MOOG INC.
Form 10-Q
April 30, 2014

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

FORM 10-Q

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

For the quarterly period ended March 29, 2014

OR

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

For the transition period from ________ to _________

Commission File Number: 1-5129

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

New York State	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)
(716) 652-2000	
(Telephone number including area code)	

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

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

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

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

company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

The number of shares outstanding of each class of common stock as of April 25, 2014 was:
Class A common stock, $1.00 par value, 40,809,112 shares
Class B common stock, $1.00 par value, 3,680,254 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 29, 2014	September 28, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$195,644	$157,090
Receivables	793,349	811,376
Inventories	553,871	551,674
Other current assets	130,007	127,235
TOTAL CURRENT ASSETS	1,672,871	1,647,375
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $621,937 and $613,648 respectively	560,367	562,363
GOODWILL	766,811	766,924
INTANGIBLE ASSETS, net	195,653	208,756
OTHER ASSETS	53,203	51,677
TOTAL ASSETS	$3,248,905	$3,237,095
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$109,609	$105,088
Current installments of long-term debt	5,362	3,382
Accounts payable	169,913	181,893
Customer advances	137,186	145,854
Contract loss reserves	34,528	44,228
Other accrued liabilities	248,408	242,785
TOTAL CURRENT LIABILITIES	705,006	723,230
LONG-TERM DEBT, excluding current installments		
Senior debt	591,030	409,125
Senior subordinated notes	—	191,562
LONG-TERM PENSION AND RETIREMENT OBLIGATIONS	253,838	269,751
DEFERRED INCOME TAXES	104,944	104,377
OTHER LONG-TERM LIABILITIES	871	3,285
TOTAL LIABILITIES	1,655,689	1,701,330
COMMITMENTS AND CONTINGENCIES (Note 17)	—	—
SHAREHOLDERS' EQUITY		
Common stock	51,280	51,280
Other shareholders' equity	1,541,936	1,484,485
TOTAL SHAREHOLDERS' EQUITY	1,593,216	1,535,765
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$3,248,905	$3,237,095

See accompanying Notes to Consolidated Condensed Financial Statements.

Moog Inc.
Consolidated Condensed Statements of Earnings
(Unaudited)

(dollars in thousands, except per share data)	Three Months Ended		Six Months Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
NET SALES	$649,878	$643,023	$1,293,263	$1,263,826
COST OF SALES	453,060	445,600	897,136	873,703
GROSS PROFIT	196,818	197,423	396,127	390,123
Research and development	37,225	38,113	72,980	70,441
Selling, general and administrative	104,832	100,795	204,733	205,870
Interest	2,444	6,442	7,573	15,038
Restructuring	—	2,201	—	2,201
Other	(1,294)	(88)	10,373	(2,458)
EARNINGS BEFORE INCOME TAXES	53,611	49,960	100,468	99,031
INCOME TAXES	15,886	13,433	30,646	28,386
NET EARNINGS	$37,725	$36,527	$69,822	$70,645
NET EARNINGS PER SHARE				
Basic	$0.83	$0.81	$1.54	$1.56
Diluted	$0.82	$0.80	$1.52	$1.54
AVERAGE COMMON SHARES OUTSTANDING				
Basic	45,377,465	45,333,612	45,381,058	45,343,312
Diluted	45,945,398	45,825,626	45,977,716	45,766,798

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(dollars in thousands)	Three Months Ended March 29, 2014	Three Months Ended March 30, 2013	Six Months Ended March 29, 2014	Six Months Ended March 30, 2013
NET EARNINGS	$37,725	$36,527	$69,822	$70,645
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Foreign currency translation adjustment	(1,340)	(23,028)	4,594	(16,854)
Retirement liability adjustment	2,681	5,582	5,101	10,101
Change in accumulated income (loss) on derivatives	(54)	(470)	(584)	(148)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	1,287	(17,916)	9,111	(6,901)
COMPREHENSIVE INCOME	$39,012	$18,611	$78,933	$63,744

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(dollars in thousands)	Six Months Ended March 29, 2014	March 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$69,822	$70,645
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Depreciation	39,187	36,460
Amortization	15,783	16,934
Equity-based compensation expense	4,992	4,724
Redemption of senior subordinated notes	8,002	—
Other	6,686	(4,483)
Changes in assets and liabilities providing (using) cash, excluding the effects of acquisitions:		
Receivables	21,163	(23,597)
Inventories	(4,668)	(16,675)
Accounts payable	(12,762)	8,459
Customer advances	(9,186)	10,997
Accrued expenses	(18,163)	(19,056)
Accrued income taxes	6,489	9,744
Pension assets and liabilities	(8,186)	4,772
Other assets and liabilities	(3,038)	(8,430)
NET CASH PROVIDED BY OPERATING ACTIVITIES	116,121	90,494
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of businesses, net of acquired cash	—	(69,807)
Purchase of property, plant and equipment	(35,419)	(45,322)
Other investing transactions	(8,491)	(12,774)
NET CASH USED BY INVESTING ACTIVITIES	(43,910)	(127,903)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net short term borrowings	4,772	12,972
Net proceeds from revolving lines of credit	187,135	225,680
Net repayments on long-term debt, other than senior subordinated notes	(3,251)	(3,255)
Payments on senior subordinated notes	(191,575)	(187,000)
Payment of premium on redemption of senior subordinated notes	(6,945)	—
Purchase of outstanding shares for treasury	(22,243)	(4,649)
Excess tax benefits from equity-based payment arrangements	1,347	308
Other financing transactions	(3,643)	(4,707)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(34,403)	39,349
Effect of exchange rate changes on cash	746	(933)
INCREASE IN CASH AND CASH EQUIVALENTS	38,554	1,007
Cash and cash equivalents at beginning of period	157,090	148,841
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$195,644	$149,848

CASH PAID FOR:		
Interest	$11,828	$16,503
Income taxes, net of refunds	17,907	20,488

See accompanying Notes to Consolidated Condensed Financial Statements.

Moog Inc.
Notes to Consolidated Condensed Financial Statements
Six Months Ended March 29, 2014
(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 29, 2014 are not necessarily indicative of the results expected for the full year. The accompanying unaudited consolidated condensed financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the fiscal year ended September 28, 2013. All references to years in these financial statements are to fiscal years.
Certain prior year amounts have been reclassified to conform to the current year's presentation. The consolidated condensed statements of cash flows has been restated to classify previously reported provisions for non-cash losses along with the respective assets and liabilities.

Note 2 - Acquisitions and Divestitures

In 2013, we completed two business combinations. One of these business combinations was in our Space and Defense Controls segment. We acquired Broad Reach Engineering for $34,550 of cash consideration, issuance of $8,450 of notes payable and contingent consideration with an initial fair value of $3,447. Based in Colorado, Broad Reach Engineering is a leading designer and manufacturer of spaceflight electronics and software for aerospace, scientific, commercial and military missions. The company also provides ground testing, launch and on-orbit operations. We also completed one business combination in our Components segment. We acquired Aspen Motion Technologies, located in Radford, Virginia for $33,911 in cash. Aspen is a designer and manufacturer of high-performance permanent magnet brushless DC motors, integrated digital controls and motorized impellers for motors. Aspen also specializes in custom motor designs for end product integration in a variety of high-performance industrial applications.

In 2013, we completed one divestiture in our Medical Devices segment. We sold our Buffalo, New York operations of Ethox Medical for $5,000 in cash, plus a $200 note receivable.

The purchase price allocations for the 2013 acquisitions are complete.

Note 3 - Receivables

Receivables consist of:

	March 29, 2014	September 28, 2013
Accounts receivable	$336,370	$328,038
Long-term contract receivables:		
Amounts billed	126,403	133,149
Unbilled recoverable costs and accrued profits	320,575	337,520
Total long-term contract receivables	446,978	470,669
Other	15,261	17,168
Total receivables	798,609	815,875
Less allowance for doubtful accounts	(5,260)	(4,499)
Receivables	$793,349	$811,376

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

Note 4 - Inventories

Inventories, net of reserves, consist of:

	March 29, 2014	September 28, 2013
Raw materials and purchased parts	$188,238	$194,249
Work in progress	293,444	289,124
Finished goods	72,189	68,301
Inventories	$553,871	$551,674

Note 5 - Goodwill and Intangible Assets

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

	Balance as of September 28, 2013	Adjustment To Prior Year Acquisitions	Foreign Currency Translation	Balance as of March 29, 2014
Aircraft Controls	$192,413	$—	$2,061	$194,474
Space and Defense Controls	163,136	(2,734)	223	160,625
Industrial Systems	121,320	—	1,502	122,822
Components	204,853	—	(1,368)	203,485
Medical Devices	85,202	—	203	85,405
Goodwill	$766,924	$(2,734)	$2,621	$766,811

Goodwill at September 28, 2013, in our Medical Devices reporting unit, is net of a $38,200 accumulated impairment loss. Certain factors, including industry conditions and the future profitability of our business might have a negative impact on the carrying value of our goodwill and we may incur additional goodwill impairment charges. We performed an interim test on goodwill for impairment of our Medical Devices reporting unit in the first quarter of 2014. We performed a quantitative assessment for this reporting unit and the fair value exceeded its carrying value. Therefore, there was no impairment of goodwill.

The components of acquired intangible assets are as follows:

		March 29, 2014		September 28, 2013	
	Weighted - Average Life (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer-related	10	$193,885	$(105,568)	$193,744	$(97,347)
Program-related	18	81,653	(22,068)	79,607	(18,988)
Technology-related	9	76,672	(44,671)	76,558	(42,000)
Marketing-related	10	26,958	(13,485)	33,259	(18,476)
Acquired intangible assets	12	$379,168	$(185,792)	$383,168	$(176,811)

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 represented by current contracts and probable follow on work. Technology-related intangible assets primarily consist of technology, patents, intellectual property and software. Marketing-related intangible assets primarily consist of trademarks, trade names and non-compete agreements.

Amortization of acquired intangible assets was $7,548 and $15,111 for the three and six months ended March 29, 2014 and $8,053 and $15,794 for the three and six months ended March 30, 2013. Based on acquired intangible assets recorded at March 29, 2014, amortization is expected to be approximately $30,000 in 2014, $25,900 in 2015, $24,200 in 2016, $20,900 in 2017 and $19,000 in 2018.

Note 6 - Indebtedness

Short-term borrowings consist of:

	March 29, 2014	September 28, 2013
Securitization program	$100,000	$100,000
Lines of credit	4,862	5,088
Other short-term debt	4,747	—
Short-term borrowings	$109,609	$105,088

The Securitization Program matures on February 13, 2015 and effectively increases our borrowing capacity by up to $100,000. Under the Securitization Program, we sell certain trade receivables and related rights to an affiliate, which in turn sells an undivided variable percentage ownership interest in the trade receivables to a financial institution, while maintaining a subordinated interest in a portion of the pool of trade receivables. The Securitization Program can be extended by agreement of the parties thereto for successive 364-day terms. Interest for the Securitization Program is based on prevailing market rates for short-term commercial paper plus an applicable margin. A commitment fee is also charged based on a percentage of the unused amounts available and is not material. The agreement governing the Securitization Program contains restrictions and covenants which include limitations on the making of certain restricted payments, creation of certain liens, and certain corporate acts such as mergers, consolidations and sale of substantially all assets. The Securitization Program has a minimum borrowing requirement equal to the lesser of either 80% of our borrowing capacity or 100% of our borrowing base. As of March 29, 2014, our minimum borrowing requirement is $80,000.

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

On December 19, 2013, we repurchased our 7¼% senior subordinated notes due on January 15, 2018 at 103.625%, pursuant to an early redemption right. We redeemed the aggregate principal amount of $200,000 using proceeds drawn from our U.S. revolving credit facility. The associated loss on the redemption includes $6,945 of call premium paid to external bondholders and a $1,057 write off of deferred debt issuance costs.

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

Note 7 - Product Warranties

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

	Three Months Ended		Six Months Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Warranty accrual at beginning of period	$17,369	$18,040	$17,429	$18,859
Warranties issued during current period	2,116	893	3,903	2,933
Adjustments to pre-existing warranties	75	91	(524)	(475)
Reductions for settling warranties	(2,601)	(1,923)	(3,981)	(4,244)
Foreign currency translation	78	(651)	210	(623)
Warranty accrual at end of period	$17,037	$16,450	$17,037	$16,450

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 March 29, 2014, we had interest rate swaps with notional amounts totaling $120,000. The interest rate swaps effectively convert this amount of variable-rate debt to fixed-rate debt at 1.5%, including the applicable margin of 113 basis points as of March 29, 2014. The interest will revert back to variable rates based on LIBOR plus the applicable margin upon the maturity of the interest rate swaps on January 15, 2015 and January 15, 2016.

We use foreign currency forward contracts as cash flow hedges to effectively fix the exchange rates on future payments and revenue. To mitigate exposure in movements between various currencies, primarily the Philippine peso, we had outstanding foreign currency forwards with notional amounts of $40,235 at March 29, 2014. These contracts mature at various times through December 23, 2015.

These interest rate swaps and foreign currency forwards are recorded in the consolidated condensed balance sheets at fair value and the related gains or losses are deferred in shareholders’ equity as a component of Accumulated Other Comprehensive Income (Loss) (AOCI). These deferred gains and losses are reclassified into expense during the periods in which the related payments or receipts affect earnings. However, to the extent the interest rate swaps and foreign currency forwards are not perfectly effective in offsetting the change in the value of the payments and revenue being hedged, the ineffective portion of these contracts is recognized in earnings immediately. Ineffectiveness was not material in the first six months of 2014 or 2013.

Derivatives not designated as hedging instruments

We also have foreign currency exposure on balances, primarily intercompany, that are denominated in foreign currencies and are adjusted to current values using period-end exchange rates. The resulting gains or losses are recorded in the consolidated condensed statements of earnings. To minimize foreign currency exposure, we had foreign currency forwards with notional amounts of $217,280 at March 29, 2014. The foreign currency forwards are recorded in the consolidated condensed balance sheets at fair value and resulting gains or losses are recorded in the consolidated condensed statements of earnings. We recorded the following gains or losses on foreign currency forwards which are included in other income or expense and generally offset the gains or losses from the foreign currency adjustments on the intercompany balances that are also included in other income or expense:

	Three Months Ended		Six Months Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Net gain	$1,585	$4,979	$2,525	$5,901

Summary of derivatives

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

		March 29, 2014	September 28, 2013
Derivatives designated as hedging instruments:			
Foreign currency forwards	Other current assets	$—	$217
Foreign currency forwards	Other assets	—	100
	Total assets	$—	$317
Foreign currency forwards	Other accrued liabilities	$2,019	$1,342
Foreign currency forwards	Other long-term liabilities	417	636
Interest rate swaps	Other accrued liabilities	148	85
Interest rate swaps	Other long-term liabilities	29	42
	Total liabilities	$2,613	$2,105
Derivatives not designated as hedging instruments:			
Foreign currency forwards	Other current assets	$770	$68
	Total assets	$770	$68
Foreign currency forwards	Other accrued liabilities	$1,949	$956
	Total liabilities	$1,949	$956

Note 9 - Fair Value

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

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

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

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

participant would require.

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

The following table presents the fair values and classification of our financial assets and liabilities measured on a recurring basis as of March 29, 2014:

	Classification	Level 1	Level 2	Level 3	Total
Foreign currency forwards	Other current assets	$—	$770	$—	$770
	Total assets	$—	$770	$—	$770
Foreign currency forwards	Other accrued liabilities	$—	$3,968	$—	$3,968
Foreign currency forwards	Other long-term liabilities	—	417	—	417
Interest rate swaps	Other accrued liabilities	—	148	—	148
Interest rate swaps	Other long-term liabilities	—	29	—	29
Acquisition contingent consideration	Other accrued liabilities	—	—	2,422	2,422
	Total liabilities	$—	$4,562	$2,422	$6,984

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

	Three Months Ended		Six Months Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Balance at beginning of period	$4,680	$4,486	$4,007	$6,422
Acquisitions	—	4,276	—	4,276
Increase in discounted future cash flows recorded as interest expense	59	122	156	219
Increase (decrease) in earn out provisions recorded as other expense (income)	(67)	(958)	509	(2,991)
Settlements paid in cash	(2,250)	(2,778)	(2,250)	(2,778)
Balance at end of period	$2,422	$5,148	$2,422	$5,148

Note 10 - Employee Benefit Plans

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

	Three Months Ended		Six Months Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Service cost	$5,393	$6,714	$10,786	$13,428
Interest cost	8,338	7,204	16,677	14,409
Expected return on plan assets	(10,843)	(10,335)	(21,687)	(20,670)
Amortization of prior service cost	37	2	74	4
Amortization of actuarial loss	4,087	6,901	8,173	13,802

Pension expense for defined benefit plans	7,012	10,486	14,023	20,973
Pension expense for defined contribution plans	3,292	2,772	6,331	5,165
Total pension expense for U.S. plans	$10,304	$13,258	$20,354	$26,138

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

	Three Months Ended		Six Months Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Service cost	$1,391	$1,163	$2,753	$2,411
Interest cost	1,543	1,366	3,052	2,821
Expected return on plan assets	(1,167)	(887)	(2,310)	(1,846)
Amortization of prior service credit	(8)	(12)	(23)	(26)
Amortization of actuarial loss	359	372	709	779
Pension expense for defined benefit plans	2,118	2,002	4,181	4,139
Pension expense for defined contribution plans	1,579	1,321	3,003	2,671
Total pension expense for non-U.S. plans	$3,697	$3,323	$7,184	$6,810

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

	Three Months Ended		Six Months Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Service cost	$57	$73	$113	$146
Interest cost	156	138	312	275
Amortization of transition obligation	—	91	—	181
Amortization of actuarial gain	(66)	—	(131)	—
Total periodic post-retirement benefit cost	$147	$302	$294	$602

Actual contributions for the six months ended March 29, 2014 and anticipated additional 2014 contributions to our defined benefit pension plans are as follows:

	U.S. Plans	Non-U.S. Plans	Total
Actual	$21,717	$4,673	$26,390
Anticipated	26,115	2,495	28,610
	$47,832	$7,168	$55,000

Note 11 - Restructuring

Restructuring expense is principally related to severance. Restructuring activity is as follows:

	Three Months Ended March 29, 2014	Six Months Ended March 29, 2014
Restructuring accrual at beginning of period	$3,732	$7,129
Cash payments	(1,701)	(5,135)
Foreign currency translation	20	57
Restructuring accrual at end of period	$2,051	$2,051

Obligations related to these costs are expected to be principally paid by December 31, 2014.

Note 12 - Income Taxes

The effective tax rates of 29.6% and 30.5% for the three and six months ended March 29, 2014 and 26.9% and 28.7% for the three and six months ended March 30, 2013 are lower than would be expected by applying the U.S. federal statutory tax rate to earnings before income taxes partly as a result of a significant portion of our earnings that come from foreign operations with lower tax rates.

Note 13 - Shareholders' Equity

The changes in shareholders' equity for the six months ended March 29, 2014 are summarized as follows:

	Amount	Number of Shares Class A Common Stock	Number of Shares Class B Common Stock
COMMON STOCK			
Beginning of period	$51,280	43,613,060	7,666,653
Conversion of Class B to Class A	—	3,959	(3,959)
End of Period	51,280	43,617,019	7,662,694
ADDITIONAL PAID-IN CAPITAL			
Beginning of period	447,478		
Equity-based compensation expense	4,992		
Issuance of treasury shares at more than cost	431		
Adjustment to market - SECT, and other	3,936		
End of period	456,837		
RETAINED EARNINGS			
Beginning of period	1,289,713		
Net earnings	69,822		
End of period	1,359,535		
TREASURY STOCK			
Beginning of period	(83,003)	(2,004,262)	(3,305,971)
Issuance of treasury shares	766	151,155	—
Purchase of treasury shares	(25,526)	(396,520)	(3,640)
End of period	(107,763)	(2,249,627)	(3,309,611)
STOCK EMPLOYEE COMPENSATION TRUST (SECT)			
Beginning of period	(35,545)		(610,223)
Issuance of shares	1,144		18,444
Purchase of shares	(4,634)		(71,905)
Adjustment to market - SECT	(2,591)		—
End of period	(41,626)	—	(663,684)
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Beginning of period	(134,158)		
Other comprehensive income	9,111		
End of period	(125,047)		
TOTAL SHAREHOLDERS' EQUITY	$1,593,216	41,367,392	3,689,399

The changes in AOCI, net of tax, by component for the six months ended March 29, 2014 are as follows:

	Accumulated foreign currency translation	Accumulated retirement liability	Accumulated (loss) on derivatives	Total
AOCI at beginning of period	$40,572	$(173,695)	$(1,035)	$(134,158)

Other comprehensive income (loss) before reclassifications	4,594	—	(1,079)	3,515
Amounts reclassified from AOCI	—	5,101	495	5,596
Other comprehensive income (loss)	4,594	5,101	(584)	9,111
AOCI at end of period	$45,166	$(168,594)	$(1,619)	$(125,047)

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The amounts reclassified from AOCI into earnings are as follows:

	Statement of earnings classification	Three Months Ended		Six Months Ended	
		March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Retirement liability:					
Prior service cost (credit)		$80	$(126)	$(247)	$(276)
Transition obligation		—	90	—	181
Actuarial losses		4,223	8,359	8,521	15,690
Reclassification from AOCI into earnings		4,303	8,323	8,274	15,595
Tax effect		(1,622)	(2,741)	(3,173)	(5,494)
Net reclassification from AOCI into earnings - expense (income)		$2,681	$5,582	$5,101	$10,101
Derivatives:					
Foreign currency forwards	Sales	$—	$—	$(192)	$—
Foreign currency forwards	Cost of sales	591	(241)	962	(463)
Interest rate swaps	Interest	73	43	142	43
Reclassification from AOCI into earnings		664	(198)	912	(420)
Tax effect		(251)	73	(417)	175
Net reclassification from AOCI into earnings - expense (income)		$413	$(125)	$495	$(245)

The amounts deferred in AOCI related to derivatives are as follows:

	Statement of earnings classification	Net deferral in AOCI of derivatives - effective portion			
		Three Months Ended		Six Months Ended	
		March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Foreign currency forwards	Sales	$—	$—	$3	$—
Foreign currency forwards	Cost of sales	(658)	(308)	(1,549)	370
Interest rate swaps	Interest	(93)	(203)	(191)	(203)
Net gain (loss)		(751)	(511)	(1,737)	167
Tax effect		284	166	658	(70)
Net deferral in AOCI of derivatives		$(467)	$(345)	$(1,079)	$97

Note 14 - Stock Employee Compensation Trust

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

Note 15 - Earnings per Share

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

	Three Months Ended		Six Months Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Weighted-average shares outstanding - Basic	45,377,465	45,333,612	45,381,058	45,343,312
Dilutive effect of equity-based awards	567,933	492,014	596,658	423,486
Weighted-average shares outstanding - Diluted	45,945,398	45,825,626	45,977,716	45,766,798

Note 16 - Segment Information

Below are sales and operating profit by segment for the three and six months ended March 29, 2014 and March 30, 2013 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 29, 2014		March 30, 2013		March 29, 2014		March 30, 2013	
Net sales:								
Aircraft Controls	$274,810		$258,860		$540,226		$511,141	
Space and Defense Controls	95,305		105,688		194,755		192,153	
Industrial Systems	151,198		144,201		295,277		292,177	
Components	101,160		98,804		203,845		198,079	
Medical Devices	27,405		35,470		59,160		70,276	
Net sales	$649,878		$643,023		$1,293,263		$1,263,826	
Operating profit and margins:								
Aircraft Controls	$25,867		$31,518		$57,638		$62,593	
	9.4	%	12.2	%	10.7	%	12.2	%
Space and Defense Controls	9,006		7,671		16,859		15,899	
	9.4	%	7.3	%	8.7	%	8.3	%
Industrial Systems	14,899		7,837		27,185		16,884	
	9.9	%	5.4	%	9.2	%	5.8	%
Components	13,546		15,342		29,735		34,188	
	13.4	%	15.5	%	14.6	%	17.3	%
Medical Devices	1,377		1,306		5,005		2,908	
	5.0	%	3.7	%	8.5	%	4.1	%
Total operating profit	64,695		63,674		136,422		132,472	
	10.0	%	9.9	%	10.5	%	10.5	%
Deductions from operating profit:								
Interest expense	2,444		6,442		7,573		15,038	
Equity-based compensation expense	1,218		833		4,992		4,724	
Corporate expenses and other	7,422		6,439		23,389		13,679	
Earnings before income taxes	$53,611		$49,960		$100,468		$99,031	

Note 17 - Commitments and Contingencies

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

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

We are contingently liable for $13,681 of standby letters of credit issued by a bank to third parties on our behalf at March 29, 2014.

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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 September 28, 2013. All references to years in this Management's Discussion and Analysis of Financial Condition and Results of Operations are to fiscal years and amounts may differ from reported values due to rounding.

OVERVIEW

We are a worldwide designer, manufacturer and systems integrator of high performance precision motion and fluid controls and control systems for a broad range of applications in aerospace and defense and industrial markets.

Within the aerospace and defense market, our products and systems include:

military and commercial aircraft flight controls, satellite positioning controls, controls for gun aiming, stabilization and automatic ammunition loading for armored combat vehicles, thrust vector controls for space launch vehicles and controls for steering tactical and strategic missiles.

In the industrial market, our products are used in a wide range of applications including:

injection molding machines, metal forming, heavy industry, material and automotive testing, pilot training simulators, motors used in sleep apnea devices, enteral clinical nutrition and infusion therapy pumps, oil exploration, wind energy, power generation, surveillance systems and slip rings used on CT scanners.

We operate under five segments, Aircraft Controls, Space and Defense Controls, Industrial Systems, Components and Medical Devices. Our principal manufacturing facilities are located in the United States, United Kingdom, Philippines, Germany, Italy, Netherlands, China, Costa Rica, Japan, Luxembourg, India, Canada and Ireland.

We have long-term contracts with some of our customers. These contracts are predominantly within Aircraft Controls and Space and Defense Controls and represent 33%, 32% and 29% of our sales in 2013, 2012 and 2011, respectively. We recognize revenue on these contracts using the percentage of completion, cost-to-cost method of accounting as work progresses toward completion. The revenue from the remainder of our sales is 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. Our products are applied in demanding applications, where performance really matters. In achieving a leadership position in the high performance, precision controls market, we have capitalized on our strengths, which include:

- superior technical competence,
- customer diversity and broad product portfolio, and
- well-established international presence serving customers worldwide.

These strengths afford us the ability to innovate our current solutions into new, complimentary technologies, providing us the opportunity to advance our products from one market to another. In addition, we aim to provide more systems solutions for the platforms on which we currently participate while strengthening the current niche market positions that we serve. These activities will help us achieve our financial objectives of increasing our revenue base and improving our long term profitability and cash flow from operations. In doing so, we expect to maintain a balanced, diversified portfolio in terms of markets served, product applications, customer base and geographic presence. Our fundamental strategies to achieve our objectives include:

- maintaining our technological excellence by building upon our systems integration capabilities while solving our customers' most demanding technical problems, in applications where performance really matters,
- striving for organic growth as well as cost improvements,
- utilizing our global capabilities,
- developing products for new and emerging markets,
- growing our profitable aftermarket business, and
- capitalizing on strategic acquisitions and opportunities.

We face numerous challenges to improve shareholder value. These include, but are not limited to, adjusting to dynamic global economic conditions that are influenced by governmental, industrial and commercial factors, pricing pressures from customers, strong competition, foreign currency fluctuations and increases in employee benefit costs. We address these challenges by focusing on strategic revenue growth, by continuing to improve operating efficiencies through various process and manufacturing initiatives and using low cost manufacturing facilities without compromising quality. Based on periodic strategic reviews, which may include our analysis of the financial outlook of our business, we may also engage in restructuring activities, including reducing overhead, consolidating facilities and exiting some product lines.

Acquisitions and Divestitures

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

In 2013, we completed two business combinations. One of these business combinations was in our Space and Defense Controls segment. We acquired Broad Reach Engineering for $46 million. Based in Colorado, Broad Reach Engineering is a leading designer and manufacturer of spaceflight electronics and software for aerospace, scientific, commercial and military missions. The company also provides ground testing, launch and on-orbit operations. We also completed one business combination in our Components segment. We acquired Aspen Motion Technologies, located in Radford, Virginia, for $34 million. Aspen is a designer and manufacturer of high-performance permanent magnet brushless DC motors, integrated digital controls and motorized impellers for motors. Aspen also specializes in custom motor designs for end product integration and significant product enhancement in a variety of high-performance industrial applications.

In 2013, we completed one divestiture in our Medical Devices segment. We sold the Buffalo, New York operations of Ethox Medical for $5 million.

Also in 2013, we began exploring strategic options for the Medical Devices segment, including the possibility of selling the entire segment. We are now broadening our approach to consider options for each of the product lines in this segment.

Reviews for Impairment of Goodwill

We tested goodwill of our Medical Devices reporting unit for impairment in the fourth quarter of 2013 as part of our annual test. Our test resulted in a fair value of our Medical Devices reporting unit that was less than its carrying amount, requiring us to measure goodwill for impairment. We determined the implied fair value of goodwill and, in our fourth quarter of 2013, recognized a $38 million goodwill impairment charge for the excess of the carrying amount of goodwill over its implied fair value.

We performed an interim test on goodwill for impairment of our Medical Devices reporting unit in the first quarter of 2014. We performed a quantitative assessment for this reporting unit, which had $85 million of goodwill as of the date of our test. Based on this test, the fair value of our Medical Devices reporting unit exceeded its carrying value. Therefore, goodwill was not impaired.

The fair value of our Medical Devices reporting unit exceeded its carrying amount by 1%. The determination of each of our assumptions is subjective and requires significant estimates. Changes in these estimates and assumptions could materially affect the results of our impairment review. If cash flows generated by our Medical Devices reporting unit were to decline in the future or there were negative revisions to key assumptions, we may be required to record additional impairment charges. The circumstances that pose risk to the fair value of this reporting unit are general in nature and include lower than projected sales growth due to a reduction in market share, lower than projected industry growth as well as potential increases in our cost infrastructure. In addition, the fair value of this reporting unit may be negatively impacted based on the results of our strategic review and the courses of action that we may decide to pursue, either for the segment as a whole or for the individual product lines.

CRITICAL ACCOUNTING POLICIES

On an ongoing basis, we evaluate the critical accounting policies used to prepare our consolidated financial statements, including, but not limited to, revenue recognition on long-term contracts, contract loss reserves, reserves for inventory valuation, reviews for impairment of goodwill, purchase price allocations for business 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 2013 Form 10-K.

RECENT ACCOUNTING PRONOUNCEMENTS

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

In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This ASU is intended to change the criteria for reporting discontinued operations and enhance convergence of the FASB’s and the International Accounting Standard Board’s (IASB) reporting requirements for discontinued operations. The provisions of this ASU are effective for fiscal years beginning after December 15, 2014 and interim periods within those fiscal years. This amendment is applicable to us beginning in the first quarter of 2016. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The adoption of this standard is not expected to have a material impact on our financial statements.

CONSOLIDATED RESULTS OF OPERATIONS AND OUTLOOK

	Three Months Ended				Six Months Ended			
(dollars in millions, except per share data)	March 29, 2014	March 30, 2013	$ Variance	% Variance	March 29, 2014	March 30, 2013	$ Variance	% Variance
Net sales	$649.9	$643.0	$6.9	1 %	$1,293.3	$1,263.8	$29.4	2 %
Gross margin	30.3 %	30.7 %			30.6 %	30.9 %		
Research and development expenses	$37.2	$38.1	$(0.9)	(2 %)	$73.0	$70.4	$2.5	4 %
Selling, general and administrative expenses as a percentage of sales	16.1 %	15.7 %			15.8 %	16.3 %		
Interest expense	$2.4	$6.4	$(4.0)	(62 %)	$7.6	$15.0	$(7.5)	(50 %)
Restructuring	—	2.2	(2.2)	N/A	—	2.2	(2.2)	N/A
Other	(1.3)	(0.1)	(1.2)	N/A	10.4	(2.5)	12.8	N/A
Effective tax rate	29.6 %	26.9 %			30.5 %	28.7 %		
Net earnings	$37.7	$36.5	$1.2	3 %	$69.8	$70.6	$(0.8)	(1 %)
Diluted earnings per share	$0.82	$0.80	$0.02	3 %	$1.52	$1.54	$(0.02)	(1 %)

Net sales increased in the second quarter of 2014 compared to the second quarter of 2013. Sales increased in Aircraft Controls, Industrial Systems and Components, while sales declined in Space and Defense Controls and Medical Devices. Acquisitions contributed $8 million of the sales growth in the first quarter of 2014 compared to the same time period in 2013.

Net sales also increased in the first half of 2014 compared to the first half of 2013. Sales increased in all of our segments, except for Medical Devices. Acquisitions contributed $23 million of the sales growth in the first half of 2014 compared to the same time period in 2013.

Gross margin was down slightly in the second quarter and the first half of 2014 compared to the second quarter and first half of 2013. We had a less favorable sales mix in Aircraft Controls as we had a lower level of foreign military sales. Partly offsetting this decline was a $7 million benefit of lower additions to contract loss reserves in both the second quarter and first half of 2014. Additionally, we benefited $3 million in the second quarter and $5 million in the first half of 2014 due to our completed 2013 restructuring activities. We also benefited $2 million in the second quarter and $4 million in the first half of 2014 from lower pension expense, driven by the increase in the discount rate.

Research and development expenses increased in the first half of 2014 compared to the same period in 2013. Within Aircraft Controls, research and development expenses increased $10 million for the start of activities on the Embraer E-Jets program. This increase was offset by decreasing development activity on the Boeing 787 and Airbus A350 programs, each of which declined $2 million.

Selling, general and administrative expenses as a percentage of sales in the second quarter of 2014 increased compared to the second quarter of 2013. The costs associated with start up activities on a new ERP system contributed 90 basis points to this increase. Offsetting this impact was the benefit from our completed 2013 restructuring activities in Industrial Systems and Space and Defense Controls of $2 million and $1 million, respectively.

Selling, general and administrative expenses as a percentage of sales in the first half of 2014 declined compared to the same period in 2013. The main driver was $6 million of increased benefits from our completed restructuring activities in Industrial Systems and Space and Defense Controls. Additionally, within Medical Devices, the first half of 2013

included higher levels of professional services than the same period in 2014. However, offsetting these benefits was the cost associated with start up activities on a new ERP system, which increased selling, general and administrative expenses as a percentage of sales by 60 basis points in 2014.

In the second quarter of 2013, we initiated restructuring plans to better align our cost basis with our projected sales levels. These restructuring actions resulted in workforce reductions primarily in our Industrial Systems segment. Through the first six months of 2014, the total restructuring savings were $11 million and are approximately half of our total projected annual benefits. This amount is in line with our expectations.

Interest expense decreased in the second quarter of 2014 and the first half of 2014 as compared to the same periods in 2013. Most of the decrease is due to the recent redemptions of our senior subordinated notes. On December 19, 2013, we repurchased our 7¼% senior subordinated notes due on January 15, 2018. In doing so, we incurred a 3.625% call premium in the first quarter of 2014. On January 15, 2013, we repurchased our 6¼% senior subordinated notes at par.

Other income in the second quarter of 2014 includes our receipt of a $2 million settlement related to a recent acquisition in our Space and Defense Controls segment. Other expense in the first half of 2014 also includes the payment of a $7 million call premium on the early redemption of our 7¼% senior subordinated notes and a $5 million write-down of a technology investment in Industrial Systems. In the first half of 2013, we recorded income in our Components and Aircraft Controls segments related to acquisitions with earn out provisions for which financial projections were not achieved.

The effective tax rate increased in the second quarter and the first half of 2014 compared to the same periods of 2013. The second quarter and first half of 2013 included a catch up adjustment for research and development tax credits mostly associated with 2012 following the enactment of legislation in the second quarter of 2013.

Other comprehensive income increased in the second quarter of 2014 and in the first half of 2014. The foreign currency translation adjustments, driven by the euro and British pound relative to the U.S. dollar, were more beneficial, increasing $22 million in the second quarter and $21 million in the first half of 2014. The retirement liability adjustment income decreased other comprehensive income by $3 million in the second quarter and $5 million in the first half of 2014 due to an increase in the assumed discount rate of our U.S. qualified defined benefit plan.

2014 Outlook – We expect sales in 2014 to increase 1% to $2.64 billion, with growth in Space and Defense Controls and Components. We expect flat sales in Aircraft Controls, as softness from our military sales offsets commercial sales growth, as well as flat sales in Industrial Systems. We expect sales declines in Medical Devices due to the divestiture of the Buffalo, New York Ethox Medical operations and lower sales in the first half of 2014. We expect an increase in profitability as our operating margin increases to 11.5% with higher margins in each of our segments except for Components. We expect net earnings to increase to $169 million, and diluted earnings per share to increase to $3.65.

SEGMENT RESULTS OF OPERATIONS AND OUTLOOK

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

Aircraft Controls

(dollars in millions)	Three Months Ended				Six Months Ended			
	March 29, 2014	March 30, 2013	$ Variance	% Variance	March 29, 2014	March 30, 2013	$ Variance	% Variance
Net sales - military aircraft	$140.9	$144.6	$(3.7)	(3%)	$278.4	$294.3	$(15.9)	(5%)
Net sales - commercial aircraft	133.9	114.2	19.7	17%	$261.8	$216.8	$45.0	21%
	$274.8	$258.9	$16.0	6%	$540.2	$511.1	$29.1	6%
Operating profit	$25.9	$31.5	$(5.7)	(18%)	$57.6	$62.6	$(5.0)	(8%)
Operating margin	9.4%	12.2%			10.7%	12.2%		
Backlog					$709.8	$616.0	$93.8	15%

Aircraft Controls' sales increased in our commercial market while sales decreased in our military market in the second quarter and the first half of 2014 compared to the same periods in 2013.

For both periods in 2014, commercial OEM sales to Boeing and Airbus increased due to the ramp up of new programs and volume increases. Sales to Boeing increased $14 million and $29 million and sales to Airbus increased $3 million and $9 million in second quarter and first six months of 2014, respectively. Commercial aftermarket sales also increased $6 million in the second quarter of 2014 and $11 million in the first half of 2014 due to higher initial provisioning sales for the Boeing 787.

Partially offsetting this growth in both periods of 2014 are military sales declines. In the second quarter of 2014, F-35 production rates increased, driving $5 million of incremental sales growth, and work continued to ramp up on the KC-46 Tanker program, driving $3 million of incremental sales growth. However, sales for foreign military programs declined $9 million and sales on the V-22 program decreased $2 million as activity slowed. In the first six months of 2014, foreign military programs declined $13 million as we benefited from unusually strong sales last year.

Unfavorable sales mix depressed operating margin as we had less foreign military sales and greater commercial sales in the second quarter of 2014 compared to the same quarter in 2013. Additionally, costs associated with start up activities on a new ERP system decreased this margin by approximately 90 basis points.

Operating margin declined in the first half of 2014 compared to the first half of 2013. The decline was driven by increased research and development costs on a new program, as well as an unfavorable sales mix due to lower foreign military sales. Research and development costs associated with the start of the Embraer E-Jets increased $10 million, but was moderated by decreasing development activity on the Boeing 787 and Airbus A350 programs, each of which declined $2 million. Operating margin also benefited due to $5 million in less additions to contract reserves in 2014 compared to 2013.

The increase of twelve-month backlog for Aircraft Controls at March 29, 2014 compared to March 30, 2013 is related to increases in commercial orders and beneficial timing on military production programs.

2014 Outlook for Aircraft Controls – We expect sales in Aircraft Controls to remain flat at $1.07 billion in 2014. Commercial aircraft is expected to increase 12% to $519 million due to stronger sales across our major OEM programs. Partially offsetting this growth is an expected 8% decline in military aircraft sales to $548 million. We expect a decline in military aftermarket sales, reflecting our estimate of continued lower levels of defense spending. We also expect a decline in military OEM sales as F-35 development rates and V-22 production rates moderate. We expect our operating margin to increase slightly to 12.1% in 2014 from 12.0% in 2013 as incremental margins on increased commercial sales are largely offset by increases in research and development costs.

Space and Defense Controls

(dollars in millions)	Three Months Ended March 29, 2014	March 30, 2013	$ Variance	% Variance	Six Months Ended March 29, 2014	March 30, 2013	$ Variance	% Variance
Net sales	$95.3	$105.7	$(10.4)	(10%)	$194.8	$192.2	$2.6	1%
Operating profit	$9.0	$7.7	$1.3	17%	$16.9	$15.9	$1.0	6%
Operating margin	9.4%	7.3%			8.7%	8.3%		
Backlog					$268.8	$278.5	$(9.7)	(3%)

Space and Defense Controls' sales decreased in the second quarter of 2014 compared to the same period in 2013. The decrease was entirely within our space market. Sales decreased $7 million on satellite programs and $3 million on launch vehicle programs as production jobs in the prior year wound down and follow-on jobs have not yet begun.

Sales in the first half of 2014 were relatively flat compared to sales in the first half of 2013. Our recent acquisition of Broad Reach Engineering contributed an additional $5 million of sales in the first half of 2014. The ramp up of activity on NASA's Soft Capture System contributed an additional $7 million of sales. These increases were offset as additional production jobs wound down on launch vehicle and defense control programs.

Operating margin increased in the second quarter of 2014 compared to the same period of 2013. This increase is due to our receipt of a $2 million settlement related to a recent acquisition.

Operating margin increased in the first six months of 2014 compared to the first six months of 2013. The operating profit included $4 million of benefits realized from the 2013 restructuring activities and the benefit of the $2 million settlement. These restructuring savings are approximately half of our total expected annual benefits and are in line with our expectations. Offsetting these savings were increased program costs in a recent space acquisition as well as a launch vehicle program, both of which were $1 million each. Also we had additional expenses related to start up activities on a new ERP system and as well as higher selling expenses, for which both totaled $2 million.

The decreased level in twelve-month backlog at March 29, 2014 is mainly due to work completed and lower orders on satellite and defense controls programs. These decreases are partly offset by increases on launch vehicle programs.

2014 Outlook for Space and Defense Controls – We expect sales in Space and Defense Controls to increase 6% to $420 million in 2014. We expect higher sales as we benefit from a full year of the Broad Reach Engineering acquisition and on multiple launch vehicle programs for NASA. We also expect our defense sales to increase due to foreign opportunities on a missile defense system. We expect our operating margin to increase to 9.1% in 2014 from 6.4% in 2013, as we receive the benefit of last year's restructuring activities and are no longer negatively impacted by the prior year's restructuring expense.

Industrial Systems

(dollars in millions)	Three Months Ended				Six Months Ended			
	March 29, 2014	March 30, 2013	$ Variance	% Variance	March 29, 2014	March 30, 2013	$ Variance	% Variance
Net sales	$151.2	$144.2	$7.0	5 %	$295.3	$292.2	$3.1	1 %
Operating profit	$14.9	$7.8	$7.1	90 %	$27.2	$16.9	$10.3	61 %
Operating margin	9.9 %	5.4 %			9.2 %	5.8 %		
Backlog					$191.2	$228.6	$(37.3)	(16 %)

Industrial Systems' sales increased in both the second quarter and the first half of 2014 compared to the same periods in 2013, as sales in our industrial automation market and sales of our wind energy products improved.

Within our industrial automation market, sales increased $9 million in the second quarter of 2014 and $7 million in the first half of 2014 compared to the same periods of 2013, as all of our market categories improved. The largest increase in the second quarter was a $2 million increase in our Formula 1 business, due to regulation changes which resulted in additional content on each car.

Also in the second quarter of 2014, sales in our wind energy market increased $3 million. A recent contract win in Brazil for our new AC system increased sales $2 million.

Within our simulation and test market, sales declined $5 million in the first six months of 2014, of which $4 million of the decrease occurred in the second quarter of 2014. We had lower orders from our larger simulation customers, which caused sales to decline compared to the same periods of 2013.

Operating margin increased in the second quarter and in the first half of 2014 compared to the same periods of 2013. Operating profit improved by $4 million in the second quarter and $7 million in the first half of 2014, as we realized the benefits associated with the 2013 restructuring activities. The year-to-date amount is approximately half of the expected annual benefit of the activities and is in line with our expectations. Additionally, the absence of last year's $2 million restructuring expense, current year cost containment activities, lower material costs and lower levels of professional services not repeated in 2014 helped to improve operating margin. However, the operating margin in the first half of 2014 was impacted by the $5 million write-down of a technology investment.

The twelve-month backlog for Industrial Systems at March 29, 2014 decreased compared to March 30, 2013 due to declining orders from our simulation and test market, declines in foreign currency rates, as well as lower orders in our wind energy market.

2014 Outlook for Industrial Systems – We expect sales in Industrial Systems to remain relatively flat at $590 million in 2014. We expect sales in our industrial automation market to increase 2% to $300 million, reflecting the continued improvement in this market from the first half of 2014. We expect sales in our energy market to remain flat, and we expect an 8% sales decline in our simulation and test market to $134 million, as a few large customers adjust their inventory levels down. We expect that our operating margin will increase to 11.0% in 2014 from 7.1% in 2013, as we receive the benefit of last year's restructuring activities and are no longer negatively impacted by the prior year's restructuring expense.

Components

(dollars in millions)	Three Months Ended March 29, 2014	March 30, 2013	$ Variance	% Variance	Six Months Ended March 29, 2014	March 30, 2013	$ Variance	% Variance
Net sales	$101.2	$98.8	$2.4	2 %	$203.8	$198.1	$5.8	3 %
Operating profit	$13.5	$15.3	$(1.8)	(12 %)	$29.7	$34.2	$(4.5)	(13 %)
Operating margin	13.4 %	15.5 %			14.6 %	17.3 %		
Backlog					$191.6	$197.1	$(5.5)	(3 %)

Components' sales increased in the second quarter and in the first half of 2014 compared to the second quarter and first half of 2013, due to our recent acquisition of Aspen Motion Technologies.

In our non-aerospace and defense market, sales increased $8 million in the second quarter of 2014 and $12 million in the first half of 2014 compared to the same periods last year. These increases included incremental sales from our Aspen Motion Technologies acquisition of $8 million in the second quarter and $17 million in the first half of 2014. The year-to-date increase was offset by a $4 million decline in our energy market. We previously benefited from strong deliveries in the first quarter of 2013 that did not repeat in 2014. Also in 2014, we had lower sales to a large marine customer.

In our aerospace and defense market, sales decreased $6 million in the first half of 2014, $5 million of which was in the second quarter of 2014. Sales in aircraft declined $3 million in both periods and sales in space and defense declined $2 million in the second quarter and $3 million in the first six months of 2014, as multiple programs experienced push-outs and lower production rates.

Operating margin decreased in both the second quarter and in the first half of 2014 compared to the same periods of 2013. Costs associated with start up activities on a new ERP system decreased this margin by $1 million in the second quarter and in the first half of 2014. Also unfavorable mix on lower marine sales and military program push outs each decreased the margin $1 million in the second quarter of 2014. Operating margin in the first half of 2014 was also lowered by the absence of a $2 million reversal of an earn out accrual related to an acquisition.

The twelve-month backlog at March 29, 2014 compared to March 30, 2013 decreased due to program delays in our medical and our aircraft markets.

2014 Outlook for Components – We expect sales to increase 5% to $438 million in 2014 with more than half of the sales growth coming from our Aspen Motion Technologies acquisition in our non-aerospace and defense market. We expect medical imaging sales in our medical market to increase as well. Slightly offsetting this growth is an expected sales decrease in our aerospace and defense market, as sales on military vehicles continue to decline. We expect our operating margin will moderate to 14.7% in 2014 from 16.5% in 2013, reflecting a slightly less favorable mix of sales.

Medical Devices

(dollars in millions)	Three Months Ended				Six Months Ended			
	March 29, 2014	March 30, 2013	$ Variance	% Variance	March 29, 2014	March 30, 2013	$ Variance	% Variance
Net sales	$27.4	$35.5	$(8.1)	(23%)	$59.2	$70.3	$(11.1)	(16%)
Operating profit	$1.4	$1.3	$0.1	5%	$5.0	$2.9	$2.1	72%
Operating margin	5.0%	3.7%			8.5%	4.1%		
Backlog					$13.5	$21.4	$(8.0)	(37%)

Medical Devices' sales decreased in the second quarter of 2014 when compared to the second quarter of 2013, with declines in all of our major product categories. Medical Devices' sales also decreased in the first six months of 2014 compared to the same time period in 2013.

We benefited from $3 million and $5 million in the second quarter and in the first half of 2013 respectively, related to Buffalo, New York Ethox Medical sales that did not repeat in 2014 due to the divestiture of that operation in June 2013. Additionally, pump assembly sales were down $2 million in the second quarter and $4 million in the first half of 2014 due to stronger than normal sales in 2013. Pump and set sales together declined $4 million in the second quarter and $5 million in the first half of 2014, due in part to lower sales to a distribution partner. Offsetting these declines were strong sales in our sensors and handpieces products, which increased $1 million and $3 million in the same periods.

Operating margin in the second quarter and the first half of 2014 increased compared to the same periods in 2013. The divestiture of the Buffalo, New York Ethox Medical operation in June 2013 was primarily responsible for the increased operating margin in both periods. Cost containment activities and reductions in freight expense also helped to drive operating margin higher.

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.

2014 Outlook for Medical Devices – We expect sales in 2014 to decrease 14% to $127 million. We expect that lost sales from the Buffalo, New York Ethox Medical divestiture and lower enteral pump and set sales offset the sales growth in IV pumps. We expect our operating margin to improve to 6.9% in 2014 from 1.8% in 2013 excluding the charges from goodwill impairment.

FINANCIAL CONDITION AND LIQUIDITY

(dollars in millions)	Six Months Ended March 29, 2014	March 30, 2013	$ Variance	% Variance
Net cash provided (used) by:				
Operating activities	$116.1	$90.5	$25.6	28 %
Investing activities	(43.9)	(127.9)	84.0	(66 %)
Financing activities	(34.4)	39.3	(73.8)	(187 %)

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

At March 29, 2014, our cash balance was $196 million, which is primarily held outside of the U.S. Cash flow from our U.S. operations, together with borrowings on our credit facility, fund on-going activities, debt service requirements and future growth investments. We reinvest the cash generated from foreign operations locally and such international balances are not available to pay down debt in the U.S. unless we decide to repatriate such amounts. If we decide to repatriate foreign funds, we would then be required to pay U.S. income taxes on those funds.

Operating activities

Cash provided by operating activities increased in the first six months of 2014 compared to the first six months of 2013. We benefited $45 million due to favorable timing on collections of receivables, primarily in our Space and Defense Controls and Medical Devices segments. The change in the cash provided by operating activities was negatively impacted $21 million due to the unfavorable timing of payments in our Aircraft Controls and Space and Defense Controls segments.

Investing activities

Cash used by investing activities for the first six months of 2014 includes $35 million used for capital expenditures and $9 million used to redeem our 7¼% senior subordinated notes that were invested in our supplementary retirement plan. Cash used by investing activities in the first six months of 2013 includes $70 million used for two acquisitions, one in our Space and Defense Controls segment and one in our Components segment, $45 million used for capital expenditures and $13 million resulting from redeeming our 6¼% senior subordinated notes that were invested in our supplementary retirement plan.

We expect our 2014 capital expenditures to be approximately $105 million.

Financing activities

The cash used by financing activities for the first six months of 2014 includes $20 million to fund our stock repurchase program and $7 million for the call premium on our 7¼% senior subordinated notes. Within financing activities in 2014, we used credit facility borrowings to fund the redemption of our 7¼% senior subordinated notes. Cash provided by financing activities for the first six months of 2013 includes borrowings to fund a higher level of acquisitions. Within financing activities in 2013, we used credit facility borrowings to fund the redemption of our 6¼% senior subordinated notes.

Off Balance Sheet Arrangements

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

Contractual Obligations and Commercial Commitments

Our contractual obligations and commercial commitments have not changed materially from the disclosures in our 2013 Annual Report on Form 10-K, with the exception of the redemption of our 7¼% senior subordinated notes, which was completed on December 19, 2013.

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 December 19, 2013, we repurchased our 7¼% senior subordinated notes due on January 15, 2018 at 103.625%, pursuant to an early redemption right. We redeemed the aggregate principal amount of $200 million using proceeds drawn from our U.S. revolving credit facility.

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

Our largest credit facility is our U.S. revolving credit facility, which matures on March 28, 2018. It consists of a $900 million revolver and had an outstanding balance of $591 million at March 29, 2014. Interest on the majority of the outstanding credit facility borrowings is based on LIBOR plus the applicable margin, which was 113 basis points at March 29, 2014. The credit facility is secured by substantially all of our U.S. assets.

The U.S. revolving 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 $165 million for 2014 and increases by $10 million each year thereafter. We are in compliance with all covenants. EBITDA is defined in the loan agreement as (i) the sum of net income, interest expense, income taxes, depreciation expense, amortization expense, other non-cash items reducing consolidated net income and non-cash equity-based compensation expenses minus (ii) other non-cash items increasing consolidated net income.

We are generally not required to obtain the consent of lenders of the U.S. revolving credit facility before raising significant additional debt financing; however, certain limitations and conditions may apply that would require consent to be obtained. In recent years, we have demonstrated our ability to secure consents to access debt markets. We have also been successful in accessing equity markets from time to time. We believe that we will be able to obtain additional debt or equity financing as needed.

At March 29, 2014, we had $305 million of unused borrowing capacity, including $295 million from the U.S. revolving credit facility after considering standby letters of credit. The entire unused borrowing capacity as of March 29, 2014 was available to us without violating any of our U.S. revolving credit facility covenants.

We have a trade receivables securitization facility (the "Securitization Program"), which terminates on February 13, 2015. Under the Securitization Program, we sell certain trade receivables and related rights to an affiliate, which in turn sells an undivided variable percentage ownership interest in the trade receivables to a financial institution, while maintaining a subordinated interest in a portion of the pool of trade receivables. The Securitization Program can be extended by agreement of the parties thereto for successive 364-day terms. The Securitization Program effectively

increases our borrowing capacity by up to $100 million and lowers our cost to borrow funds as compared to the U.S. revolving credit facility. We had an outstanding balance of $100 million at March 29, 2014. The Securitization Program reduced the amount outstanding under our U.S. revolving credit facility and increased the amount of short-term borrowings. The Securitization Program has a minimum borrowing requirement, which was $80 million at March 29, 2014. Interest on the secured borrowings under the Securitization Program was 80 basis points at March 29, 2014 and is based on prevailing market rates for short-term commercial paper plus an applicable margin.

Net debt to capitalization was 24% at March 29, 2014 and 26% at September 28, 2013. The decrease in net debt to capitalization is primarily due to our positive cash flow and net earnings in the first six months of 2014.

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.

On January 24, 2014, the Board of Directors amended our share repurchase program. The program includes both Class A and Class B common shares, and allows us to buy up to an aggregate four million common shares, approximately 9% of all common shares outstanding, at management's discretion. Under this program, we have purchased approximately 358,000 shares for $23 million as of March 29, 2014.

ECONOMIC CONDITIONS AND MARKET TRENDS

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

Aerospace and Defense

Approximately 61% of our 2013 sales were generated in aerospace and defense markets. Within aerospace and defense, we serve three end markets: defense, commercial aircraft and space.

The defense market is dependent on military spending for development and production programs. Aircraft production programs are typically long-term in nature, offering predictability as to capacity needs and future revenues. We maintain positions on numerous high priority programs, including the F-35 Joint Strike Fighter, F/A-18E/F Super Hornet and V-22 Osprey. The large installed base of our products leads to attractive aftermarket sales and service opportunities. The tactical missile, missile defense and defense controls markets are dependent on many of the same market conditions as military aircraft, including overall military spending and program funding levels. Our homeland security product line is dependent on government funding at federal and local levels, as well as private sector demand. Additional cuts to the U.S. Department of Defense's mandatory and discretionary budgeted spending, which became effective on March 1, 2013, resulting from the 2011 Budget Control Act, will have ramifications for the aerospace and defense market. The Budget Control Act provides that cuts of approximately $500 billion over the next decade (which is generally referred to as sequestration) are uniform by category for programs, projects and activities within accounts. The Bipartisan Budget Act of 2013, passed and signed into law in January 2014, provides some opportunities to lessen the effects of sequestration. Although federal agencies have received guidance from the Office of Management and Budget of how to implement the new spending parameters of sequestration, at this time, we do not have material information from our defense customers that would allow us to reliably estimate the impact of sequestration or the Bipartisan Budget Act of 2013. We believe that our military aftermarket sales remain likely to be most affected. Currently, we have approximately $650 million in U.S. defense sales forecasted for 2014.

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

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

Industrial

Approximately 39% of our 2013 sales were generated in industrial markets. Within industrial, we serve three end markets: industrial automation, energy and medical.

The industrial automation market we serve is influenced by several factors including capital investment, product innovation, economic growth, cost-reduction efforts and technology upgrades. We experience challenges from the need to react to the demands of our customers, who are in large part sensitive to international and domestic economies.

The energy market is in part affected by changing oil and natural gas prices, global urbanization and the resulting increase in demand for global energy. Drivers for global growth include investments in power generation infrastructure, including renewable energy, and exploration for new resource reservoirs.

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

Foreign Currencies

We are affected by the movement of foreign currencies compared to the U.S. dollar, particularly in our Industrial Systems segment. About one-third of our 2013 sales were denominated in foreign currencies. The translation of the results of our foreign subsidiaries into U.S. dollars did not have a significant impact on our sales in the first six months of 2014 compared to the same period one year ago.

Cautionary Statement

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

- the markets we serve are cyclical and sensitive to domestic and foreign economic conditions and events, which may cause our operating results to fluctuate;
- we operate in highly competitive markets with competitors who may have greater resources than we possess;
- we depend heavily on government contracts that may not be fully funded or may be terminated, and the failure to receive funding or the termination of one or more of these contracts could reduce our sales and increase our costs;
- we make estimates in accounting for long-term contracts, and changes in these estimates may have significant impacts on our earnings;
- we enter into fixed-price contracts, which could subject us to losses if we have cost overruns;
- if our subcontractors or suppliers fail to perform their contractual obligations, our prime contract performance and our ability to obtain future business could be materially and adversely impacted;
- contracting on government programs is subject to significant regulation, including rules related to bidding, billing and accounting kickbacks and false claims, and any non-compliance could subject us to fines and penalties or possible debarment;
- the loss of Boeing as a customer or a significant reduction in sales to Boeing could adversely impact our operating results;
- our new product research and development efforts may not be successful which could reduce our sales and earnings;
- our inability to adequately enforce and protect our intellectual property or defend against assertions of infringement could prevent or restrict our ability to compete;
- our business operations may be adversely affected by information systems interruptions, intrusions or new software implementations;
- 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 and equity and increase our 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 may be affected if we cannot identify, acquire or integrate strategic acquisitions, or if we engage in divesting activities;
- our operations in foreign countries expose us to political and currency risks and adverse changes in local legal and regulatory environments;
- unforeseen exposure to additional income tax liabilities may affect our operating results;
- government regulations could limit our ability to sell our products outside the United States and could otherwise adversely affect our business;
- the failure or misuse of our products may damage our reputation, necessitate a product recall or result in claims against us that exceed our insurance coverage, thereby requiring us to pay significant damages;
- future terror attacks, war, natural disasters or other catastrophic events beyond our control could negatively impact our business; and

- our operations are subject to environmental laws, and complying with those laws may cause us to incur significant costs.

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Refer to the Company’s Annual Report on Form 10-K for the year ended September 28, 2013 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.

On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission issued an updated version of its Internal Control - Integrated Framework ("2013 Framework"). Originally issued in 1992 ("1992 Framework"), the framework provides principles-based guidance for designing and implementing effective internal controls. The 1992 Framework remains available during the transition period, which extends to December 15, 2014. As of March 29, 2014, we continue to utilize the 1992 Framework.

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 29, 2014.

Period	(a) Total Number of Shares Purchased (1)(2)	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May yet be Purchased Under the Plans or Programs (3)
December 29, 2013 - January 31, 2014	13,128	$67.53	2,440	3,996,360
February 1, 2014 - February 28, 2014	12,660	60.51	—	3,996,360
March 1, 2014 - March 29, 2014	376,733	63.96	354,199	3,642,161
Total	402,521	$63.97	356,639	3,642,161

(1) Reflects purchases by the SECT of shares of Class B common stock from the Moog Inc. Retirement Savings Plan (RSP) as follows: January, 7,953 shares at $67.64 per share, February, 12,435 shares at $60.49 per share and March, 20,834 shares at $64.98 per share. Purchases by the SECT from members of the Moog family included: January, 2,735 shares of Class B common stock at $67.10 per share and in February, 225 shares of Class B common stock at $61.59 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 March, we accepted delivery of 1,700 shares at $64.21 per share, in connection with the exercise of stock options.

(3) In December 2011, the Board of Directors authorized a share repurchase program, which was amended in January 2014. The program permits the purchase of up to 4,000,000 shares of Class A or Class B common stock in open market or privately negotiated transactions at the discretion of management. During January, we purchased 2,440 Class B shares at an average price of $67.66 per share and in March, we purchased 354,199 Class A shares at an average price of $63.90 per share.

Item 6. Exhibits.

(a) Exhibits

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

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

SIGNATURES

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

			Moog Inc.
			(Registrant)
Date:	April 30, 2014	By	/s/ John R. Scannell John R. Scannell Chairman Chief Executive Officer (Principal Executive Officer)
Date:	April 30, 2014	By	/s/ Donald R. Fishback Donald R. Fishback Vice President Chief Financial Officer (Principal Financial Officer)
Date:	April 30, 2014	By	/s/ Jennifer Walter Jennifer Walter Controller (Principal Accounting Officer)