MOOG INC.
Form 10-Q
January 29, 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 December 28, 2013

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 January 24, 2014 was:
Class A common stock, $1.00 par value, 41,716,888 shares
Class B common stock, $1.00 par value, 3,704,819 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)	December 28, 2013	September 28, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$179,569	$157,090
Receivables	777,483	811,376
Inventories	553,585	551,674
Other current assets	129,164	127,235
TOTAL CURRENT ASSETS	1,639,801	1,647,375
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $631,515 and $613,648 respectively	564,205	562,363
GOODWILL	766,368	766,924
INTANGIBLE ASSETS, net	203,063	208,756
OTHER ASSETS	53,336	51,677
TOTAL ASSETS	$3,226,773	$3,237,095
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$104,155	$105,088
Current installments of long-term debt	8,642	3,382
Accounts payable	166,354	181,893
Customer advances	146,671	145,854
Contract loss reserves	38,875	44,228
Other accrued liabilities	227,045	242,785
TOTAL CURRENT LIABILITIES	691,742	723,230
LONG-TERM DEBT, excluding current installments		
Senior debt	586,063	409,125
Senior subordinated notes	—	191,562
LONG-TERM PENSION AND RETIREMENT OBLIGATIONS	263,607	269,751
DEFERRED INCOME TAXES	104,387	104,377
OTHER LONG-TERM LIABILITIES	3,282	3,285
TOTAL LIABILITIES	1,649,081	1,701,330
SHAREHOLDERS' EQUITY		
Common stock	51,280	51,280
Other shareholders' equity	1,526,412	1,484,485
TOTAL SHAREHOLDERS' EQUITY	1,577,692	1,535,765
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$3,226,773	$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 December 28, 2013	December 29, 2012
NET SALES	$643,385	$620,803
COST OF SALES	444,076	428,103
GROSS PROFIT	199,309	192,700
Research and development	35,755	32,328
Selling, general and administrative	99,901	105,075
Interest	5,129	8,596
Redemption of senior subordinated notes	8,002	—
Other	3,665	(2,370)
EARNINGS BEFORE INCOME TAXES	46,857	49,071
INCOME TAXES	14,760	14,953
NET EARNINGS	$32,097	$34,118
NET EARNINGS PER SHARE		
Basic	$0.71	$0.75
Diluted	$0.70	$0.75
AVERAGE COMMON SHARES OUTSTANDING		
Basic	45,384,652	45,353,332
Diluted	46,010,035	45,708,289

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(dollars in thousands)	Three Months Ended December 28, 2013	December 29, 2012
NET EARNINGS	$32,097	$34,118
OTHER COMPREHENSIVE INCOME, NET OF TAX:		
Foreign currency translation adjustment	5,934	6,174
Retirement liability adjustment	2,420	4,519
Change in accumulated income (loss) on derivatives	(530)	322
OTHER COMPREHENSIVE INCOME, NET OF TAX	7,824	11,015
COMPREHENSIVE INCOME	$39,921	$45,133

See accompanying Notes to Consolidated Condensed Financial Statements.

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

(dollars in thousands)	Three Months Ended December 28, 2013	December 29, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$32,097	$34,118
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Depreciation	19,444	18,119
Amortization	7,950	8,367
Equity-based compensation expense	3,774	3,891
Redemption of senior subordinated notes	8,002	—
Other	5,631	(1,473)
Changes in assets and liabilities providing (using) cash, excluding the effects of acquisitions:		
Receivables	36,329	2,180
Inventories	(2,270)	(14,298)
Accounts payable	(16,042)	(5,255)
Customer advances	383	5,700
Accrued expenses	(25,964)	(27,410)
Accrued income taxes	3,081	5,965
Pension assets and liabilities	(3,360)	3,099
Other assets and liabilities	(820)	(4,794)
NET CASH PROVIDED BY OPERATING ACTIVITIES	68,235	28,209
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of businesses, net of acquired cash	—	(1,346)
Purchase of property, plant and equipment	(20,019)	(21,916)
Other investing transactions	(8,577)	(36)
NET CASH USED BY INVESTING ACTIVITIES	(28,596)	(23,298)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net short term repayments	(600)	(12,461)
Net proceeds from revolving lines of credit	182,165	11,197
Net proceeds (repayments) on long-term debt, other than senior subordinated notes	36	(3,236)
Payments on senior subordinated notes	(191,575)	—
Payment of premium on redemption of senior subordinated notes	(6,945)	—
Excess tax benefits from equity-based payment arrangements	1,112	104
Other financing transactions	(2,879)	862
NET CASH USED BY FINANCING ACTIVITIES	(18,686)	(3,534)
Effect of exchange rate changes on cash	1,526	1,915
INCREASE IN CASH AND CASH EQUIVALENTS	22,479	3,292
Cash and cash equivalents at beginning of period	157,090	148,841
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$179,569	$152,133

CASH PAID FOR:		
Interest	$9,274	$8,473
Income taxes, net of refunds	10,961	9,286

See accompanying Notes to Consolidated Condensed Financial Statements.

Moog Inc.
Notes to Consolidated Condensed Financial Statements
Three Months Ended December 28, 2013
(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 months ended December 28, 2013 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 substantially complete. Allocations for the 2013 acquisitions are subject to subsequent adjustment as we obtain additional information for our estimates during the respective measurement periods.

Note 3 - Receivables

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:

	December 28, 2013	September 28, 2013
Raw materials and purchased parts	$195,271	$194,249
Work in progress	292,691	289,124
Finished goods	65,623	68,301
Inventories	$553,585	$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 December 28, 2013
Aircraft Controls	$192,413	$—	$1,372	$193,785
Space and Defense Controls	163,136	(2,734)	208	160,610
Industrial Systems	121,320	—	1,118	122,438
Components	204,853	—	(710)	204,143
Medical Devices	85,202	—	190	85,392
Goodwill	$766,924	$(2,734)	$2,178	$766,368

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.

The components of acquired intangible assets are as follows:

		December 28, 2013		September 28, 2013	
	Weighted - Average Life (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer-related	10	$194,640	$(101,765)	$193,744	$(97,347)
Program-related	18	80,964	(20,610)	79,607	(18,988)
Technology-related	9	76,648	(43,339)	76,558	(42,000)
Marketing-related	10	26,939	(12,769)	33,259	(18,476)
Acquired intangible assets	12	$379,191	$(178,483)	$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 $7,563 for the three months ended December 28, 2013 and $7,741 for the three months ended December 29, 2012. Based on acquired intangible assets recorded at December 28, 2013, amortization is expected to be approximately $30,000 in 2014, $25,800 in 2015, $24,200 in 2016, $20,800 in 2017 and $19,000 in 2018.

Note 6 - Indebtedness

Short-term borrowings consist of:

	December 28, 2013	September 28, 2013
Securitization program	$99,400	$100,000
Lines of credit	4,755	5,088
Short-term borrowings	$104,155	$105,088

The Securitization Program matures on March 3, 2014 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.

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	
	December 28, 2013	December 29, 2012
Warranty accrual at beginning of period	$17,429	$18,859
Warranties issued during current period	1,787	2,040
Adjustments to pre-existing warranties	(599)	(566)
Reductions for settling warranties	(1,380)	(2,321)
Foreign currency translation	132	28
Warranty accrual at end of period	$17,369	$18,040

Note 8 - Derivative Financial Instruments

We principally use derivative financial instruments to manage foreign exchange risk related to foreign operations and foreign currency transactions and interest rate risk associated with long-term debt. 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 December 28, 2013, 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 1.8%, including the applicable margin of 138 basis points as of December 28, 2013. 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 $50,541 at December 28, 2013. 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 three 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 $224,092 at December 28, 2013. 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	
	December 28, 2013	December 29, 2012
Net gain	$940	$922

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Summary of derivatives

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

		December 28, 2013	September 28, 2013
Derivatives designated as hedging instruments:			
Foreign currency forwards	Other current assets	$87	$217
Foreign currency forwards	Other assets	22	100
	Total assets	$109	$317
Foreign currency forwards	Other accrued liabilities	$1,834	$1,342
Foreign currency forwards	Other long-term liabilities	557	636
Interest rate swaps	Other accrued liabilities	119	85
Interest rate swaps	Other long-term liabilities	38	42
	Total liabilities	$2,548	$2,105
Derivatives not designated as hedging instruments:			
Foreign currency forwards	Other current assets	$393	$68
	Total assets	$393	$68
Foreign currency forwards	Other accrued liabilities	$1,548	$956
	Total liabilities	$1,548	$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 December 28, 2013:

	Classification	Level 1	Level 2	Level 3	Total
Foreign currency forwards	Other current assets	$—	$480	$—	$480
Foreign currency forwards	Other assets	—	22	—	22
	Total assets	$—	$502	$—	$502
Foreign currency forwards	Other accrued liabilities	$—	$3,382	$—	$3,382
Foreign currency forwards	Other long-term liabilities	—	557	—	557
Interest rate swaps	Other accrued liabilities	—	119	—	119
Interest rate swaps	Other long-term liabilities	—	38	—	38
Acquisition contingent consideration	Other accrued liabilities	—	—	2,417	2,417
Acquisition contingent consideration	Other long-term liabilities	—	—	2,263	2,263
	Total liabilities	$—	$4,096	$4,680	$8,776

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

	Three Months Ended	
	December 28, 2013	December 29, 2012
Balance at beginning of period	$4,007	$6,422
Increase in discounted future cash flows recorded as interest expense	97	97

Increase (decrease) in earn out provisions recorded as other expense (income)	576	(2,033)
Balance at end of period	$4,680	$4,486

Note 10 - Employee Benefit Plans

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

	Three Months Ended	
	December 28, 2013	December 29, 2012
Service cost	$5,393	$6,714
Interest cost	8,339	7,205
Expected return on plan assets	(10,844)	(10,335)
Amortization of prior service cost	37	2
Amortization of actuarial loss	4,086	6,901
Pension expense for defined benefit plans	7,011	10,487
Pension expense for defined contribution plans	3,039	2,393
Total pension expense for U.S. plans	$10,050	$12,880

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

	Three Months Ended	
	December 28, 2013	December 29, 2012
Service cost	$1,362	$1,248
Interest cost	1,509	1,455
Expected return on plan assets	(1,143)	(959)
Amortization of prior service credit	(15)	(14)
Amortization of actuarial loss	350	407
Pension expense for defined benefit plans	2,063	2,137
Pension expense for defined contribution plans	1,424	1,350
Total pension expense for non-U.S. plans	$3,487	$3,487

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

	Three Months Ended	
	December 28, 2013	December 29, 2012
Service cost	$56	$73
Interest cost	156	137
Amortization of transition obligation	—	90
Amortization of actuarial gain	(65)	—
Total periodic post-retirement benefit cost	$147	$300

Actual contributions for the three months ended December 28, 2013 and anticipated additional 2014 contributions to our defined benefit pension plans are as follows:

	U.S. Plans	Non-U.S. Plans	Total
Actual	$10,841	$1,595	$12,436
Anticipated	33,159	5,981	39,140
	$44,000	$7,576	$51,576

Note 11 - Restructuring

Restructuring expense is principally related to severance. Restructuring activity for the three months ended December 28, 2013 is as follows:

Restructuring accrual at beginning of period	$7,129
Cash payments	(3,434)
Foreign currency translation	37
Restructuring accrual at end of period	$3,732

Obligations related to these costs are expected to be principally paid by the end of 2014.

Note 12 - Income Taxes

The effective tax rates for the three months ended December 28, 2013 and December 29, 2012 of 31.5% and 30.5%, respectively, 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 three months ended December 28, 2013 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	—	3,859	(3,859)
End of Period	51,280	43,616,919	7,662,794
ADDITIONAL PAID-IN CAPITAL			
Beginning of period	447,478		
Equity-based compensation expense	3,774		
Issuance of treasury shares at more than cost	874		
Adjustment to market - SECT, and other	7,970		
End of period	460,096		
RETAINED EARNINGS			
Beginning of period	1,289,713		
Net earnings	32,097		
End of period	1,321,810		
TREASURY STOCK			
Beginning of period	(83,003)	(2,004,262)	(3,305,971)
Issuance of treasury shares	657	133,368	—
Purchase of treasury shares	(2,617)	(40,621)	(1,200)
End of period	(84,963)	(1,911,515)	(3,307,171)
STOCK EMPLOYEE COMPENSATION TRUST (SECT)			
Beginning of period	(35,545)		(610,223)
Purchase of shares	(1,793)		(27,723)
Adjustment to market - SECT	(6,859)		—
End of period	(44,197)	—	(637,946)
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Beginning of period	(134,158)		
Other comprehensive income	7,824		
End of period	(126,334)		
TOTAL SHAREHOLDERS' EQUITY	$1,577,692	41,705,404	3,717,677

The changes in AOCI, net of tax, by component for the three months ended December 28, 2013 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	5,934	—	(612)	5,322

Amounts reclassified from AOCI	—	2,420	82	2,502
Net current period other comprehensive income (loss)	5,934	2,420	(530)	7,824
AOCI at end of period	$46,506	$(171,275)	$(1,565)	$(126,334)

The amounts reclassified from AOCI into earnings are as follows:

	Statement of earnings classification	Three Months Ended December 28, 2013	December 29, 2012
Derivatives:			
Foreign currency forwards	Sales	$(192)	$—
Foreign currency forwards	Cost of sales	371	(222)
Interest rate swaps	Interest	69	—
Reclassification from AOCI into earnings		248	(222)
Tax effect		(166)	102
Net reclassification from AOCI into earnings - expense (income)		$82	$(120)
Retirement liability:			
Prior service credit		$(327)	$(150)
Transition obligation		—	91
Actuarial losses		4,298	7,331
Reclassification from AOCI into earnings		3,971	7,272
Tax effect		(1,551)	(2,753)
Net reclassification from AOCI into earnings - expense (income)		$2,420	$4,519

The amounts deferred in AOCI are as follows:

	Statement of earnings classification	Net deferral in AOCI of derivatives - effective portion Three Months Ended December 28, 2013	December 29, 2012
Foreign currency forwards	Sales	$3	$—
Foreign currency forwards	Cost of sales	(891)	678
Interest rate swaps	Interest	(98)	—
Net gain (loss)		(986)	678
Tax effect		374	(236)
Net deferral in AOCI of derivatives		$(612)	$442

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 December 28, 2013	December 29, 2012
Weighted-average shares outstanding - Basic	45,384,652	45,353,332
Dilutive effect of equity-based awards	625,383	354,957
Weighted-average shares outstanding - Diluted	46,010,035	45,708,289

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Note 16 - Segment Information

Below are sales and operating profit by segment for the three months ended December 28, 2013 and December 29, 2012 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 December 28, 2013		December 29, 2012	
Net sales:				
Aircraft Controls	$265,416		$252,281	
Space and Defense Controls	99,450		86,465	
Industrial Systems	144,079		147,976	
Components	102,685		99,275	
Medical Devices	31,755		34,806	
Net sales	$643,385		$620,803	
Operating profit and margins:				
Aircraft Controls	$31,771		$31,075	
	12.0	%	12.3	%
Space and Defense Controls	7,853		8,228	
	7.9	%	9.5	%
Industrial Systems	12,286		9,047	
	8.5	%	6.1	%
Components	16,189		18,846	
	15.8	%	19.0	%
Medical Devices	3,628		1,602	
	11.4	%	4.6	%
Total operating profit	71,727		68,798	
	11.1	%	11.1	%
Deductions from operating profit:				
Interest expense	5,129		8,596	
Equity-based compensation expense	3,774		3,891	
Redemption of senior subordinated notes	8,002		—	
Corporate expenses and other	7,965		7,240	
Earnings before income taxes	$46,857		$49,071	

Note 17 - Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The amendments require companies to provide information about the amounts reclassified out of accumulated comprehensive income by component. The amendments also require the presentation of the significant amounts reclassified out of accumulated comprehensive income by line items of net income, if the amount is required to be reclassified in its entirety in the same reporting period, either on the face of the financial statements or in the related footnotes. For other amounts that are not required to be reclassified in their entirety to net income, a company is required to cross-reference to other disclosures that provide additional detail about those amounts. The amendments are effective for fiscal years beginning after December 15, 2012 and interim periods within those fiscal years. Early adoption is permitted. We adopted this amendment in the first quarter of 2014. Other than modifying our disclosures, the adoption of this standard did not have a material impact on our financial statements.

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% of our 2013 sales. We recognize revenue on these contracts using the percentage of completion, cost-to-cost method of accounting as work progresses toward completion. The remainder of our sales are recognized when the risks and rewards of ownership and title to the product are transferred to the customer, principally as units are delivered or as service obligations are satisfied. This method of revenue recognition is predominantly used within the Industrial Systems, Components and Medical Devices segments, as well as with aftermarket activity.

We concentrate on providing our customers with products designed and manufactured to the highest quality standards. 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.

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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, including 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 our 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 still in that assessment process.

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 recognized a $38 million goodwill impairment charge in our fourth quarter of 2013 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 impairment charges.

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.

CONSOLIDATED RESULTS OF OPERATIONS AND OUTLOOK

(dollars in millions, except per share data)	Three Months Ended December 28, 2013	December 29, 2012	$ Variance	% Variance
Net sales	$643.4	$620.8	$22.6	4 %
Gross margin	31.0 %	31.0 %		
Research and development expenses	$35.8	$32.3	$3.4	11 %
Selling, general and administrative expenses as a percentage of sales	15.5 %	16.9 %		
Interest expense	$5.1	$8.6	$(3.5)	(40 %)
Redemption of senior subordinated notes	8.0	—	8.0	N/A
Other	3.7	(2.4)	6.0	(255 %)
Effective tax rate	31.5 %	30.5 %		
Net earnings	$32.1	$34.1	$(2.0)	(6 %)
Diluted earnings per share	$0.70	$0.75	$(0.05)	(7 %)

Net sales increased in the first quarter of 2014 compared to the first quarter of 2013. Sales increased in Aircraft Controls, Space and Defense Controls and Components, while sales declined in Industrial Systems and Medical Devices. Acquisitions contributed $18 million of the sales growth in the first quarter of 2014 compared to the same time period in 2013.

Gross margin in the first quarter of 2014 remained at the same level as the first quarter of 2013. We had stronger gross margins in Medical, Industrial Systems and Aircraft Controls, but were offset by gross margin declines in Components and Space and Defense Controls.

Research and development expenses increased in the first quarter of 2014 compared to the same time period in 2013 due mainly to Aircraft Control's increased activities on the Embraer E-Jets and Airbus A350 programs.

Selling, general and administrative expenses as a percentage of sales in the first quarter of 2014 declined in Medical, Industrial Systems and Space and Defense Controls when compared to the first quarter of 2013. The first quarter of 2013 contained higher levels of professional services, while the first quarter of 2014 reflects the benefits from our restructuring activities completed in Space and Defense Controls and Industrial Systems.

Interest expense decreased in the first quarter of 2014 compared to the same time period in 2013 due mostly to the early redemption of our 6¼% senior subordinated notes on January 15, 2013. We redeemed these notes at par.

On December 19th, 2013, we repurchased our 7¼% senior subordinated notes due on January 15th, 2018. In doing so, we incurred a 3.625% call premium in the first quarter of 2014.

Other expense in the first quarter of 2014 is mostly due to a $4 million write-down of a technology investment in Industrial Systems. Other income in the first quarter of 2013 is primarily related to recording income in our Components segment related to a reversal of an earn out accrual for an acquisition.

2014 Outlook – We expect sales in 2014 to increase 1% to $2.63 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. We expect sales declines in Medical Devices due to the divestiture of the Buffalo, New York Ethox Medical operations. We also expect sales declines in Industrial Systems due to continued softness in our key markets. We expect an increase in profitability as our operating margin increases to 11.6% 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 December 28, 2013	December 29, 2012	$ Variance	% Variance
Net sales - military aircraft	$137.5	$149.7	$(12.2)	(8%)
Net sales - commercial aircraft	127.9	102.6	25.3	25%
	$265.4	$252.3	$13.1	5%
Operating profit	$31.8	$31.1	$0.7	2%
Operating margin	12.0%	12.3%		
Backlog	$723.1	$663.1	$59.9	9%

Aircraft Controls' sales increased in our commercial market while sales decreased in our military market in the first quarter of 2014 when compared to the same time period in 2013.

Within commercial aircraft, OEM sales to Boeing increased $16 million and OEM sales to Airbus increased $6 million due in part to new program ramps as well as volume increases. Partially offsetting this growth are military sales declines. Military aftermarket sales decreased $7 million and F-35 decreased $4 million as the development phase winds down.

Operating margin declined slightly in the first quarter of 2014 compared to the first quarter of 2013. An increase in research and development costs associated with the start of development for the Embraer E-Jets was offset by additional profit from incremental sales.

The increase of twelve-month backlog for Aircraft Controls at December 28, 2013 compared to December 29, 2012 is related to increases in commercial orders and is slightly offset by declines in various legacy military programs.

2014 Outlook for Aircraft Controls – We expect sales in Aircraft Controls to remain flat at $1.06 billion in 2014. Commercial aircraft is expected to increase 10% to $509 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 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 December 28, 2013	December 29, 2012	$ Variance	% Variance
Net sales	$99.5	$86.5	$13.0	15 %
Operating profit	$7.9	$8.2	$(0.4)	(5 %)
Operating margin	7.9 %	9.5 %		
Backlog	$284.9	$242.2	$42.7	18 %

Space and Defense Controls' sales increased in the first quarter of 2014, primarily due to an acquisition in the space market.

Within our space market for the first quarter of 2014, sales increased $10 million, $9 million of which came from incremental sales from the acquisition of Broad Reach Engineering. Additionally, sales in the security market increased $2 million and defense market sales increased $1 million on higher foreign military sales for military vehicles.

Operating margin declined in the first quarter of 2014 compared to the same time period of 2013. This decline is due in part to increased program costs in a recent space acquisition. Slightly offsetting the charges were lower selling, general and administrative expenses as a percent of sales, as well as lower research and development expenses.

The increased level in twelve-month backlog at December 28, 2013 is mainly due to acquisitions in the past year, as well as increased orders in our space market.

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 more than half of the increase to come from the benefit of a full year of the Broad Reach Engineering acquisition. We also expect defense sales to increase partly due to foreign opportunities on a missile defense system. We expect our operating margin to increase to 9.1% in 2014 from 6.4%, or 7.7% excluding restructuring, in 2013.

Industrial Systems

(dollars in millions)	Three Months Ended December 28, 2013	December 29, 2012	$ Variance	% Variance
Net sales	$144.1	$148.0	$(3.9)	(3%)
Operating profit	$12.3	$9.0	$3.2	36%
Operating margin	8.5%	6.1%		
Backlog	$195.1	$208.6	$(13.5)	(6%)

Industrial Systems' sales declined in the first quarter of 2014 when compared to the first quarter of 2013.

Within our industrial automation market, sales declined $2 million primarily due to steel mill customers. Within our energy market, sales declined $2 million as well, mainly due to a decline in wind sales in China.

Operating margin increased in the first quarter of 2014 compared to the same time period as 2013. The first quarter of 2014's results included a $4 million technology investment write-down. Excluding this expense, the first quarter of 2014's operating profit would have been $16 million, or 11.3% of sales. The remaining improvement reflects the benefit of our restructuring activities completed throughout 2013. Additionally, the first quarter of 2013 contained higher level of professional services not repeated in 2014.

The twelve-month backlog for Industrial Systems at December 28, 2013 decreased as compared to December 29, 2012, due to both declines in foreign currency rates as well as declining orders from our simulation and test market.

2014 Outlook for Industrial Systems – We expect sales in Industrial Systems to decline 3% to $575 million in 2014. While we expect sales in energy to remain flat, we expect sales declines in our simulation and test market as a few large customers adjust their inventory levels down. We also expect sales declines in our industrial automation market. We expect that our operating margin will increase to 11.3% in 2014 from 7.1% in 2013, as we continue to benefit from our 2013 restructuring activities.

Components

(dollars in millions)	Three Months Ended December 28, 2013	December 29, 2012	$ Variance	% Variance
Net sales	$102.7	$99.3	$3.4	3 %
Operating profit	$16.2	$18.8	$(2.7)	(14 %)
Operating margin	15.8 %	19.0 %		
Backlog	$170.9	$163.8	$7.1	4 %

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

In our non-aerospace and defense market, sales increased $4 million in the first quarter of 2014 as compared to the same time period last year. This increase includes $9 million of incremental sales from our Aspen Motion Technologies acquisition. This increase was offset by a $5 million marine sales decline in our energy market. In the first quarter of 2013, we had strong deliveries of large slip rings used on off-shore oil storage vessels. Also, in the first quarter of 2014, a large marine customer pushed out orders as they adjusted their inventory levels. In our aerospace and defense market, sales were relatively flat as improved missile sales were offset by a decline in defense vehicle products.

Operating margin decreased in the first quarter of 2014 as a result of strong marine sales in our energy market in the first quarter of 2013. Additionally in the first quarter of 2013, we benefited from a $2 million reversal of an earn out accrual related to an acquisition.

The twelve-month backlog at December 28, 2013 compared to December 29, 2012 increased primarily related to the Aspen acquisition.

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 markets, 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 December 28, 2013	December 29, 2012	$ Variance	% Variance
Net sales	$31.8	$34.8	$(3.1)	(9%)
Operating profit	$3.6	$1.6	$2.0	126%
Operating margin	11.4%	4.6%		
Backlog	$14.8	$21.2	$(6.4)	(30%)

Medical Devices' sales decreased in the first quarter of 2014 when compared to the first quarter of 2013, due primarily to the divestiture of the Buffalo, New York Ethox Medical operations.

In the first quarter of 2013, we benefited from $3 million in Buffalo, New York Ethox Medical sales that did not repeat in 2014 due to the divestiture of that operation in June 2013. The remaining sales in Medical Devices were relatively flat as pump sales increased $2 million due to increased volume, but were offset by lower set sales.

Operating margin the first quarter of 2014 increased compared to the first quarter of 2013. The divestiture of the Buffalo, New York Ethox Medical operation in June 2013 was primarily responsible for the increased operating margin in the first quarter of 2014 as compared to the first quarter of 2013. Additional 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 slightly to $137 million. We expect that lost sales from the Buffalo, New York Ethox Medical divestiture and lower enteral set sales will be offset by sales growth in IV pumps. We expect our operating margin to improve to 7.1% in 2014 from 6.4% in 2013 excluding the charges from goodwill impairment and the divestiture.

FINANCIAL CONDITION AND LIQUIDITY

(dollars in millions)	Three Months Ended December 28, 2013	December 29, 2012	$ Variance	% Variance
Net cash provided (used) by:				
Operating activities	$68.2	$28.2	$40.0	142 %
Investing activities	(28.6)	(23.3)	(5.3)	23 %
Financing activities	(18.7)	(3.5)	(15.2)	429 %

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 December 28, 2013, our cash balance was $180 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 three months of 2014 compared to the first three months of 2013. The decline in our accounts receivables was the primary driver due to stronger collections from last quarter's invoicing, primarily in our Space and Defense Controls and Medical Devices segments.

Investing activities

Cash used by investing activities for the first three months of 2014 includes $20 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 three months of 2013 includes $22 million used for capital expenditures.

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

Financing activities

The cash used by financing activities for the first three months of 2014 includes the use of our credit facility borrowings to fund the redemption of our 7¼% senior subordinated notes, as well as a $7 million redemption call premium.

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 $586 million at December 28, 2013. Interest on the majority of the outstanding credit facility borrowings is based on LIBOR plus the applicable margin, which was 138 basis points at December 28, 2013 and will decrease to 113 basis points during the second quarter of 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 December 28, 2013, we had $315 million of unused borrowing capacity, including $300 million from the U.S. revolving credit facility after considering standby letters of credit.

We have a trade receivables securitization facility (the "Securitization Program"), which terminates on March 3, 2014. 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 $99 million at December 28, 2013. The Securitization Program reduced the amount outstanding under our U.S. revolving credit facility and increased the amount of short-term borrowings. Interest on the secured borrowings under the Securitization Program was 82 basis points at December 28, 2013 and is based on prevailing market rates for short-term commercial paper plus an applicable margin.

Net debt to capitalization was 25% at December 28, 2013 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 three 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.

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 three 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.

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 December 28, 2013.

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)(4)
September 29, 2013 - October 31, 2013	736	$58.55	—	1,000,000
November 1, 2013 - November 30, 2013	49,175	62.10	—	1,000,000
December 1, 2013 - December 28, 2013	19,633	66.89	1,200	998,800
Total	69,544	$63.42	1,200	998,800

(1) Reflects purchases by the SECT of shares of Class B common stock from the Moog Inc. Retirement Savings Plan (RSP) as follows: October, 736 shares at $58.55 per share, November, 18,049 shares at $63.87 per share and December, 8,938 shares at $66.80 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 November, we accepted delivery of 31,126 shares at $61.07 per share and in December, we accepted delivery of 9,495 shares at $66.96 per share, in connection with the exercise of stock options.

(3) In December 2011, the Board of Directors authorized a share repurchase program. The program permits the purchase of up to 1,000,000 shares of Class A or Class B common stock in open market or privately negotiated transactions at the discretion of management. During December, we purchased 1,200 Class B shares at an average price of $67.03 per share.

(4) In January 2014, the Board of Directors amended the share repurchase program. 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.

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:	January 29, 2014	By	/s/ John R. Scannell John R. Scannell Chairman Chief Executive Officer (Principal Executive Officer)
Date:	January 29, 2014	By	/s/ Donald R. Fishback Donald R. Fishback Vice President Chief Financial Officer (Principal Financial Officer)
Date:	January 29, 2014	By	/s/ Jennifer Walter Jennifer Walter Controller (Principal Accounting Officer)