MOOG INC
Form 10-Q
May 05, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended March 29, 2008

OR

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

For the transition period from _________ to _________

Commission File Number: 1-5129

MOOG INC.

(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a smaller reporting company)	

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

Yes o No þ

The number of shares outstanding of each class of common stock as of May 1, 2008 was:

Class A common stock, $1.00 par value 38,555,172 shares

Class B common stock, $1.00 par value 4,064,657 shares

MOOG INC.
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PART I FINANCIAL INFORMATION
Item 1. Financial Statements.

MOOG INC.
Consolidated Condensed Balance Sheets
(Unaudited)

(dollars in thousands)	March 29, 2008	September 29, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 92,706	$ 83,856
Receivables	485,236	431,978
Inventories	409,053	359,250
Other current assets	70,914	61,767
TOTAL CURRENT ASSETS	1,057,909	936,851
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $392,470 and $361,120, respectively	417,225	386,813
GOODWILL	554,761	538,433
INTANGIBLE ASSETS, net	79,293	81,916
OTHER ASSETS	38,309	62,166
TOTAL ASSETS	$ 2,147,497	$ 2,006,179
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Notes payable	$ 1,653	$ 3,354
Current installments of long-term debt	2,568	2,537
Accounts payable	128,903	113,942
Customer advances	31,295	34,224
Contract loss reserves	15,064	12,362
Other accrued liabilities	165,265	153,809
TOTAL CURRENT LIABILITIES	344,748	320,228
LONG-TERM DEBT, excluding current installments		
Senior debt	461,395	411,543
Senior subordinated notes	200,081	200,089
LONG-TERM PENSION AND RETIREMENT OBLIGATIONS	142,443	113,354
DEFERRED INCOME TAXES	63,042	80,419
OTHER LONG-TERM LIABILITIES	5,067	3,334
TOTAL LIABILITIES	1,216,776	1,128,967
SHAREHOLDERS EQUITY		
Common stock	48,605	48,605
Other shareholders equity	882,116	828,607

TOTAL SHAREHOLDERS EQUITY	930,721	877,212
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 2,147,497	$ 2,006,179

See accompanying Notes to Consolidated Condensed Financial Statements.

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MOOG INC.
Consolidated Condensed Statements of Earnings
(Unaudited)

(dollars in thousands, except per share data)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007	Six Months Ended March 29, 2008	Six Months Ended March 31, 2007
NET SALES	$ 468,838	$ 384,914	$ 915,245	$ 740,895
COST OF SALES	319,203	256,425	617,980	491,724
GROSS PROFIT	149,635	128,489	297,265	249,171
Research and development	26,076	25,655	50,168	47,893
Selling, general and administrative	72,939	60,749	144,221	117,495
Interest	9,223	6,382	18,935	12,067
Other	(1,131)	(535)	(1,017)	76
EARNINGS BEFORE INCOME TAXES	42,528	36,238	84,958	71,640
INCOME TAXES	13,900	11,751	28,655	23,089
NET EARNINGS	$ 28,628	$ 24,487	$ 56,303	$ 48,551
NET EARNINGS PER SHARE				
Basic	$ .67	$ .58	$ 1.32	1.15
Diluted	.66	.57	1.30	1.13
AVERAGE COMMON SHARES OUTSTANDING				
Basic	42,601,255	42,421,490	42,543,291	42,369,585
Diluted	43,242,298	43,102,869	43,250,479	43,059,806

See accompanying Notes to Consolidated Condensed Financial Statements.

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MOOG INC.
Consolidated Condensed Statements of Cash Flows
(Unaudited)

(dollars in thousands)	Six Months Ended March 29, 2008	March 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 56,303	$ 48,551
Adjustments to reconcile net earnings to net cash (used) provided by operating activities:		
Depreciation	22,976	19,374
Amortization	7,746	4,930
Provisions for non-cash losses on contracts, inventories and receivables	14,298	12,594
Equity-based compensation expense	2,310	2,200
Other	(262)	(1,198)
Changes in assets and liabilities (using) providing cash, excluding the effects of acquisitions:		
Receivables	(44,105)	(26,103)
Inventories	(48,206)	(38,344)
Customer advances	(3,712)	2,912
Other assets and liabilities	10,268	754
NET CASH PROVIDED BY OPERATING ACTIVITIES	17,616	25,670
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of businesses, net of acquired cash	(9,101)	(85,453)
Purchase of property, plant and equipment	(46,222)	(52,853)
Other	(1,243)	1,117
NET CASH USED BY INVESTING ACTIVITIES	(56,566)	(137,189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments of notes payable	(1,878)	(1,610)
Net proceeds from revolving lines of credit	47,000	124,000
Proceeds from long-term debt		498
Payments on long-term debt	(948)	(27,100)
Excess tax benefits from share-based payment arrangements	811	901
Other	(3,339)	1,771
NET CASH PROVIDED BY FINANCING ACTIVITIES	41,646	98,460
Effect of exchange rate changes on cash	6,154	1,691

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,850	(11,368)
Cash and cash equivalents at beginning of period	83,856	57,821
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 92,706	$ 46,453
CASH PAID FOR:		
Interest	$ 20,774	$ 11,556
Income taxes, net of refunds	19,531	19,425

See accompanying Notes to Consolidated Condensed Financial Statements.

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MOOG INC.
Notes to Consolidated Condensed Financial Statements
Six Months Ended March 29, 2008
(Unaudited)
(dollars in thousands, except per share data)

Note 1 Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting of normal recurring adjustments considered necessary for the fair presentation of results for the interim period have been included. The results of operations for the three and six months ended March 29, 2008 are not necessarily indicative of the results expected for the full year. The accompanying unaudited consolidated condensed financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the fiscal year ended September 29, 2007. All references to years in these financial statements are to fiscal years.

Note 2 Acquisitions

All of our acquisitions are accounted for under the purchase method and, accordingly, the operating results for the acquired companies are included in the consolidated statements of earnings from the respective dates of acquisition.

On November 20, 2007, we acquired PRIZM Advanced Communication Electronics Inc. The purchase price, net of cash acquired, was $12,000, which was financed with credit facility borrowings and issuance of $3,000 of unsecured notes to the sellers payable on March 31, 2009. PRIZM specializes in the design of fiber optic and wireless video and data multiplexers used in commercial and military subsea markets for oil and gas exploration, terrestrial robots and remote sensing applications. This acquisition is included in our Components segment.

On September 12, 2007, we acquired QuickSet International, Inc. The purchase price, net of cash acquired, was $41,109, which was financed with credit facility borrowings. QuickSet is a manufacturer of precision positioning systems and pan and tilt mechanisms. QuickSet s products are used to position surveillance cameras, thermal imagers, sensors and communication antennae for military, homeland defense and commercial surveillance for securing national borders, commercial ports, strategic missile silos and military protection systems. This acquisition is principally included as part of our Space and Defense Controls segment and will contribute to growth in our defense controls market and accelerate our business development in homeland security. Annual sales for the twelve months preceding the acquisition were approximately $22,000. During 2008, we completed our purchase price allocation for the acquisition and, as a result, goodwill increased by $2,295 and intangible assets decreased by $2,081.

On September 6, 2007, we acquired Techtron, a commercial slip ring manufacturer, for $5,600 in cash. This acquisition is included as part of our Components segment.

On May 3, 2007, we acquired Thermal Control Products Inc. The purchase price, net of cash acquired, was $6,887. We paid $4,037 in cash, which was financed with credit facility borrowings, and issued unsecured notes to the sellers payable over three years with a discounted present value of $2,850. Thermal Control Products specializes in the design, prototype and manufacture of electronic cooling and air moving systems for the automotive, telecommunications, server and electronic storage markets and is included as part of our Components segment.

On March 16, 2007, we acquired ZEVEX International, Inc. The purchase price, net of cash acquired, was $82,473, which was financed with credit facility borrowings, and $1,796 in assumed debt. ZEVEX manufactures and distributes a line of ambulatory pumps, stationary pumps and disposable sets that are used in the delivery of enteral nutrition for hospital, long-term care facilities, neonatal and patient home use. ZEVEX also designs, develops and manufactures surgical tools and sensors and provides engineered solutions for the medical marketplace. This acquisition further expands our participation in medical markets. Annual sales for the twelve months preceding the acquisition were approximately $43,000.

In the first quarter of 2007, we acquired a ball screw manufacturer. The adjusted purchase price was $2,567 paid in cash and $2,935 in assumed debt.

Our purchase price allocations are substantially complete with the exception of PRIZM s purchase price allocation, which is based on preliminary estimates of fair values of assets acquired and liabilities assumed.

Note 3 Equity-Based Compensation

We have stock option plans that authorize the issuance of options for shares of Class A common stock to directors, officers and key employees. Stock option grants are designed to reward long-term contributions to Moog and provide incentives for recipients to remain with Moog. The 2003 Stock Option Plan authorizes the issuance of options for 1,350,000 shares of Class A common stock. The 1998 Stock Option Plan authorizes the issuance of options for 2,025,000 shares of Class A common stock. Under the terms of the plans, options may be either incentive or non-qualified. The exercise price, determined by a committee of the Board of Directors, may not be less than the fair market value of the Class A common stock on the grant date. Options become exercisable over periods not exceeding ten years.

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On January 9, 2008, shareholders approved the 2008 Stock Appreciation Rights Plan. The 2008 Stock Appreciation Rights Plan authorizes the issuance of 2,000,000 stock appreciation rights (SARs), which represent the right to receive shares of Class A common stock. Under the terms of the plan, the SARs are non-qualified for U.S. Federal income taxes. The exercise price of the SARs, determined by a committee of the Board of Directors, may not be less than the fair value of the Class A common stock on the grant date. The number of shares received upon exercise of SARs is equal in value to the difference between the fair market value of the Class A common stock on the exercise date and the exercise price of the SAR. The term of a SAR may not exceed ten years from the date of grant.

Equity-based compensation expense is based on share-based payment awards that are ultimately expected to vest. Vesting requirements vary for directors, officers and key employees. In general, options granted to outside directors vest one year from the date of grant, options granted to officers vest on various schedules and options granted to key employees vest in equal annual increments over a five-year period from the date of grant.

Note 4 Inventories

	March 29, 2008	September 29, 2007
Raw materials and purchased parts	$ 148,608	$ 121,622
Work in progress	203,795	183,810
Finished goods	56,650	53,818
Total	$ 409,053	$ 359,250

Note 5 Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the six months ended March 29, 2008 are as follows:

	Balance as of September 29, 2007	Current Year Acquisitions	Adjustment To Prior Year Acquisitions	Foreign Currency Translation	Balance as of March 29, 2008
Aircraft Controls	$ 103,898	$	$	$ 116	$ 104,014
Space and Defense Controls	67,546		2,157		69,703
Industrial Systems	101,465		138	6,064	107,667
Components	153,442	8,132	197	(864)	160,907
Medical Devices	112,082		388		112,470
Total	$ 538,433	$ 8,132	$ 2,880	$ 5,316	$ 554,761

All acquired intangible assets other than goodwill are being amortized. The weighted-average amortization period is eight years for customer-related, technology-related and marketing-related intangible assets and ten years for artistic-related intangible assets. In total, these intangible assets have a weighted-average life of eight years. Customer-related intangible assets primarily consist of customer relationships. Technology-related intangible assets primarily consist of technology, patents, intellectual property and engineering drawings. Marketing-related intangible assets primarily consist of trademarks, tradenames and non-compete agreements.

Amortization of acquired intangible assets was $3,480 and $7,189 for the three and six months ended March 29, 2008 and was $2,184 and $4,302 for the three and six months ended March 31, 2007, respectively. Based on acquired intangible assets recorded at March 29, 2008, amortization is expected to be $13,777 in 2008, $12,395 in 2009, $12,255 in 2010, $12,017 in 2011 and $11,378 in 2012. The gross carrying amount and accumulated amortization for

major categories of acquired intangible assets are as follows:

	March 29, 2008		September 29, 2007	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer-related	$ 67,433	$ (20,038)	$ 64,556	$ (15,181)
Technology-related	32,620	(8,667)	30,560	(6,482)
Marketing-related	15,236	(7,801)	15,229	(7,031)
Artistic-related	25	(16)	25	(15)
Acquired intangible assets	$ 115,314	$ (36,522)	$ 110,370	$ (28,709)

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Note 6 Product Warranties

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

	Three Months Ended		Six Months Ended	
	March 29, 2008	March 31, 2007	March 29, 2008	March 31, 2007
Warranty accrual at beginning of period	$ 7,899	$ 6,046	$ 7,123	$ 5,968
Additions from acquisitions	100	159	100	159
Warranties issued during current period	1,987	2,017	3,799	3,595
Reductions for settling warranties	(1,202)	(1,517)	(2,329)	(3,134)
Foreign currency translation	329	15	420	132
Warranty accrual at end of period	$ 9,113	$ 6,720	$ 9,113	$ 6,720

Note 7 Derivative Financial Instruments

We have foreign currency exposure on intercompany loans that are denominated in a foreign currency and are adjusted to current values using period-end exchange rates. The resulting gains or losses are recorded in the statements of earnings. To minimize the foreign currency exposure, we have foreign currency forwards with notional amounts of $13,231. The foreign currency forwards are recorded in the balance sheet at fair value and resulting gains or losses are recorded in the statements of earnings, generally offsetting the gains or losses from the adjustments on the intercompany loans. At March 29, 2008, the fair value of the foreign currency forwards was a $544 asset, which was included in other current assets. At September 29, 2007, the fair value of the foreign currency forwards was a $1,047 liability, which was included in other accrued liabilities.

We use derivative financial instruments to manage the risk associated with changes in interest rates associated with long-term debt that affect the amount of future interest payments under our U.S. credit facility. During the first six months of 2008, we entered into interest rate swaps with notional amounts totaling $75,000. Based on the applicable margin at March 29, 2008, the interest rate swaps effectively convert this amount of variable-rate debt to fixed-rate debt at 5.6% through their maturities in 2010, at which time the interest will revert back to variable rates based on LIBOR plus the applicable margin. Activity in Accumulated Other Comprehensive Income (AOCI) related to derivatives held by us during the first six months of 2008 is summarized below:

	Pre-Tax Amount	Income Tax	After-Tax Amount
Accumulated gain at September 29, 2007	$	$	$
Net decrease in fair value of derivatives	(2,115)	814	(1,301)
Net reclassification from AOCI into earnings	16	(6)	10
Accumulated loss at March 29, 2008	$ (2,099)	$ 808	$ (1,291)

To the extent that the interest rate swaps are not perfectly effective in offsetting the change in the value of the interest payments being hedged, the ineffective portion of these contracts is recognized in earnings immediately. Ineffectiveness was not material in the first six months of 2008 or 2007. At March 29, 2008, the fair value of interest rate swaps was a $2,200 liability, which is included in other accrued liabilities and other long-term liabilities.

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Note 8 Employee Benefit Plans

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

	Three Months Ended		Six Months Ended	
	March 29, 2008	March 31, 2007	March 29, 2008	March 31, 2007
Service cost	$ 4,114	$ 3,764	$ 8,229	$ 7,514
Interest cost	5,860	5,207	11,719	10,412
Expected return on plan assets	(7,452)	(6,373)	(14,905)	(12,746)
Amortization of prior service cost	265	279	530	558
Amortization of actuarial loss	689	1,133	1,379	2,266
Curtailment loss	70		70	
Pension expense for defined benefit plans	3,546	4,010	7,022	8,004
Pension expense for defined contribution plans	369	339	728	629
Total pension expense for U.S. plans	$ 3,915	$ 4,349	$ 7,750	$ 8,633

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

	Three Months Ended		Six Months Ended	
	March 29, 2008	March 31, 2007	March 29, 2008	March 31, 2007
Service cost	$ 995	$ 928	$ 1,964	$ 1,843
Interest cost	1,456	1,227	2,890	2,433
Expected return on plan assets	(915)	(718)	(1,830)	(1,424)
Amortization of prior service credit	(10)	(9)	(19)	(18)
Amortization of actuarial loss	82	207	166	411
Pension expense for defined benefit plans	1,608	1,635	3,171	3,245
Pension expense for defined contribution plans	470	425	911	781
Total pension expense for non-U.S. plans	$ 2,078	$ 2,060	$ 4,082	$ 4,026

During the six months ended March 29, 2008, we made contributions to our defined benefit pension plans of $164 to the U.S. plans and $2,850 to the non-U.S. plans. We presently don t anticipate contributing any additional amounts to the U.S. plans but do anticipate contributing $2,700 to the non-U.S. plans in 2008 for a total of approximately $5,700. Effective April 1, 2008, our U.S. defined benefit pension plan was amended to freeze enrollment of new entrants. All new employees hired on or after January 1, 2008 are not eligible to participate in the pension plan and, instead, we will make contributions for those employees to an employee-directed investment fund in the Moog Inc. Retirement Savings Plan (RSP), formerly known as the Moog Inc. Savings and Stock Ownership Plan (SSOP). The Company s contributions are based on a percentage of the employee s eligible compensation and age. These contributions are in addition to the employer match.

We gave all current employees participating in the pension plan as of January 1, 2008 the option to either remain in the pension plan and continue to accrue benefits or to elect to stop accruing future benefits in the pension plan as of

April 1, 2008 and instead receive the new Company contribution in the RSP. The employee elections became effective April 1, 2008.

As a result of the employee elections, there was an 18% reduction in expected future service to be considered in calculating future benefits under the pension plan. We recognized a $70 curtailment loss in the second quarter of 2008 and remeasured both our obligation and plan assets. The curtailment and remeasurement reduced other assets by $21,845, increased long-term pension and retirement obligations by $23,657 and resulted in an other comprehensive loss of $27,936, net of deferred taxes of $17,496, due to a decrease in the funded status of the U.S defined benefit pension plan as of March 29, 2008.

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

	Three Months Ended		Six Months Ended	
	March 29, 2008	March 31, 2007	March 29, 2008	March 31, 2007
Service cost	$ 107	$ 101	$ 214	$ 201
Interest cost	312	301	624	602
Amortization of transition obligation	99	99	197	197
Amortization of prior service cost	71	71	143	143
Amortization of actuarial loss	112	129	224	260
Net periodic post-retirement benefit cost	$ 701	$ 701	$ 1,402	$ 1,403

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Note 9 Shareholders Equity

The changes in shareholders equity for the six months ended March 29, 2008 are summarized as follows:

		Number of Shares	
	Amount	Class A Common Stock	Class B Common Stock
COMMON STOCK			
Beginning of period	$ 48,605	40,739,556	7,865,157
Conversion of Class B to Class A		3,800	(3,800)
End of period	48,605	40,743,356	7,861,357
ADDITIONAL PAID-IN CAPITAL			
Beginning of period	301,778		
Equity-based compensation expense	2,310		
Issuance of Treasury shares at more than cost	2,864		
Income tax effect of equity-based compensation	868		
Adjustment to market SECT	(845)		
End of period	306,975		
RETAINED EARNINGS			
Beginning of period	570,063		
Net earnings	56,303		
Adjustment for adoption of FIN 48	(546)		
End of period	625,820		
TREASURY STOCK			
Beginning of period	(39,873)	(2,411,825)	(3,305,971)
Issuance of treasury shares	1,411	264,529	
Purchase of treasury shares	(2,333)	(52,138)	
End of period	(40,795)	(2,199,434)	(3,305,971)
STOCK EMPLOYEE COMPENSATION TRUST (SECT)			
Beginning of period	(15,928)		(361,836)
Issuance of shares	513		11,626
Purchases of shares	(5,793)		(129,842)
Adjustment to market SECT	845		
End of period	(20,363)		(480,052)

ACCUMULATED OTHER COMPREHENSIVE INCOME			
Beginning of period	12,567		
Foreign currency translation adjustment	25,591		
Retirement liability adjustment	1,548		
Pension curtailment and remeasurement impact	(27,936)		
Increase in accumulated loss on derivatives	(1,291)		
End of period	10,479		
TOTAL SHAREHOLDERS EQUITY	$ 930,721	38,543,922	4,075,334

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Note 10 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 (RSP). 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 11 Earnings per Share

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

		Three Months Ended		Six Months Ended	
		March 29, 2008	March 31, 2007	March 29, 2008	March 31, 2007
Weighted-average shares outstanding	Basic	42,601,255	42,421,490	42,543,291	42,369,585
Dilutive effect of stock options		641,043	681,379	707,188	690,221
Weighted-average shares outstanding	Diluted	43,242,298	43,102,869	43,250,479	43,059,806

Note 12 Comprehensive Income

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

	Three Months Ended		Six Months Ended	
	March 29, 2008	March 31, 2007	March 29, 2008	March 31, 2007
Net earnings	$ 28,628	$ 24,487	$ 56,303	$ 48,551
Other comprehensive income (loss):				
Foreign currency translation adjustment	19,624	2,610	25,591	9,773
Retirement liability adjustment, net of tax of $998	1,548		1,548	
Pension curtailment and remeasurement, net of tax of $17,496	(27,936)		(27,936)	
Increase in accumulated loss on derivatives	(872)		(1,291)	(86)
Comprehensive income	$ 20,992	$ 27,097	$ 54,215	$ 58,238

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

	March 29, 2008	September 29, 2007
Cumulative foreign currency translation adjustment	$ 73,240	$ 47,649
Accumulated retirement liability adjustments	(61,470)	(35,082)
Accumulated loss on derivatives	(1,291)	
Accumulated other comprehensive income	$ 10,479	$ 12,567

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Note 13 Segment Information

Below are sales and operating profit by segment for the three and six months ended March 29, 2008 and March 31, 2007 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 equity-based compensation expense and other corporate expenses. Cost of sales and other operating expenses are directly identifiable to the respective segment or allocated on the basis of sales, manpower or profit.

	Three Months Ended		Six Months Ended	
	March 29, 2008	March 31, 2007	March 29, 2008	March 31, 2007
Net sales:				
Aircraft Controls	$ 161,616	$ 145,706	$ 321,197	$ 276,493
Space and Defense Controls	70,086	47,200	127,433	90,865
Industrial Systems	130,176	110,832	252,909	213,063
Components	84,241	69,431	163,828	137,750
Medical Devices	22,719	11,745	49,878	22,724
Net sales	$ 468,838	$ 384,914	$ 915,245	$ 740,895
Operating profit and margins:				
Aircraft Controls	$ 14,255	$ 14,561	$ 29,343	$ 27,880
	8.8%	10.0%	9.1%	10.1%
Space and Defense Controls	9,143	7,124	15,843	12,500
	13.0%	15.1%	12.4%	13.8%
Industrial Systems	18,284	14,779	36,177	28,278
	14.0%	13.3%	14.3%	13.3%
Components	14,584	9,839	29,420	22,954
	17.3%	14.2%	18.0%	16.7%
Medical Devices	349	1,138	3,936	3,283
	1.5%	9.7%	7.9%	14.4%
Total operating profit	56,615	47,441	114,719	94,895
	12.1%	12.3%	12.5%	12.8%
Deductions from operating profit:				
Interest expense	9,223	6,382	18,935	12,067
Equity-based compensation expense	682	598	2,310	2,200
Corporate expenses and other	4,182	4,223	8,516	8,988
Earnings before income taxes	$ 42,528	$ 36,238	$ 84,958	$ 71,640

Note 14 Recent Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting and reporting for income taxes recognized in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken on income tax returns. We adopted the provisions of FIN 48 on September 30, 2007. Previously, we had accounted for tax contingencies in accordance with SFAS No. 5, Accounting for Contingencies. As required by FIN 48, which clarifies SFAS No. 109, we recognized the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, we applied FIN 48 to all tax positions for which the statute of limitations remained open. As a result of the implementation of FIN 48, we recognized an increase of $546 in the liability for unrecognized tax benefits, which was accounted for as a reduction to the September 30, 2007 balance of retained earnings.

The amount of unrecognized tax benefits as of September 30, 2007 was $1,452. That amount includes $1,160 of unrecognized tax benefits, which, if ultimately recognized, will reduce our annual effective tax rate. At March 29, 2008, the balance of unrecognized tax benefits increased to $4,815. The increase from the beginning of the year is primarily the result of a $2,550 second quarter increase related to the Company s reclassification of liabilities recorded in prior periods. The March 29, 2008 balance of unrecognized tax benefits includes $4,556 of unrecognized tax benefits, which, if ultimately recognized, will reduce the Company s annual effective tax rate.

We are subject to income taxes in the U.S. and in various states and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2005.

We are currently under examination by the Internal Revenue Service for 2005 and 2006. We expect that examination will be concluded and settled in the next twelve months. We have unrecognized tax benefits of $1,847 for those years. We believe it is reasonably possible that the resolution of these examinations could result in payments ranging from $1,145 to $2,000.

We accrue interest and penalties related to unrecognized tax benefits in income tax expense for all periods presented. We have accrued $152 for the payment of interest and penalties at September 30, 2007. Subsequent changes to accrued interest and penalties have not been significant.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This statement establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurement. SFAS No.157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are currently evaluating the impact of adopting SFAS No.157 on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedging accounting provisions. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of adopting SFAS No. 159 on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations. This statement replaces SFAS No. 141. The objective of SFAS No. 141(R) is to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. It establishes principles and requirements for the acquirer to recognize and measure the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree, the goodwill acquired or a gain from a bargain purchase. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years

beginning on or after December 15, 2008. Early adoption of this statement is prohibited. We are currently evaluating the impact of adopting SFAS No. 141(R) on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51. The objective of SFAS No. 160 is to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing additional accounting and reporting standards. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. Early adoption of this statement is prohibited. We are currently evaluating the impact of adopting SFAS No. 160 on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133. The objective of SFAS No. 161 is to amend and expand the disclosure requirements with the intent to provides users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the impact of adopting SFAS No. 161 on our consolidated financial statements.

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

The following should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations contained in the Company s Form 10-K for the fiscal year ended September 29, 2007. All references to years in this Management s Discussion and Analysis of Financial Condition and Results of Operations are to fiscal years.

OVERVIEW

We are a worldwide designer, manufacturer and integrator of precision control components and systems. Our products and systems include military and commercial aircraft flight controls, satellite positioning controls, controls for positioning gun barrels and automatic ammunition loading for military combat vehicles, controls for steering tactical and strategic missiles, and thrust vector controls for space launch vehicles. Our products are also used in a wide variety of industrial applications, including injection molding machines for the plastics market, simulators used to train pilots, power generating turbines, test equipment, metal forming, heavy industry and certain medical applications. We operate under five segments, Aircraft Controls, Space and Defense Controls, Industrial Systems, Components and Medical Devices. Our principal manufacturing facilities are located in the United States, including facilities in New York, California, Utah, Virginia, North Carolina, Pennsylvania, Ohio and Illinois, and in Germany, England, Italy, Japan, the Philippines, Ireland and India.

Revenue under long-term contracts, representing approximately one-third of our sales, is recognized using the percentage of completion, cost-to-cost method of accounting. This method of revenue recognition is predominantly used within the Aircraft Controls and Space and Defense Controls segments due to the long-term contractual nature of the business activities, with the exception of their respective aftermarket activities. The remainder of our sales are recognized when the risks and rewards of ownership and title to the product are transferred to the customer, principally as units are delivered or as service obligations are satisfied. This method of revenue recognition is predominantly used within the Industrial Systems, Components and Medical Devices segments, as well as with aftermarket activity.

We intend to increase our revenue base and improve our profitability and cash flows from operations by building on our market leadership positions and by strengthening our niche market positions in the principal markets that we serve. We also expect to maintain a balanced, diversified portfolio in terms of markets served, product applications, customer base and geographic presence. Our strategy to achieve our objectives includes maintaining our technological excellence by building upon our systems integration capabilities while solving our customers most demanding technical problems, growing our profitable aftermarket business, entering and developing new markets by using our broad expertise as a designer and supplier of precision controls, taking advantage of our global engineering, selling and manufacturing capabilities, striving for continuing cost improvements and capitalizing on strategic acquisition opportunities.

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

Acquisitions

All of our acquisitions are accounted for under the purchase method and, accordingly, the operating results for the acquired companies are included in the consolidated statements of earnings from the respective dates of acquisition.

On November 20, 2007, we acquired PRIZM Advanced Communication Electronics Inc. The purchase price, net of cash acquired, was $12 million, which was financed with credit facility borrowings and issuance of $3 million of unsecured notes to the sellers payable on March 31, 2009. PRIZM specializes in the design of fiber optic and wireless video and data multiplexers used in commercial and military subsea markets, for oil and gas exploration, terrestrial robotics and remote sensing applications. This acquisition is included in our Components segment.

On September 12, 2007, we acquired QuickSet International, Inc. The purchase price, net of cash acquired, was $41 million, which was financed with credit facility borrowings. QuickSet is a manufacturer of precision positioning systems and pan and tilt mechanisms. QuickSet s products are used to position surveillance cameras, thermal imagers, sensors and communication antennae for military, homeland defense and commercial surveillance for securing

national borders, commercial ports, strategic missile silos and military protection systems. This acquisition is principally included as part of our Space and Defense Controls segment and will accelerate business development in our homeland security market. Annual sales for the twelve months preceding the acquisition were approximately $22 million. During 2008, we completed our purchase price allocation for the acquisition and, as a result, goodwill increased by $2 million and intangible assets decreased by $2 million.

On September 6, 2007, we acquired Techtron, a commercial slip ring manufacturer, for $5.6 million in cash. This acquisition is included as part of our Components segment.

On May 3, 2007, we acquired Thermal Control Products Inc. The purchase price, net of cash acquired, was $7 million. We paid $4 million in cash, which was financed with credit facility borrowings, and issued unsecured notes to the sellers payable over three years with a discounted present value of $3 million. Thermal Control Products specializes in the design, prototype and manufacture of electronic cooling and air moving systems for the automotive, telecommunications, server and electronic storage markets and is included as part of our Components segment.

On March 16, 2007, we acquired ZEVEX International, Inc. The purchase price, net of cash acquired, was $82 million, which was financed with credit facility borrowings, and $2 million in assumed debt. ZEVEX manufactures and distributes a line of ambulatory pumps, stationary pumps and disposable sets that are used in the delivery of enteral nutrition for hospital, long-term care facilities, neonatal and patient home use. ZEVEX also designs, develops and manufactures surgical tools and sensors and provides engineered solutions for the medical marketplace. This acquisition further expands our participation in medical markets. Annual sales for the twelve months preceding the acquisition were approximately $43 million.

In the first quarter of 2007, we acquired a ball screw manufacturer for $2.6 million in cash and $2.9 million in assumed debt.

Our purchase price allocations are substantially complete with the exception of PRIZM s purchase price allocation, which is based on preliminary estimates of fair values of assets acquired and liabilities assumed.

CRITICAL ACCOUNTING POLICIES

There have been no changes in critical accounting policies in the current year from those disclosed in our 2007 Form 10-K.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting and reporting for income taxes recognized in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken on income tax returns. We adopted the provisions of FIN 48 on September 30, 2007. Previously, we had accounted for tax contingencies in accordance with SFAS No. 5, Accounting for Contingencies. As required by FIN 48, which clarifies SFAS No. 109, we recognized the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, we applied FIN 48 to all tax positions for which the statute of limitations remained open. As a result of the implementation of FIN 48, we recognized an increase of one-half million dollars in the liability for unrecognized tax benefits, which was accounted for as a reduction to the September 30, 2007 balance of retained earnings.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This statement establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurement. SFAS No.157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are currently evaluating the impact of adopting SFAS No. 157 on our consolidated financial statements.

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In December 2007, the FASB issued SFAS No. 141(R), Business Combinations. This statement replaces SFAS No. 141. The objective of SFAS No. 141(R) is to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. It establishes principles and requirements for the acquirer to recognize and measure the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree, the goodwill acquired or a gain from a bargain purchase. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. Early adoption of this statement is prohibited. We are currently evaluating the impact of adopting SFAS No. 141(R) on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51. The objective of SFAS No. 160 is to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing additional accounting and reporting standards. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. Early adoption of this statement is prohibited. We are currently evaluating the impact of adopting SFAS No. 160 on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133. The objective of SFAS No. 161 is to amend and expand the disclosure requirements with the intent to provides users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the impact of adopting SFAS No. 161 on our consolidated financial statements.

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CONSOLIDATED RESULTS OF OPERATIONS AND OUTLOOK

	Three Months Ended		Six Months Ended	
(dollars in millions)	March 29, 2008	March 31, 2007	March 29, 2008	March 31, 2007
Net sales	$ 468.8	$ 384.9	$ 915.2	$ 740.9
Gross margin	31.9%	33.4%	32.5%	33.6%
Research and development expenses	$ 26.1	$ 25.7	$ 50.2	$ 47.9
Selling, general and administrative expenses as a percentage of sales	15.6%	15.8%	15.8%	15.9%
Interest expense	$ 9.2	$ 6.4	$ 18.9	$ 12.1
Effective tax rate	32.7%	32.4%	33.7%	32.2%
Net earnings	$ 28.6	$ 24.5	$ 56.3	$ 48.6

Net sales increased $84 million in the second quarter of 2008 over the second quarter of 2007 and $174 million in the first half of the year over the comparable period a year ago. Sales increased in each of our segments. Recent acquisitions contributed $42 million of the incremental sales in the second quarter of 2008 and $75 million in the first half of 2008.

Our gross margin was lower in the second quarter of 2008 compared to 2007. Our gross margin was affected by additions to contract loss reserves, which were $6 million higher in the second quarter of 2008 compared to the second quarter of 2007, primarily related to a loss reserve in our Space and Defense Controls segment. In addition, our Aircraft Controls margins were lower in the quarter as a greater proportion of that business came from the cost-plus F-35 Joint Strike Fighter program.

Our gross margin was also lower in the first half of 2008 compared to 2007. Our Aircraft Controls margins were lower in the first half of 2008 as a greater proportion of that business was on the F-35 program. Also impacting our gross margin in the first half of 2008 were charges for purchase accounting from recent acquisitions. These charge were $4 million higher in the first half of 2008 compared to 2007.

Research and development expenses were approximately the same in the second quarter of 2008 compared to the second quarter of 2007, however they increased $2 million in the first half of 2008 over the same period last year. The higher level of research and development expenses largely resulted from the ZEVEX acquisition in our Medical Devices segment, while development activities on a number of aircraft initiatives that increased were offset by a decline on the Boeing 787 program.

Selling, general and administrative expenses as a percentage of sales were down slightly compared to the same periods last year in both the second quarter and first half of 2008 as we continue to gain efficiencies associated with our higher sales volume.

Interest expense was higher in the second quarter and first half of 2008 compared to the same periods in 2007. Higher debt levels associated with our acquisitions accounted for approximately one-half of the increases while borrowings to fund working capital requirements and capital expenditures contributed the other half. Partially offsetting the effect of higher debt levels in the second quarter was a reduction in interest rates.

The effective tax rate for the second quarter of 2008 was comparable to the second quarter of 2007. The effective tax rate for the first half of 2008 was higher than the first half of 2007 due to additional tax exposures associated with foreign operations that were recorded in the first quarter of 2008.

Net earnings increased 17% and 16% in the second quarter and first half of 2008, respectively, and diluted earnings per share increased 16% and 15% in the second quarter and first half of 2008, respectively.

2008 Outlook We expect sales in 2008 to increase 18% to approximately $1.85 billion with increases in each of our segments. Sales are expected to increase $80 million in Industrial Systems, $70 million in Aircraft Controls, $61 million in Space and Defense Controls, $47 million in Components and $30 million in Medical Devices over

2007. We expect our operating margin to be 12.4% in 2008, comparable to the 12.5% level we achieved in 2007. Operating margins are expected to increase in Industrial Systems and Components and decline in Medical Devices, Space and Defense Controls and Aircraft Controls. We expect net earnings to increase to $117 million. We expect diluted earnings per share to increase by approximately 16% to $2.71.

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SEGMENT RESULTS OF OPERATIONS AND OUTLOOK

Operating profit, as presented below, is net sales less cost of sales and other operating expenses, excluding equity-based compensation expense and other corporate expenses. Cost of sales and other operating expenses are directly identifiable to the respective segment or allocated on the basis of sales, manpower or profit. Operating profit is reconciled to earnings before income taxes in Note 13 of the Notes to Consolidated Condensed Financial Statements included in this report.

Aircraft Controls

	Three Months Ended		Six Months Ended	
(dollars in millions)	March 29, 2008	March 31, 2007	March 29, 2008	March 31, 2007
Net sales military aircraft	$ 97.8	$ 76.4	$ 188.6	$ 155.9
Net sales commercial aircraft	63.8	69.3	132.6	120.6
	$ 161.6	$ 145.7	$ 321.2	$ 276.5
Operating profit	$ 14.3	$ 14.6	$ 29.3	$ 27.9
Operating margin	8.8%	10.0%	9.1%	10.1%
Backlog			$ 309.3	$ 297.5

Net sales in Aircraft Controls increased $16 million, or 11%, in the second quarter of 2008 and $45 million, or 16%, in the first half of 2008. Military aircraft sales increased $21 million in the second quarter and $33 million in the first six months. Sales increased $13 million in the quarter and $18 million in the first six months on the F-35 program as we design, develop and build hardware for the conventional takeoff, short takeoff and carrier versions of the F-35. Military aftermarket sales increased $3 million in the quarter and $6 million in the first six months. The remaining increases in military aircraft sales relate to production programs including the Black Hawk helicopter, the V-22 Osprey and the F/A-18 E/F Super Hornet. Commercial aircraft sales decreased $6 million in the second quarter of 2008 compared to last year primarily related to lower sales to Boeing. In the second quarter of 2007, we received our initial contract for the 787, resulting in very strong sales. In addition, our sales to Boeing on their production aircraft decreased in the second quarter of 2008 primarily related to the timing of receiving orders. Commercial aircraft sales increased $12 million in the first six months, primarily related to a $9 million increase in business jets and $2 million related to the start up on the 787 contract in last year s second quarter.

Our operating margin was lower in the second quarter and first half of 2008 as a greater proportion of sales came from the cost-plus F-35 program. This impact was partially offset by $4 million of lower additions to contract loss reserves in the first half of 2008 compared to 2007.

Twelve-month backlog for Aircraft Controls increased to $309 million at March 29, 2008 from $298 million at March 31, 2007 due to strong commercial aircraft orders, particularly for business jets.

2008 Outlook for Aircraft Controls We expect sales in Aircraft Controls to increase 12% to $657 million in 2008. Military aircraft sales are expected to increase $55 million, or 17%, mainly due to increases on the F-35 program, aftermarket and the V-22 program. Commercial aircraft sales are expected to increase $15 million, or 6%, to $277 million, principally related to business jets. We expect our operating margin to be 9.9% in 2008 compared to 10.4% in 2007. This decline is a result of product mix shift to programs with lower margins.

Space and Defense Controls

(dollars in millions)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007	Six Months Ended March 29, 2008	Six Months Ended March 31, 2007
Net sales	$ 70.1	$ 47.2	$ 127.5	$ 90.9
Operating profit	$ 9.1	$ 7.1	$ 15.8	$ 12.5
Operating margin	13.0%	15.1%	12.4%	13.8%
Backlog			$ 168.8	$ 124.8

Net sales in Space and Defense Controls increased $23 million, or 48%, in the second quarter of 2008 and $37 million, or 40%, in the first half of 2008. The increase resulted primarily from $23 million of sales from the recently acquired QuickSet business in the second quarter and $33 million in the first half of 2008. QuickSet sales include $18 million and $24 million in the second quarter and first half of 2008, respectively, on the Driver s Vision Enhancer (DVE) program in the defense controls market. QuickSet also contributed $5 million in the quarter and $9 million in the first half in sales of surveillance systems in our homeland security product line. The Constellation program, which is replacing the Space Shuttle, generated $7 million and $10 million in the second quarter and first half of 2008, respectively, which more than offset the $2 million and $5 million declines in sales for the Space Shuttle in the second quarter and first half of 2008, respectively.

Our operating margin for Space and Defense Controls declined in the second quarter and first half of 2008 as we established a $4 million loss reserve for thruster valves used on satellites. This impact was offset by strong margins on the DVE program.

The higher level of twelve-month backlog at March 29, 2008 compared to March 31, 2007 relates to orders for defense controls and homeland security products from the QuickSet acquisition and increased orders on tactical missile programs.

2008 Outlook for Space and Defense Controls We expect sales in Space and Defense Controls to increase 33% to $246 million in 2008. We expect increases in homeland security and defense controls largely as a result of the QuickSet acquisition. We also expect an increase on the Constellation program, which includes work on the Ares I Crew Launch and Orion Crew Exploration vehicles. We expect our operating margin in 2008 to be 11.2%, down from 13.1% in 2007, mostly as a result of the loss reserve on the satellite thruster valves.

Industrial Systems

(dollars in millions)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007	Six Months Ended March 29, 2008	Six Months Ended March 31, 2007
Net sales	$ 130.2	$ 110.8	$ 252.9	$ 213.1
Operating profit	$ 18.3	$ 14.8	$ 36.2	$ 28.3
Operating margin	14.0%	13.3%	14.3%	13.3%
Backlog			$ 192.4	$ 120.3

Net sales in Industrial Systems increased $19 million, or 17%, in the second quarter of 2008 and $40 million, or 19% in the first half of 2008. Stronger foreign currencies, in particular the euro, compared to the U.S. dollar had a positive impact on sales, representing approximately half of the sales increase in the second quarter and first half of the year. Sales were up in nearly all of our major markets including simulation, metal forming and presses, power generation, heavy industry and plastics making machinery. Sales growth in simulation of $4 million in the quarter and $9 million

for the first half of 2008 are a result of very strong deliveries to CAE and Flight Safety. Growth in sales of controls for metal forming and presses of $4 million in the quarter and $7 million on a year-to-date basis relates mostly to strong demand in Europe. Sales in power generation increased $2 million in the quarter and first half and relates to strong demand in Asia. Sales growth in heavy industry, which represents equipment used in steel mills, was $1 million in the second quarter and $6 million in the first half, with increases coming mainly in China and Europe. Growth in our sales of controls for plastics making machinery, our largest industrial market, increased slightly in the quarter and increased $3 million in the first half of the year. In addition, we had stronger sales in aftermarket, through our distribution network and in the oil and gas market.

Our operating margin for Industrial Systems improved in the second quarter and first half of 2008 over the comparable 2007 periods due to higher volume and operating efficiencies.

The higher level of twelve-month backlog for Industrial Systems at March 29, 2008 compared to March 31, 2007 primarily relates to orders in simulation, power generation and heavy industry markets.

2008 Outlook for Industrial Systems We expect sales in Industrial Systems to increase 18% to $516 million in 2008. We expect sales growth in most of our major markets with the largest increases in simulation and metal forming and presses. We expect our operating margin to be 14.3% in 2008, an improvement over 13.2% in 2007, primarily due to the higher volume.

Components

(dollars in millions)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007	Six Months Ended March 29, 2008	Six Months Ended March 31, 2007
Net sales	$ 84.2	$ 69.4	$ 163.8	$ 137.8
Operating profit	$ 14.6	$ 9.8	$ 29.4	$ 23.0
Operating margin	17.3%	14.2%	18.0%	16.7%
Backlog			$ 177.0	$ 129.9

Net sales in Components increased $15 million, or 21%, in the second quarter and $26 million, or 19%, in the first half of 2008. We experienced improvements in every market. The acquisitions of Thermal Control Products, Techtron and PRIZM contributed $3 million of the sales increase in the quarter and $7 million in the first six months. Marine sales increased $5 million in the quarter and $8 million in the first half as the continuing increase in the price of oil drives demand. Marine sales were also helped by the PRIZM acquisition. Sales of defense controls, including components supplied on the Commander s Independent Viewer for the Bradley fighting vehicle, increased $4 million in the second quarter and $6 million in the first half of 2008. Aircraft sales increased $3 million in the second quarter and $5 million in the first half of 2008 due primarily to the start-up of the Guardian program, a system designed to protect military and commercial aircraft from shoulder-fired missiles. Industrial sales increased $3 million in the quarter and $6 million year-to-date, largely a result of the Thermal Control Products and Techtron acquisitions.
Our operating margin improved in both the second quarter and first half of 2008 relative to 2007 primarily as a result of sales volume.
The higher level of twelve-month backlog at March 29, 2008 compared to March 31, 2007 primarily relates to increased orders for military aircraft programs and defense controls.
2008 Outlook for Components We expect sales in Components to increase 17% to $330 million in 2008, with increases in every market. We expect our operating margin to be 16.8% in 2008, an improvement over the 15.7% level we achieved in 2007, primarily as a result of the sales volume increases.

Medical Devices

(dollars in millions)	Three Months Ended March 29, 2008	Three Months Ended March 31, 2007	Six Months Ended March 29, 2008	Six Months Ended March 31, 2007
Net sales	$ 22.7	$ 11.7	$ 49.9	$ 22.7
Operating profit	$ .3	$ 1.1	$ 3.9	$ 3.3
Operating margin	1.5%	9.7%	7.9%	14.4%
Backlog			$ 16.5	$ 12.8

The Medical Devices segment was established in 2006 as a result of the acquisitions of Curlin Medical and McKinley Medical. The acquisition of ZEVEX late in second quarter of 2007 further expanded this segment. ZEVEX contributed $17 million and $35 million of sales for the second quarter and first half of 2008, respectively, but only $2 million in the second quarter and first half of 2007. Partially offsetting the effect of the ZEVEX acquisition were lower sales of intravenous pumps, intravenous administration sets and disposable pumps.
The decrease in our operating margin is attributable to both the product mix and sales volume of certain products. In both the second quarter and first half of 2008 compared to same periods of 2007, we had lower sales of higher margin intravenous pumps and administration sets. The ZEVEX acquisition also impacted the product mix in both the second

quarter and first half of 2008 with sales of lower margin enteral pumps and the administration sets used with them. In addition, research and development costs and selling, general and administrative expenses as a percentage of sales increased.

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

2008 Outlook for Medical Devices We expect sales in Medical Devices to be $98 million in 2008, including a full year of ZEVEX sales. We expect our operating margin to decline in 2008 to 8.2% from 10.2% in 2007, primarily as a result of product mix changes.

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FINANCIAL CONDITION AND LIQUIDITY

(dollars in millions)	Six Months Ended March 29, 2008	March 31, 2007
Net cash provided (used) by:		
Operating activities	$ 17.6	$ 25.7
Investing activities	(56.6)	(137.2)
Financing activities	41.6	98.5

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

Operating activities

Net cash provided by operating activities decreased in the first six months of 2008 compared to 2007. This decline relates principally to greater working capital requirements, especially increased receivables and inventories to support the growth of our operations. Excluding acquisitions, our sales increased 13% in the first six months of 2008 compared to 2007. The increase in receivables is also influenced by our increased work on commercial aircraft programs such as the Boeing 787 and business jets where payment terms typically do not benefit from progress payments as work progresses, unlike some of our military programs.

Investing activities

Net cash used by investing activities in the first six months of 2008 consisted principally of $46 million for capital expenditures and $9 million towards the acquisition of PRIZM. The high level of capital expenditures in the first six months of 2008 was driven by expansion of our facilities to support our sales growth and spending for equipment for new production programs. Net cash used by investing activities in the first six months of 2007 consisted of $82 million, net of cash acquired, for the acquisition of ZEVEX and $53 million of capital expenditures for the 787 production program, facility expansions and other capital requirements. We also paid $3 million for the acquisition of a ball screw manufacturer.

Based on the growth of our core businesses, we now project our capital expenditures to be approximately $90 million in 2008.

Financing activities

Net cash provided by financing activities in the first six months of 2008 reflects the use of our U.S. credit facility for increased working capital requirements to fund our sales growth, capital expenditures and the acquisition of PRIZM. Net cash provided by financing activities in the first six months of 2007 primarily reflects the use of our U.S. credit facility to fund the ZEVEX acquisition in March 2007.

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 2007 Form 10-K.

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CAPITAL STRUCTURE AND RESOURCES

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

On March 14, 2008, we amended our U.S. credit facility. Previously our credit facility consisted of a $600 million revolver, which matured on October 25, 2011. Our new revolving credit facility, which matures on March 14, 2013, increased our borrowing capacity to $750 million. The new revolving credit facility had an outstanding balance of $449 million at March 29, 2008. Interest on outstanding credit facility borrowings is based on LIBOR plus the applicable margin, which was 150 basis points at March 29, 2008. The credit facility is secured by substantially all of our U.S. assets.

The U.S. credit facility contains various covenants. The covenant for minimum net worth, defined as total shareholders equity adjusted to maintain the amounts of accumulated other comprehensive loss at the level in existence as of September 30, 2006 is $600 million. The covenant for minimum interest coverage ratio, defined as the ratio of EBITDA to interest expense for the most recent four quarters, is 3.0. The covenant for the maximum leverage ratio, defined as the ratio of net debt including letters of credit to EBITDA for the most recent four quarters, is 3.5. The covenant for maximum capital expenditures is $100 million annually. 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 in compliance with all covenants.

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

At March 29, 2008, we had $338 million of unused borrowing capacity, including $289 million from the U.S. credit facility after considering standby letters of credit.

Net debt to capitalization was 38% at both March 29, 2008 and September 29, 2007.

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

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ECONOMIC CONDITIONS AND MARKET TRENDS

Military Aerospace and Defense

Approximately 38% of our 2007 sales related to global military defense or government-funded programs. Most of these sales were within Aircraft Controls and Space and Defense Controls.

The military aircraft market is dependent on military spending for development and production programs. Military spending is expected to remain strong in the near term. Production programs are typically long-term in nature, offering greater 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. These and other government programs can be reduced, delayed or terminated. The large installed base of our products leads to attractive aftermarket sales and service opportunities. Aftermarket revenues are expected to continue to grow, due to military retrofit programs and increased flight hours resulting from increased military activity.

The military and government space market is primarily dependent on the authorized levels of funding for satellite communications needs and space exploration. We believe that long-term government spending on military satellites will remain strong in order to satisfy the military s need for improved intelligence gathering. Funding for NASA s Constellation Program, the replacement for the Space Shuttle, is expected to be solid in the coming years.

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.

The market for homeland security and defense applications has gained momentum and acceptance over the last few years and border security, transportation security and preparedness are high priorities.

Industrial

Approximately 33% of our 2007 sales were generated in industrial markets. The industrial markets we serve are influenced by several factors, including capital investment, product innovation, economic growth, cost-reduction efforts and technology upgrades. Based on the high degree of sophistication of our products and the niche markets we serve, we believe our business is not overly sensitive to fluctuations in general macro-economic industrial trends. Our opportunities for growth include:

- demand in China to support its economic growth particularly in power generation and steel manufacturing markets,
- automotive manufacturers that are upgrading their metal forming, injection molding and material test capabilities,
- increasing demand for aircraft training simulators and
- the need for precision controls on plastics injection molding machines to provide improved manufacturing efficiencies.

Commercial Aircraft

Approximately 18% of our 2007 sales were on commercial aircraft programs. The commercial OEM aircraft market has historically exhibited cyclical swings and sensitivity to economic conditions. The aftermarket, which is driven by usage of the existing aircraft fleet, has proven to be more stable. Higher aircraft utilization rates result in the need for increased maintenance and spare parts and enhance aftermarket sales. Boeing and Airbus are both increasing production levels for new planes related to air traffic growth and further production increases are projected. We have contract coverage through 2012 with Boeing for the existing 7-series aircraft and are also developing flight control actuation systems for Boeing s 787 Dreamliner. In the business jet market, our flight controls on a couple of newer jets are in early production. Aftermarket revenues are expected to grow as passenger miles continue to increase.

Medical

Approximately 8% of our 2007 sales were generated in medical markets. Demographics are aligned for growth in the overall healthcare market. The medical markets that we operate in are influenced by the need for precision control components and systems. Markets remain strong for brushless direct current motors used in sleep apnea machines as well as fiber optic slip rings for CT scan diagnostic imaging. Our enteral clinical nutrition products are gaining market

share against more typical Total Parenteral Nutrition. Our ultrasonic surgical tools are gaining new positions in neurology and orthopedic markets due to higher performance and ease of use.

Foreign Currencies

We are affected by the movement of foreign currencies compared to the U.S. dollar, particularly in Industrial Systems. About one-third of our 2007 sales were denominated in foreign currencies including the euro, British pound and Japanese yen. During the first six months of 2008, these foreign currencies strengthened against the U.S. dollar and the translation of the results of our foreign subsidiaries into U.S. dollars contributed $26 million to the sales increase over the same period one year ago. During 2007, these foreign currencies strengthened against the U.S. dollar and the translation of the results of our foreign subsidiaries into U.S. dollars increased sales by $29 million compared to 2006.

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Cautionary Statement

Information included herein or incorporated by reference that does not consist of historical facts, including statements accompanied by or containing words such as may, will, should, believes, expects, expected, intends, plar estimates, predicts, potential, outlook, forecast, anticipates, presume and assume, are forward-looking s 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 (i) fluctuations in general business cycles for commercial aircraft, military aircraft, space and defense products, industrial capital goods and medical devices, (ii) our dependence on government contracts that may not be fully funded or may be terminated, (iii) our dependence on certain major customers, such as The Boeing Company and Lockheed Martin, for a significant percentage of our sales, (iv) the possibility that the demand for our products may be reduced if we are unable to adapt to technological change, (v) intense competition which may require us to lower prices or offer more favorable terms of sale, (vi) our significant indebtedness which could limit our operational and financial flexibility, (vii) the possibility that new product and research and development efforts may not be successful which could reduce our sales and profits, (viii) increased cash funding requirements for pension plans, which could occur in future years based on assumptions used for our defined benefit pension plans, including returns on plan assets and discount rates, (ix) a write-off of all or part of our goodwill, which could adversely affect our operating results and net worth and cause us to violate covenants in our bank agreements, (x) the potential for substantial fines and penalties or suspension or debarment from future contracts in the event we do not comply with regulations relating to defense industry contracting, (xi) the potential for cost overruns on development jobs and fixed price contracts and the risk that actual results may differ from estimates used in contract accounting, (xii) the possibility that our subcontractors may fail to perform their contractual obligations, which may adversely affect our contract performance and our ability to obtain future business, (xiii) our ability to successfully identify and consummate acquisitions, and integrate the acquired businesses and the risks associated with acquisitions, including that the acquired businesses do not perform in accordance with our expectations, and that we assume unknown liabilities in connection with the acquired businesses for which we are not indemnified, (xiv) our dependence on our management team and key personnel, (xv) the possibility of a catastrophic loss of one or more of our manufacturing facilities, (xvi) the possibility that future terror attacks, war or other civil disturbances could negatively impact our business, (xvii) that our operations in foreign countries could expose us to political risks and adverse changes in local, legal, tax and regulatory schemes, (xviii) the possibility that government regulation could limit our ability to sell our products outside the United States, (xix) product quality or patient safety issues with respect to our medical devices business that could lead to product recalls, withdrawal from certain markets, delays in the introduction of new products, sanctions, litigation, declining sales or actions of regulatory bodies and government authorities, (xx) the impact of product liability claims related to our products used in applications where failure can result in significant property damage, injury or death and in damage to our reputation, (xxi) the possibility that litigation may result unfavorably to us, (xxii) our ability to adequately enforce our intellectual property rights and the possibility that third parties will assert intellectual property rights that prevent or restrict our ability to manufacture, sell, distribute or use our products or technology, (xxiii) foreign currency fluctuations in those countries in which we do business and other risks associated with international operations and (xxiv) the cost of compliance with environmental laws. The factors identified above are not exhaustive. New factors, risks and uncertainties may emerge from time to time that may affect the forward-looking statements made herein. Given these factors, risks and uncertainties, investors should not place undue reliance on forward-looking statements as predictive of future results. We disclaim any obligation to update the forward-looking statements made in this report.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Refer to the Company s Annual Report on Form 10-K for the year ended September 29, 2007 for a complete discussion of our market risk. There have been no material changes in the current year regarding this market risk information.

Item 4. Controls and Procedures.

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

(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.

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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, 2008.

Period	(a) Total Number of Shares Purchased (1)(2)		(b) Average Priced Paid Per Share	(c) Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs (2)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2)
January 1 31, 2008	21,288	$	42.04	N/A	N/A
February 1 29, 2008	9,280	$	43.97	N/A	N/A
March 1 29, 2008	12,000	$	43.61	N/A	N/A
Total	42,568	$	42.90	N/A	N/A

(1) Purchases in January include 16,705 shares from the Moog Inc. Retirement Savings Plan at $41.41 per share. Purchases in March include 12,000 shares of Class B common stock from the Moog family at $43.61 per share.

(2) In connection with the exercise and vesting of stock options, we accept, from time to time, delivery of

shares to pay the exercise price of employee stock options. We do not otherwise have any plan or program to purchase our common stock. During January, we accepted the delivery of 4,583 shares at $44.32 per share in connection with the exercise of stock options. During February, we accepted the delivery of 9,280 shares at $43.97 per share in connection with the exercise of stock options.

Item 4. Submission of Matters to a Vote of Security Holders

The Company s Annual Meeting of Shareholders was held on January 9, 2008. The following matters were submitted to a vote of security holders at the Annual Meeting.

(a) The Moog Inc. 2008 Stock Appreciation Rights Plan was approved based on the following votes:
Class A*: For, 3,126,589; Against, 134,277; Abstain, 2,878.
Class B: For, 4,034,700; Against, 72,159; Abstain, 6,496.

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

Nominee	For	Authority Withheld
Class A		
Robert T. Brady	31,934,567	3,988,693
Class B		
Joe C. Green	4,318,700	67,497
Raymond W. Boushie	4,350,662	35,535

The terms of the following directors continued after the Annual Meeting: Richard A. Aubrecht, John D. Hendrick and Brian J. Lipke (Class B directors through 2009); and James L. Gray (Class A director through 2009); Kraig H. Kayser, Robert H. Maskrey and Albert F. Myers (Class B directors through 2010); and Robert R. Banta (Class A director through 2010).

(c) The appointment of Ernst & Young LLP as auditors was approved based on the following votes:
Class A*: For, 3,583,151; Against, 7,379; Abstain 1,797.

Class B: For 4,359,285; Against, 25,119; Abstain, 1,794.

* Each share of Class A common stock is entitled to a one-tenth vote per share on this proposal.

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Item 6. Exhibits

(a) Exhibits

31.1 Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

Moog Inc.
(Registrant)

Date: May 5, 2008

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

Date: May 5, 2008

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

Date: May 5, 2008

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

Date: May 5, 2008

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

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Exhibit Index

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