
Senior debt	274,634	336,161
Senior subordinated notes	378,588	378,596
LONG-TERM PENSION AND RETIREMENT OBLIGATIONS	334,276	331,050
DEFERRED INCOME TAXES	58,544	56,729
OTHER LONG-TERM LIABILITIES	2,041	2,150
TOTAL LIABILITIES	1,691,605	1,651,076
SHAREHOLDERS' EQUITY		
Common stock	51,280	51,280
Other shareholders' equity	1,229,861	1,140,611
TOTAL SHAREHOLDERS' EQUITY	1,281,141	1,191,891
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,972,746	$2,842,967

See accompanying Notes to Consolidated Condensed Financial Statements.

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Moog Inc.
Consolidated Condensed Statements of Earnings
(Unaudited)

(dollars in thousands, except per share data)	Three Months Ended March 31, 2012	Three Months Ended April 2, 2011	Six Months Ended March 31, 2012	Six Months Ended April 2, 2011
NET SALES	$624,970	$574,226	$1,225,588	$1,128,660
COST OF SALES	440,540	406,966	856,023	796,847
GROSS PROFIT	184,430	167,260	369,565	331,813
Research and development	26,897	28,154	56,087	51,629
Selling, general and administrative	97,697	87,504	193,495	173,345
Interest	8,636	8,970	17,182	18,181
Other	1,411	(673)	63	(427)
EARNINGS BEFORE INCOME TAXES	49,789	43,305	102,738	89,085
INCOME TAXES	14,368	12,690	30,944	25,063
NET EARNINGS	$35,421	$30,615	$71,794	$64,022
NET EARNINGS PER SHARE				
Basic	$0.78	$0.67	$1.59	$1.41
Diluted	$0.77	$0.66	$1.57	$1.39
AVERAGE COMMON SHARES OUTSTANDING				
Basic	45,227,921	45,419,121	45,219,828	45,404,006
Diluted	45,781,587	46,058,991	45,730,777	45,982,772

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(dollars in thousands)	Three Months Ended March 31, 2012	Three Months Ended April 2, 2011	Six Months Ended March 31, 2012	Six Months Ended April 2, 2011
NET EARNINGS	$35,421	$30,615	$71,794	$64,022
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Foreign currency translation adjustment	15,293	21,040	7,262	15,725
Retirement liability adjustment	2,832	1,787	5,522	3,965
Change in accumulated loss on derivatives	301	(176)	87	(134)
	18,426	22,651	12,871	19,556
COMPREHENSIVE INCOME	$53,847	$53,266	$84,665	$83,578

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(dollars in thousands)	Six Months Ended March 31, 2012	April 2, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$71,794	$64,022
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	32,026	31,873
Amortization	16,543	15,099
Provisions for non-cash losses on contracts, inventories and receivables	30,043	32,119
Equity-based compensation expense	4,790	5,175
Other	(1,243)	1,576
Changes in assets and liabilities providing (using) cash, excluding the effects of acquisitions:		
Receivables	(47,983)	(17,581)
Inventories	(25,449)	(30,843)
Accounts payable	4,567	(5,144)
Customer advances	8,787	4,542
Accrued expenses	(30,903)	(28,844)
Accrued income taxes	3,690	11,769
Pension assets and liabilities	12,573	(4,577)
Other assets and liabilities	(3,845)	(3,241)
NET CASH PROVIDED BY OPERATING ACTIVITIES	75,390	75,945
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of businesses, net of acquired cash	(25,673)	(3,073)
Purchase of property, plant and equipment	(53,720)	(34,888)
Other investing transactions	(5,103)	160
NET CASH USED BY INVESTING ACTIVITIES	(84,496)	(37,801)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowing (repayments) of short term borrowings	85,205	(505)
Net repayments of revolving lines of credit	(62,827)	(39,798)
Payments on long-term debt	(1,096)	(7,066)
Excess tax benefits from equity-based payment arrangements	368	135
Other financing transactions	(1,023)	(5,770)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	20,627	(53,004)
Effect of exchange rate changes on cash	615	2,459
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,136	(12,401)
Cash and cash equivalents at beginning of period	113,679	112,421
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$125,815	$100,020
CASH PAID FOR:		
Interest	$16,525	$17,629

Income taxes, net of refunds	29,156	10,939

See accompanying Notes to Consolidated Condensed Financial Statements.

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MOOG Inc.
Notes to Consolidated Condensed Financial Statements
Six Months Ended March 31, 2012
(Unaudited)
(dollars in thousands, except per share data)

Note 1 - Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting of normal recurring adjustments considered necessary for the fair presentation of results for the interim period have been included. The results of operations for the six months ended March 31, 2012 are not necessarily indicative of the results expected for the full year. The accompanying unaudited consolidated condensed financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the fiscal year ended October 1, 2011. All references to years in these financial statements are to fiscal years.

Note 2 - Acquisitions

During the six months ended March 31, 2012, we completed two business combinations. We completed one business combination in our Components segment by acquiring Protokraft, LLC, based in Tennessee, for $12,500 in cash and contingent consideration with an initial fair value of $4,438. Protokraft designs and manufacturers opto-electronic transceivers, ethernet switches and media converters packaged into rugged, environmentally-sealed connectors. We also completed one business combination in our Space and Defense Controls segment by acquiring Bradford Engineering, based in the Netherlands, for $13,173 in cash. Bradford is a developer and manufacturer of satellite equipment including attitude control, propulsion and thermal control subsystems. The purchase price allocations for both Bradford and Protokraft are based on preliminary estimates of fair value of assets acquired and liabilities assumed and are subject to subsequent adjustment as we obtain additional information for our estimates during the measurement period.

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. 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. The purchase price allocations were completed in the second quarter of 2012.

Note 3 - Receivables

On March 5, 2012, the Company entered into a trade receivables securitization facility (the Securitization Program). Under the Securitization Program, the Company securitizes certain trade receivables in transactions that are accounted for as secured borrowings. The Company maintains a subordinated interest in a portion of the pool of trade receivables that are securitized. The retained interest, which is included in Receivables in the Consolidated Condensed Balance Sheets, is recorded at fair value, which approximates the total amount of the designated pool of accounts receivable. Refer to Note 6, Indebtedness, for additional disclosures related to the Securitization Program.

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Note 4 - Inventories

	March 31, 2012	October 1, 2011
Raw materials and purchased parts	$186,618	$197,347
Work in progress	265,195	235,428
Finished goods	69,957	69,598
Total	$521,770	$502,373

Note 5 - Goodwill and Intangible Assets

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

	Balance as of October 1, 2011	Acquisitions	Adjustment To Prior Year Acquisitions	Foreign Currency Translation	Balance as of March 31, 2012
Aircraft Controls	$194,052	$—	$(3,865)	$1,718	$191,905
Space and Defense Controls	121,416	5,224	—	95	126,735
Industrial Systems	120,834	—	—	252	121,086
Components	172,531	8,734	(147)	1,407	182,525
Medical Devices	126,188	—	—	(39)	126,149
Total	$735,021	$13,958	$(4,012)	$3,433	$748,400

The components of acquired intangible assets are as follows:

		March 31, 2012		October 1, 2011	
	Weighted - Average Life (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer-related	10	$166,934	$(72,790)	$159,861	$(64,420)
Program-related	18	66,611	(11,592)	64,887	(9,163)
Technology-related	9	64,213	(32,205)	61,276	(28,876)
Marketing-related	9	24,402	(14,994)	23,669	(13,828)
Contract-related	3	3,328	(2,770)	3,238	(2,156)
Artistic-related	10	25	(25)	25	(25)
Acquired intangible assets	11	$325,513	$(134,376)	$312,956	$(118,468)

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

Amortization of acquired intangible assets was $7,622 and $15,293 for the three and six months ended March 31, 2012 and $7,012 and $13,956 for the three and six months ended April 2, 2011. Based on acquired intangible assets recorded at March 31, 2012, amortization is expected to be approximately $31,175 in 2012, $27,556 in 2013, $24,967 in 2014, $21,924 in 2015 and $19,994 in 2016.

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Note 6 - Indebtedness

Short-term borrowings consist of:

	March 31, 2012	October 1, 2011
Securitization program	$ 83,500	$ —
Lines of credit	8,447	8,426
Other short-term debt	1,800	857
Short-term borrowings	$ 93,747	$ 9,283

On March 5, 2012, the Company entered into a trade receivables securitization facility (the Securitization Program). The Securitization Program, which matures on March 4, 2013, effectively increases the Company's borrowing capacity by up to $100,000. Under the Securitization Program, the Company sells certain trade receivables and related rights to an affiliate, which in turn sells an undivided variable percentage ownership interest in the trade receivables to a financial institution, while maintaining a subordinated interest in a portion of the pool of trade receivables. The Securitization Program can be extended by agreement of the parties thereto for successive 364-day terms.

The Company utilizes proceeds from the Securitization Program as an alternative to other forms of debt, effectively reducing borrowing costs. Interest rates for the Securitization Program are based on prevailing market rates for short-term commercial paper plus an applicable margin. A commitment fee is also charged based on a percentage of the unused amounts available and is not material.

The agreement governing the Securitization Program contains restrictions and covenants which include limitations on the making of certain restricted payments, creation of certain liens, and certain corporate acts such as mergers, consolidations and sale of substantially all assets.

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Note 7 - Product Warranties

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

	Three Months Ended		Six Months Ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Warranty accrual at beginning of period	$18,552	$16,305	$19,247	$14,856
Additions from acquisitions	40	—	40	—
Warranties issued during current period	2,501	3,597	4,261	6,746
Adjustments to pre-existing warranties	(331)	397	(305)	390
Reductions for settling warranties	(3,186)	(2,063)	(5,545)	(3,643)
Foreign currency translation	144	334	22	221
Warranty accrual at end of period	$17,720	$18,570	$17,720	$18,570

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. There were no outstanding interest rate swaps at March 31, 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 $24,115 at March 31, 2012. These contracts mature at various times through the fourth 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 2012 or 2011.

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Activity in AOCI related to these derivatives is summarized below:

	Three Months Ended		Six Months Ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Balance at beginning of period	$(379)	$186	$(165)	$144
Net deferral in AOCI of derivatives:				
Net increase (decrease) in fair value of derivatives	426	(158)	195	45
Tax effect	(146)	61	(72)	(15)
	280	(97)	123	30
Net reclassification from AOCI into earnings:				
Reclassification from AOCI into earnings	21	(128)	(72)	(255)
Tax effect	—	49	36	91
	21	(79)	(36)	(164)
Balance at end of period	$(78)	$10	$(78)	$10

Activity and classification of derivatives are as follows:

		Net deferral in AOCI of derivatives (effective portion)			
		Three Months Ended		Six Months Ended	
	Statement of earnings classification	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Interest rate swaps	Interest expense	$—	$(30)	$—	$(58)
Foreign currency forwards	Cost of sales	426	(128)	195	103
Net gain (loss)		$426	$(158)	$195	$45

		Net reclassification from AOCI into earnings (effective portion)			
		Three Months Ended		Six Months Ended	
	Statement of earnings classification	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Interest rate swaps	Interest expense	$—	$(105)	$(67)	$(210)
Foreign currency forwards	Cost of sales	(21)	233	139	465
Net (loss) gain		$(21)	$128	$72	$255

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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 had foreign currency forwards with notional amounts of $164,654 at March 31, 2012. The foreign currency forwards are recorded in the consolidated balance sheet at fair value and resulting gains or losses are recorded in the statements of earnings. We recorded the following gains and losses on foreign currency forwards which are included in other income or expense and generally offset the gains or losses from the foreign currency adjustments on the intercompany balances:

	Three Months Ended		Six Months Ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Net gain (loss)	$811	$1,648	$(571)	$(675)

Summary of derivatives

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

		March 31, 2012	October 1, 2011
Derivatives designated as hedging instruments:			
Foreign currency forwards	Other current assets	$16	$25
		$16	$25
Foreign currency forwards	Other accrued liabilities	$113	$143
Foreign currency forwards	Other long-term liabilities	12	81
Interest rate swaps	Other accrued liabilities	—	102
		$125	$326
Derivatives not designated as hedging instruments:			
Foreign currency forwards	Other current assets	$308	$1,524
		$308	$1,524
Foreign currency forwards	Other accrued liabilities	$2,252	$2,640
		$2,252	$2,640

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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.

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

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The following table presents the fair values and classification of our financial assets and liabilities measured on a recurring basis as of March 31, 2012:

	Classification	Level 1	Level 2	Level 3	Total
Foreign currency forwards	Other current assets	$—	$324	$—	$324
		$—	$324	$—	$324
Foreign currency forwards	Other accrued liabilities	$—	$2,365	$—	$2,365
Foreign currency forwards	Other long-term liabilities	—	12	—	12
Acquisition contingent consideration	Other accrued liabilities	—	—	4,713	4,713
Acquisition contingent consideration	Other long-term liabilities	—	—	1,230	1,230
		$—	$2,377	$5,943	$8,320

The following is a roll forward of financial liabilities classified as Level 3 within the fair value hierarchy related to contingent consideration for acquisitions:

	Three Months Ended		Six Months Ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Balance at beginning of period	$1,990	$3,304	$1,990	$3,112
Additions from acquisitions	4,438	—	4,438	—
Increase in discounted future cash flows recorded as interest expense	44	107	88	299
Decrease in earn out provisions recorded as other income	(529)	(995)	(573)	(995)
Balance at end of period	$5,943	$2,416	$5,943	$2,416

Our only financial instrument for which the carrying value differs from its fair value is long-term debt. At March 31, 2012, the fair value of long-term debt was $667,406 compared to its carrying value of $653,587. The fair value of long-term debt is classified as Level 2 within the fair value hierarchy and was estimated based on quoted market prices.

Note 10 - Employee Benefit Plans

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

	Three Months Ended		Six Months Ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Service cost	$5,837	$5,642	$11,674	$11,284
Interest cost	7,446	7,171	14,892	14,342
Expected return on plan assets	(10,492)	(9,772)	(20,984)	(19,544)
Amortization of prior service cost	2	2	4	4
Amortization of actuarial loss	4,256	2,823	8,512	5,646
Pension expense for defined benefit plans	7,049	5,866	14,098	11,732
Pension expense for defined contribution plans	2,150	1,678	4,197	3,225

Total pension expense for U.S. plans	$9,199	$7,544	$18,295	$14,957

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

	Three Months Ended		Six Months Ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Service cost	$1,005	$1,188	$2,021	$2,360
Interest cost	1,502	1,553	2,969	3,079
Expected return on plan assets	(972)	(971)	(1,925)	(1,925)
Amortization of prior service credit	(13)	(14)	(29)	(28)
Amortization of actuarial loss	217	385	435	763
Pension expense for defined benefit plans	1,739	2,141	3,471	4,249
Pension expense for defined contribution plans	1,218	1,102	2,416	2,249
Total pension expense for non-U.S. plans	$2,957	$3,243	$5,887	$6,498

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

	Three Months Ended		Six Months Ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Service cost	$82	$122	$164	$245
Interest cost	196	275	392	551
Amortization of transition obligation	99	99	198	198
Amortization of actuarial loss	—	149	—	298
Total periodic post-retirement benefit cost	$377	$645	$754	$1,292

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

	Three Months Ended		Six Months Ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Balance at beginning of period	$(231,438)	$(180,158)	$(234,128)	$(182,336)
Net reclassification from AOCI into earnings:				
Reclassification from AOCI into earnings	4,529	3,051	8,918	6,492
Tax effect	(1,697)	(1,264)	(3,396)	(2,527)
	2,832	1,787	5,522	3,965
Balance at end of period	$(228,606)	$(178,371)	$(228,606)	$(178,371)

Actual contributions for the six months ended March 31, 2012 and anticipated additional 2012 contributions to our defined benefit pension are as follows:

	U.S. Plans	Non-U.S. Plans	Total
Actual	$513	$4,779	$5,292
Anticipated	472	2,909	3,381
	$985	$7,688	$8,673

Note 11 - Income Taxes

The effective tax rates of 28.9% and 30.1% for the three and six months ended March 31, 2012 and 29.3% and 28.1% for the three and six months ended April 2, 2011 are lower than would be expected by applying the U.S. federal statutory tax rate to earnings before income taxes primarily as a result of a significant portion of our earnings that come from foreign operations with lower tax rates.

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Note 12 - Shareholders' Equity

The changes in shareholders' equity for the six months ended March 31, 2012 are summarized as follows:

	Amount	Number of Shares Class A Common Stock	Number of Shares Class B Common Stock
COMMON STOCK			
Beginning and end of period	$51,280	43,534,575	7,745,138
Conversion of Class B to Class A	—	13,261	(13,261)
End of Period	51,280	43,547,836	7,731,877
ADDITIONAL PAID-IN CAPITAL			
Beginning of period	412,370		
Equity-based compensation expense	4,790		
Issuance of treasury shares at more than cost	817		
Adjustment to market - SECT, and other	4,292		
End of period	422,269		
RETAINED EARNINGS			
Beginning of period	1,016,754		
Net earnings	71,794		
End of period	1,088,548		
TREASURY STOCK			
Beginning of period	(74,479)	(2,393,039)	(3,305,971)
Issuance of treasury shares	618	115,915	—
Purchase of treasury shares	(831)	(20,131)	—
End of period	(74,692)	(2,297,255)	(3,305,971)
STOCK EMPLOYEE COMPENSATION TRUST (SECT)			
Beginning of period	(13,090)		(395,470)
Purchase of shares	(1,176)		(27,567)
Adjustment to market - SECT	(3,925)		—
End of period	(18,191)	—	(423,037)
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME			
Beginning of period	(200,944)		
Other comprehensive income	12,871		
End of period	(188,073)		
TOTAL SHAREHOLDERS' EQUITY	$1,281,141	41,250,581	4,002,869

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

	March 31, 2012	October 1, 2011
Cumulative foreign currency translation adjustment	$ 40,611	$ 33,349
Accumulated retirement liability adjustments	(228,606)	(234,128)
Accumulated loss on derivatives	(78)	(165)
Accumulated other comprehensive loss	$ (188,073)	$ (200,944)

Note 13 - Stock Employee Compensation Trust

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

Note 14 - Earnings per Share

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

	Three Months Ended		Six Months Ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Weighted-average shares outstanding - Basic	45,227,921	45,419,121	45,219,828	45,404,006
Dilutive effect of equity-based awards	553,666	639,870	510,949	578,766
Weighted-average shares outstanding - Diluted	45,781,587	46,058,991	45,730,777	45,982,772

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Note 15 - Segment Information

Below are sales and operating profit by segment for the three and six months ended March 31, 2012 and April 2, 2011 and a reconciliation of segment operating profit to earnings before income taxes. Operating profit is net sales less cost of sales and other operating expenses, excluding interest expense, equity-based compensation expense and other corporate expenses. Cost of sales and other operating expenses are directly identifiable to the respective segment or allocated on the basis of sales, number of employees or profit.

	Three Months Ended		Six Months Ended	
	March 31, 2012	April 2, 2011	March 31, 2012	April 2, 2011
Net sales:				
Aircraft Controls	$ 236,388	$ 206,030	$ 467,468	$ 401,981
Space and Defense Controls	89,811	87,791	178,205	183,537
Industrial Systems	168,015	155,851	326,100	299,596
Components	95,643	90,348	183,790	176,699
Medical Devices	35,113	34,206	70,025	66,847
Net sales	$ 624,970	$ 574,226	$ 1,225,588	$ 1,128,660
Operating profit (loss) and margins:				
Aircraft Controls	$ 22,783	$ 19,168	$ 47,610	$ 39,363
	9.6 %	9.3 %	10.2 %	9.8 %
Space and Defense Controls	9,903	13,083	22,646	28,898
	11.0 %	14.9 %	12.7 %	15.7 %
Industrial Systems	19,272	15,858	35,098	30,265
	11.5 %	10.2 %	10.8 %	10.1 %
Components	13,479	13,255	28,508	28,058
	14.1 %	14.7 %	15.5 %	15.9 %
Medical Devices	1,489	(1,504)	3,087	(2,995)
	4.2 %	(4.4)%	4.4 %	(4.5)%
Total operating profit	66,926	59,860	136,949	123,589
	10.7 %	10.4 %	11.2 %	11.0 %
Deductions from operating profit:				
Interest expense	8,636	8,970	17,182	18,181
Equity-based compensation expense	685	1,742	4,790	5,175
Corporate expenses and other	7,816	5,843	12,239	11,148
Earnings before income taxes	$ 49,789	$ 43,305	$ 102,738	$ 89,085

Note 16 - 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. We adopted this standard in the first quarter of 2012. Other than requiring additional disclosures, the adoption of this new guidance did not have a material impact on our consolidated financial statements.

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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 adopted this standard in the first quarter of 2012. The adoption of this new guidance did not have a material impact on our 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 adopted this standard in the first quarter of 2012. Other than requiring additional disclosures, the adoption of this amendment did 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 adopted this standard during the second quarter of 2012. Other than requiring additional disclosures, the adoption of this amendment did 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. We adopted this standard during the second quarter of 2012. Other than requiring a change in the format of our financial statement presentation, the adoption of this amendment did not have a material impact on our consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-12, "Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments of 2011-05." The amendment allows entities to continue to report reclassifications out of accumulated other comprehensive income consistent with the guidance in place prior to the issuance of ASU No. 2011-05. 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. The amendment, which must be applied retrospectively, is effective for interim and annual periods beginning after December 15, 2011, with early adoption permitted. We adopted this standard during the second quarter of 2012. The adoption of this amendment did not have a material impact on our consolidated financial statements.

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

The following should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Annual Report filed on Form 10-K for the fiscal year ended October 1, 2011. All references to years in this Management's Discussion and Analysis of Financial Condition and Results of Operations are to fiscal years.

OVERVIEW

We are a worldwide designer, manufacturer and integrator of high performance precision motion and fluid controls and control systems for a broad range of applications in aerospace and defense, industrial and medical markets. Our aerospace and defense products and systems include military and commercial aircraft flight controls, satellite positioning controls, controls for steering tactical and strategic missiles, thrust vector controls for space launch vehicles, controls for gun aiming, stabilization and automatic ammunition loading for armored combat vehicles, and homeland security products. Our industrial products are used in a wide range of applications, including 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 and manufacturing initiatives and using low cost manufacturing facilities without compromising quality.

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Acquisitions

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

During the six months ended March 31, 2012, we completed two business combinations. We completed one business combination in our Components segment by acquiring Protokraft, LLC, based in Tennessee, for $13 million plus contingent consideration with an initial fair value of $4 million. Protokraft designs and manufacturers opto-electronic transceivers, ethernet switches and media converters packaged into rugged, environmentally-sealed connectors. We also completed one business combination in our Space and Defense Controls segment by acquiring Bradford Engineering, based in the Netherlands, for $13 million. Bradford is a developer and manufacturer of satellite equipment including attitude control, propulsion and thermal control subsystems.

In 2011, we completed three business combinations within two of our segments. We completed two business combinations within our Aircraft Controls segment, both of which are located in the U.S. We acquired Crossbow Technology Inc., based in California, for $32 million. Crossbow designs and manufactures acceleration sensors that are integrated into inertial navigation and guidance systems used in a variety of aerospace, defense and transportation applications. We also acquired a business that complements our military aftermarket business for $2 million. 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.

CRITICAL ACCOUNTING POLICIES

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

There have been no material changes in critical accounting policies in the current year from those disclosed in our 2011 Annual Report filed on Form 10-K.

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CONSOLIDATED RESULTS OF OPERATIONS AND OUTLOOK

	Three Months Ended				Six Months Ended			
(dollars in millions, except per share data)	March 31, 2012	April 2, 2011	$ Variance	% Variance	March 31, 2012	April 2, 2011	$ Variance	% Variance
Net sales	$625.0	$574.2	$50.8	9 %	$1,225.6	$1,128.7	$96.9	9 %
Gross margin	29.5 %	29.1 %			30.2 %	29.4 %		
Research and development expenses	$26.9	$28.2	$(1.3)	(4)%	$56.1	$51.6	$4.5	9 %
Selling, general and administrative expenses as a percentage of sales	15.6 %	15.2 %			15.8 %	15.3 %		
Interest expense	$8.6	$9.0	$(0.4)	(4)%	$17.2	$18.2	$(1.0)	(5)%
Effective tax rate	28.9 %	29.3 %			30.1 %	28.1 %		
Net earnings	$35.4	$30.6	$4.8	16 %	$71.8	$64.0	$7.8	12 %
Diluted earnings per share	$0.77	$0.66	$0.11	17 %	$1.57	$1.39	$0.18	13 %

Net sales increased in the second quarter of 2012 compared to 2011. Sales increased in each of our segments with the largest increases coming from Aircraft Controls and Industrial Systems.

Net sales also increased in the first half of 2012 compared to 2011 with contributions from four of our five segments. The largest increases were in Aircraft Controls, Industrial Systems and Components.

Our gross margin was stronger in the second quarter of 2012 compared to the same period last year. We had stronger gross margins in each of our segments except Space and Defense Controls, which was negatively impacted by sales mix. Our gross margin was also stronger in the first half of 2012 compared to 2011, reflecting contract loss reserve charges that were $5 million less in the first half of 2012 compared to 2011, primarily within Aircraft Controls.

Research and development expenses decreased in the second quarter of 2012 due to reimbursements negotiated on commercial transport programs, offset by increased activity on the Airbus A350 program. The increase in research and development expenses for the first half of 2012 was mainly attributable to increased activity on the Airbus A350 program, partially offset by the commercial transport reimbursements in the second quarter of 2012.

Selling, general and administrative expenses as a percentage of sales were higher in the second quarter of 2012 and in the first half of 2012 compared to 2011. The increase was largely due to a move to a newly constructed facility in the U.K. within our Aircraft Controls segment.

Interest expense decreased in the second quarter and first half of 2012 compared to the same periods in 2011 mostly as a result of lower interest rates.

The effective tax rate for the second quarter of 2012 is lower than the same period last year primarily due to increased earnings in countries with lower tax rates. The effective tax rate for the first half of 2012 is higher than the first half of 2011 due to the expiration of a foreign tax credit as a result of a tax law change. In addition, the first quarter of 2011 included a catch up adjustment for research and development tax credits due to delayed passage of the legislation in 2010.

2012 Outlook – We expect sales in 2012 to increase $143 million, or 6%, to approximately $2.47 billion with increases in all of our segments. We expect operating margins to improve to 11.3% in 2012 compared to 10.6% in 2011 with increases 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, number of employees or profit. Operating profit is reconciled to earnings before income taxes in Note 15 of the Notes to Consolidated Condensed Financial Statements included in this report.

Aircraft Controls

(dollars in millions)	Three Months Ended March 31, 2012	April 2, 2011	$ Variance	% Variance	Six Months Ended March 31, 2012	April 2, 2011	$ Variance	% Variance
Net sales - military aircraft	$142.8	$130.5	$12.3	9 %	$285.6	$250.5	$35.1	14 %
Net sales - commercial aircraft	93.6	75.6	18.0	24 %	181.9	151.5	30.4	20 %
	$236.4	$206.1	$30.3	15 %	$467.5	$402.0	$65.5	16 %
Operating profit	$22.8	$19.2	$3.6	19 %	$47.6	$39.4	$8.2	21 %
Operating margin	9.6 %	9.3 %			10.2 %	9.8 %		
Backlog					$672.3	$569.0	$103.3	18 %

In the second quarter of 2012, military OEM sales drove the increase in military aircraft sales. This sales increase included $4 million as production ramped up on the F-35 and $3 million for increased activity on the V-22. Commercial OEM sales experienced growth across all major platforms. Specifically, sales to Boeing increased $5 million and sales to Airbus increased $3 million. Sales for business jets increased $3 million, despite minimal Hawker 4000 sales in the second quarter of 2012.

Through six months of 2012, military aircraft sales increased compared to the first six months of 2011. Military OEM sales accounted for nearly all of the increase, with strong sales from the F-35 program and foreign military sales. Sales for commercial aircraft increased to both OEM and aftermarket customers.

Our operating margin for Aircraft Controls increased slightly in the second quarter and first half of 2012 compared to the same periods a year ago. Research and development expenses decreased after negotiating reimbursements on commercial aircraft transport programs, but were offset by increased moving expenses related to our newly constructed Wolverhampton building. In addition, for the first half of the year, the operating margin increased as we had lower additions to contract loss reserves.

The higher level of twelve-month backlog for Aircraft Controls at March 31, 2012 reflects strong commercial orders.

2012 Outlook for Aircraft Controls – We expect sales in Aircraft Controls to increase 11% to $942 million in 2012. Military aircraft sales are expected to increase 9% to $576 million due to increases on F-35 production and foreign military sales. Commercial aircraft sales are expected to increase 14% to $365 million related to increased production rates for Boeing, Airbus, engines and business jets, as well as higher aftermarket sales. We expect our operating margin to increase to 11.0% in 2012, reflecting incremental contribution on higher sales.

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Space and Defense Controls

(dollars in millions)	Three Months Ended March 31, 2012	April 2, 2011	$ Variance	% Variance	Six Months Ended March 31, 2012	April 2, 2011	$ Variance	% Variance
Net sales	$89.8	$87.8	$2.0	2 %	$178.2	$183.5	$(5.3)	(3)%
Operating profit	$9.9	$13.1	$(3.2)	(24)%	$22.6	$28.9	$(6.3)	(22)%
Operating margin	11.0 %	14.9 %			12.7 %	15.7 %		
Backlog					$203.8	$205.4	$(1.6)	(1)%

Space and Defense Controls sales increased slightly in the second quarter of 2012 compared to the second quarter of 2011. Sales in the space market increased $13 million, largely attributable to increased work for United Launch Alliance on the common thrust vector control system for the Delta IV and Atlas V next generation rockets and the acquisition of Bradford Engineering. Sales within the defense market decreased $3 million as last year included activity on a large stores management application. Sales within security decreased $6 million due to the wind down of Driver Vision Enhancer (DVE) activity that was closely tied to U.S. overseas conflicts.

Space and Defense Controls sales decreased slightly in the first half of 2012 compared to the first half of 2011. Sales in the space market increased $22 million as we received approval to proceed on certain programs. However, the defense and security markets decreased $27 million. We benefited from both strong volume on the DVE program in 2011 as well as a stores management program shipment in the first quarter of 2011.

The operating margin decreased in the second quarter of 2012 due to the mix of sales. The second quarter of 2012 saw an increase in sales of cost-plus launch vehicle programs, which typically carry lower margins, and a decrease in DVE sales, which were more profitable at last year's higher volume. The operating margin in the first half of 2012 also decreased compared to the first half of 2011. Results in 2011 included strong volume and profit rate contributions on the DVE program and the stores management application.

The level of twelve-month backlog at March 31, 2012 is relatively flat when compared to the backlog at March 31, 2011. This reflects a decline in DVE backlog and is partially offset by the acquisition of Bradford Engineering, which was completed in December 2011.

2012 Outlook for Space and Defense Controls – We expect sales in Space and Defense Controls to increase $9 million, or 3%, to $365 million in 2012. This reflects increased launch vehicle activity and the Bradford Engineering acquisition, offset by lower sales in the security and defense markets. We expect our operating margin will return to a more normal level of 12.2% compared to the 13.8% in 2011, which benefited from a favorable product mix.

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Industrial Systems

(dollars in millions)	Three Months Ended March 31, 2012	April 2, 2011	$ Variance	% Variance	Six Months Ended March 31, 2012	April 2, 2011	$ Variance	% Variance
Net sales	$168.0	$155.9	$12.1	8 %	$326.1	$299.6	$26.5	9 %
Operating profit	$19.3	$15.9	$3.4	21 %	$35.1	$30.3	$4.8	16 %
Operating margin	11.5 %	10.2 %			10.8 %	10.1 %		
Backlog					$268.5	$264.3	$4.2	2 %

Net sales in Industrial Systems increased $12 million in the second quarter of 2012, all within the simulation and test market. Test sales increased $7 million due to specific automotive and aerospace projects, while simulation sales increased $5 million due to increased market demand for flight training. For the same period, both energy and industrial automation markets were flat compared to the second quarter of 2011. Within energy, sales shifted from wind, which decreased $4 million mostly in China, to oil and gas exploration, which was up $4 million.

For the first half of 2012, net sales in Industrial Systems increased across our three major markets. Sales increased in simulation and test by $19 million, with the increase split evenly. Industrial automation increased $5 million. Energy increased $3 million as sales associated with oil and gas exploration more than offset a decrease in sales for wind energy.

Our operating margin increased in the second quarter and first half of 2012. The improvement is attributable to higher sales volumes.

The twelve-month backlog for Industrial Systems at March 31, 2012 is comparable to March 31, 2011.

2012 Outlook for Industrial Systems – We expect sales in Industrial Systems to increase 3% to $650 million in 2012. We expect strong increases from the simulation and test market and a moderate increase in the energy market. Partially offsetting those increases is a decline in industrial automation related in part to foreign currency translation. We expect that our operating margin will increase to 10.5% in 2012, resulting from the higher sales volume.

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Components

(dollars in millions)	Three Months Ended March 31, 2012	April 2, 2011	$ Variance	% Variance	Six Months Ended March 31, 2012	April 2, 2011	$ Variance	% Variance
Net sales	$95.6	$90.3	$5.3	6 %	$183.8	$176.7	$7.1	4 %
Operating profit	$13.5	$13.3	$0.2	2 %	$28.5	$28.1	$0.4	1 %
Operating margin	14.1 %	14.7 %			15.5 %	15.9 %		
Backlog					$167.4	$168.7	$(1.3)	(1)%

Net sales in Components increased in our non-aerospace and defense markets in the second quarter of 2012 compared to the second quarter of 2011. Sales increased $4 million in the marine market, driven by off-shore oil exploration sales, while sales in both industrial and medical markets increased slightly. The industrial market increased $2 million and was entirely driven by the Animatics acquisition. Offsetting the increases was a $2 million decrease within the space and defense market, which is suffering from a shift in the U.S. defense spending priorities as the overseas operations wind down.

The incremental sales in the first half of 2012 compared to 2011 is primarily attributable to the Animatics acquisition completed in the third quarter of 2011. Sales in marine and medical each increased $4 million; however, sales decreased $4 million in aircraft and $1 million in space and defense reflecting the slowdown in U.S. defense spending.

Our operating margin is slightly lower in the second quarter and first half of 2012 due to a less favorable sales mix.

The twelve-month backlog at March 31, 2012 compared to March 31, 2011 is essentially flat. This mix changed with increased orders in our marine business, offset by slowing demand 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%, to $372 million in 2012. We expect growth will come in our industrial markets, half of which is attributable to our Animatics acquisition. We expect our operating margin in 2012 to be 15.5%, higher than in 2011 due to a technology investment write-off in 2011.

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Medical Devices

(dollars in millions)	Three Months Ended March 31, 2012	April 2, 2011	$ Variance	% Variance	Six Months Ended March 31, 2012	April 2, 2011	$ Variance	% Variance
Net sales	$35.1	$34.2	$0.9	3 %	$70.0	$66.9	$3.1	5 %
Operating profit (loss)	$1.5	$(1.5)	$3.0	(200)%	$3.1	$(3.0)	$6.1	(203)%
Operating margin	4.2 %	(4.4%)			4.4 %	(4.5)%		
Backlog					$21.4	$9.4	$12.0	128 %

Net sales in Medical Devices were flat comparing the second quarter of 2012 to 2011. We experienced a slight shift in the mix of sales as pumps and administration sets increased while handpieces decreased. In the first half of 2012, sales of pumps and administration sets both increased and were partially offset by a decrease in sales of handpieces.

Our operating margin in the second quarter of 2012 is comparable to the first quarter of 2012 and the second half of 2011. The increase in our operating margin in the second quarter of 2012 and first half of 2012 reflects our improved internal operational and quality systems. Additionally, the first half of 2011 included a $1 million reserve in connection with a voluntary software upgrade related to an infusion pump to improve its reliability in response to customer feedback.

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

2012 Outlook for Medical Devices – We expect sales in Medical Devices to increase $3 million, or 2%, to $145 million in 2012. We expect administration sets will drive the increase based on our installed product base. We expect our operating margin to improve to 4.2% in 2012 as a result of a more favorable product mix and as we are no longer incurring costs from our 2011 voluntary infusion pump recall.

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FINANCIAL CONDITION AND LIQUIDITY

(dollars in millions)	Six Months Ended March 31, 2012	April 2, 2011	$ Variance	% Variance
Net cash provided (used) by:				
Operating activities	$ 75.4	$ 75.9	$ (0.5)	(1)%
Investing activities	(84.5)	(37.8)	(46.7)	124 %
Financing activities	20.6	(53.0)	73.6	(139)%

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 about the same in 2012 compared to 2011. We benefited from higher net earnings adjusted for non-cash charges in the first half of 2012 compared to the same period in 2011. We also had lower pension contributions as we had accelerated the payment of previously planned 2012 contributions into the fourth quarter of 2011. These factors were offset by the timing of billings and collections of our receivables.

Investing activities

Net cash used by investing activities in 2012 was higher as a result of two current year acquisitions as well as increased capital expenditures. In 2012, we paid $26 million for acquisitions compared to $3 million in 2011. Additionally in 2012, capital expenditures were $54 million compared to $35 million in 2011, largely as a result of a newly constructed facility in our Aircraft Controls segment.

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 provided by financing activities in the first half of 2012 primarily reflects borrowings on our U.S. credit facility to fund our acquisitions. The net cash used by financing activities in the first half of 2011 relates primarily to paydowns on our U.S. credit facility.

Off Balance Sheet Arrangements

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

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments have not changed materially from the disclosures in our 2011 Form 10-K, with the exception of our trade receivables securitization facility. On March 5, 2012, we entered into a trade receivables securitization facility, which increased our amounts due under short-term borrowings by $84 million and decreased our amounts due under long-term debt by a corresponding amount. Refer to Capital Structure and Resources for additional information.

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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.

Our largest credit facility is our U.S. credit facility, which matures on March 18, 2016. It consists of a $900 million revolver and had an outstanding balance of $271 million at March 31, 2012. Interest on the majority of the outstanding credit facility borrowings is based on LIBOR plus the applicable margin, which was 150 basis points at March 31, 2012. 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 $145 million for 2012 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 March 31, 2012, we had $632 million of unused borrowing capacity, including $616 million from the U.S. credit facility after considering standby letters of credit.

On March 5, 2012, we entered into a trade receivables securitization facility (the "Securitization Program"), which terminates on March 4, 2013. Under the Securitization Program, we sell certain trade receivables and related rights to an affiliate, which in turn sells an undivided variable percentage ownership interest in the trade receivables to a financial institution, while maintaining a subordinated interest in a portion of the pool of trade receivables. The Securitization Program can be extended by agreement of the parties thereto for successive 364-day terms. The Securitization Program effectively increases our borrowing capacity by up to $100 million and lowers our cost to borrow funds as compared to under the U.S. credit facility. We had an outstanding balance of approximately $84 million at March 31, 2012. The Securitization Program reduced the amount outstanding under our U.S. credit facility and increased the amount of short-term borrowings. Interest on the secured borrowings under the Securitization Program is based on prevailing market rates for short-term commercial paper plus an applicable margin, which was 92 basis points at March 31, 2012.

Net debt to capitalization was 33% at March 31, 2012 and 34% at October 1, 2011. The decrease in net debt to capitalization is primarily due to debt reductions associated with our positive cash flow and net earnings in the first six months of 2012.

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

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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 U.S. government balances U.S. military commitments and needs with domestic spending. We believe, however, that we are well positioned on key strategic platforms that will not be severely impacted by any U.S. defense budget reductions.

Global demand for air travel generally follows economic growth and, therefore, the commercial OEM market has historically exhibited cyclical swings. The aftermarket is driven by usage of the existing aircraft fleet, the age of the installed fleet and is currently being impacted by fleet re-sizing programs for passenger and cargo aircraft. Changes in aircraft utilization rates affect the need for maintenance and spare parts and impact aftermarket sales. Boeing and Airbus have historically adjusted production to correspond to 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 U.S. government’s willingness to fund those programs. We believe that we’re well positioned to benefit from the U.S. government'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 our Industrial Systems segment. About one-third of our 2011 sales were denominated in foreign currencies. The translation of the results of our foreign subsidiaries into U.S. dollars did not have a significant impact on our sales in the second quarter and first half of 2012 compared to the same periods one year ago.

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Cautionary Statement

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

- the markets we serve are cyclical and sensitive to domestic and foreign economic conditions and events, which may cause our operating results to fluctuate;
- we operate in highly competitive markets with competitors who may have greater resources than we possess;
- we depend heavily on government contracts that may not be fully funded or may be terminated, and the failure to receive funding or the termination of one or more of these contracts could reduce our sales and increase our costs;
- we make estimates in accounting for long-term contracts, and changes in these estimates may have significant impacts on our earnings;
- we enter into fixed-price contracts, which could subject us to losses if we have cost overruns;
- if our subcontractors or suppliers fail to perform their contractual obligations, our prime contract performance and our ability to obtain future business could be materially and adversely impacted;
- contracting on government programs is subject to significant regulation, including rules related to bidding, billing and accounting kickbacks and false claims, and any non-compliance could subject us to fines and penalties or possible debarment;
- the loss of Boeing or Lockheed Martin as a customer or a significant reduction in sales to either company could adversely impact our operating results;
- if we are unable to adapt to technological change, demand for our products may be reduced;
- our new product and research and development efforts may not be successful, which would result in a reduction in our sales and earnings;
- our inability to adequately enforce our intellectual property rights or defend against assertions of infringement could prevent or restrict our ability to compete;
- our indebtedness and restrictive covenants under our credit facilities could limit our operational and financial flexibility;
- significant changes in discount rates, rates of return on pension assets, mortality tables and other factors could affect our earnings, equity and pension funding requirements;
- a write-off of all or part of our goodwill or other intangible assets could adversely affect our operating results and net worth;
- our sales and earnings growth may be reduced if we cannot implement our acquisition strategy;
- we may incur losses and liabilities as a result of our acquisition strategy;
- our operations in foreign countries expose us to political and currency risks and adverse changes in local, legal, tax and regulatory schemes;
- government regulations could limit our ability to sell our products outside the United States and otherwise adversely affect our business;
- the failure or misuse or our products may damage our reputation, necessitate a product recall or result in claims against us that exceed our insurance coverage, thereby requiring us to pay significant damages;
- future terror attacks, war or other civil disturbances could negatively impact our business;
-

- our facilities could be damaged by catastrophes which could reduce our production capacity and result in a loss of customers;
- our operations are subject to environmental laws, and complying with those laws may cause us to incur significant costs; and
- we are involved in various legal proceedings, the outcome of which may be unfavorable to us.

These factors are not exhaustive. New factors, risks and uncertainties may emerge from time to time that may affect the forward-looking statements made herein. Given these factors, risks and uncertainties, investors should not place 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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Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Refer to the Company's Annual Report on Form 10-K for the year ended October 1, 2011 for a complete discussion of our market risk. There have been no material changes in the current year regarding this market risk information.

Item 4. Controls and Procedures.

(a) Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective as of the end of the period covered by this report, to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

(b) Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

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

(c) The following table summarizes our purchases of our common stock for the quarter ended March 31, 2012.

Period	(a) Total Number of Shares Purchased (1)(2)	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May yet be Purchased Under the Plans or Programs (3)
January 1, 2012 - January 31, 2012	6,647	$43.85	—	1,000,000
February 1, 2012 - February 29, 2012	5,000	$43.14	—	1,000,000
March 1, 2012 - March 31, 2012	3,856	$44.22	—	1,000,000
Total	15,503	$43.71	—	1,000,000

(1) Purchases consisted of shares of Class B common stock from the Moog Inc. Retirement Savings Plan as follows: January, 5,592 shares at $44.22 per share and February, 5,000 shares at $43.14 per share.

(2) In connection with the exercise of stock options, we accept, from time to time, delivery of shares to pay the exercise price of stock options. During January and March, we accepted delivery of 1,055 and 3,856 shares at $41.90 and $44.22, respectively, in connection with the exercise of stock options.

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

transactions at the discretion of management.

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Item 6. Exhibits.

(a) Exhibits

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

* Submitted electronically herewith.

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Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):
(i) Consolidated Condensed Statements of Earnings for the three and six months ended March 31, 2012 and April 2, 2011 , (ii) Consolidated Condensed Balance Sheets at March 31, 2012 and October 1, 2011, (iii) Consolidated Condensed Statements of Comprehensive Income for the three and six months ended March 31, 2012 and April 2, 2011 (iv) Consolidated Condensed Statements of Cash Flows for the six months ended March 31, 2012 and April 2, 2011 and (v) Notes to Consolidated Condensed Financial Statements for the six months ended March 31, 2012.

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

SIGNATURES

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

Moog Inc.

(Registrant)

Date:	May 8, 2012	By	/s/ John R. Scannell John R. Scannell Chief Executive Officer (Principal Executive Officer)
Date:	May 8, 2012	By	/s/ Donald R. Fishback Donald R. Fishback Vice President Chief Financial Officer (Principal Financial Officer)
Date:	May 8, 2012	By	/s/ Jennifer Walter Jennifer Walter Controller (Principal Accounting Officer)

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