

MOOG INC

FORM 10-K (Annual Report)

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Sector	Technology
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FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the fiscal year ended September 27, 1997

OR

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

For the Transition period from to _____ to _____
Commission file number 1-5129

MOOG INC.

(Exact Name of Registrant as Specified in its Charter)

New York

16-0757636

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

East Aurora, New York

14052-0018

(Address of Principal Executive Offices)

(Zip Code)

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

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

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

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

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 ☒ No ☐

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

The aggregate market value of the Common Stock outstanding and held by non-affiliates (as defined in Rule 405 under the Securities Act of 1933) of the registrant, based upon the closing sale price of the Common Stock on the American Stock Exchange on November 10, 1997 was approximately \$188.4 million.

The number of shares of Common Stock outstanding as of the close of business on November 10, 1997 was: Class A: 5,469,715; Class B: 1,589,086.

The Documents listed below have been incorporated by reference into this Annual Report on Form 10-K:

- (1) Specific sections of the Annual Report to Shareholders for the fiscal year ended September 27, 1997 (the "1997 Annual Report")
 - (2) Specific sections of the January 1998 Proxy Statement to Shareholders (the "1998 Proxy")
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MOOG INC.

FORM 10-K INDEX

PART I	PAGE
Item 1 - Business	18-19
Item 2 - Properties	19
Item 3 - Legal Proceedings	19
Item 4 - Submission of Matters to a Vote of Security Holders	19
 PART II	
Item 5 - Market for the Registrant's Common Equity and Related Stockholder Matters	19
Item 6 - Selected Financial Data	19-20
Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations	21-26
Item 8 - Financial Statements and Supplementary Data	27-39
Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	40
 PART III	
Item 10 - Directors and Executive Officers of the Registrant	40
Item 11 - Executive Compensation	41
Item 12 - Security Ownership of Certain Beneficial Owners and Management	41
Item 13 - Certain Relationships and Related Transactions	41
 PART IV	
Item 14 - Exhibits, Financial Statement Schedules, and Reports on Form 8-K	41-43
 Cautionary Statement	

Information included or incorporated by reference which are not historical facts are forward looking statements. Such forward looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward looking statements involve a number of risks and uncertainties, including but not limited to, contracting with various governments, changes in economic conditions, demand for the Company's products, pricing pressures, intense competition in

the industries in which the Company operates, the need for the Company to keep pace with technological developments and timely response to changes in customer needs, and other factors identified in the Company's Securities and Exchange Commission filings.

Part I

The Registrant, Moog Inc., a New York corporation formed in 1951, is referred to in this Annual Report on Form 10-K as "Moog," "the Company" or in the nominative "we" or the possessive "our."

ITEM 1. Business.

Certain information required herein is contained in part in the 1997 Annual Report, specific pages of which are referred to in parentheses.

Description of the Company's Business. (See pages 2 through 16.)

Distribution. Moog's sales and marketing organization is comprised of individuals possessing highly specialized technical expertise. Such expertise is required in order to effectively evaluate the customer's precision control requirements and to facilitate communication between the customer's engineering staff and the Moog engineering staff. Manufacturers' representatives are used to cover certain aerospace and selected industrial markets.

Industry and Competitive Conditions. The Company experiences considerable competition in each of its five major product lines. However, the Company is the only precision motion control specialist which competes globally in all markets and all drive technologies.

Many of its competitors have greater financial and other resources than the Company. In Aircraft Controls, the Company's principal competitors include Parker Hannifin Corporation, Curtiss-Wright Corp., HR Textron, a subsidiary of Textron, Inc. ("HR Textron"), Teijin Seiki Limited and E-Systems Inc., a Raytheon company, ("E-Systems"). In Satellites and Launch Vehicles, the Company's principal competitors are AlliedSignal Inc. and HR Textron. For the Industrial Hydraulics product line, competitors are Robert Bosch AG, Mannesmann Rexroth AG and E- Systems. Competitors in the Industrial Electrics product line include Barber-Colman Company, Siemens AG, Indramat GmbH, Pacific Scientific Company and Yaskawa Electric Corp.

Competition in each of the product lines is based upon design capability, product performance and life, service, price and delivery time. In certain product lines technological considerations predominate over price considerations, while in others price considerations are paramount. The Company believes it competes effectively on all of these bases.

Backlog. Substantially all backlog will be realized as sales in the next twelve months. The information required herein is incorporated by reference to Item 6, Selected Financial Data, on page 20.

Raw Materials. Materials, supplies and components are purchased from numerous suppliers. The loss of any one supplier would not materially affect the Company's operations.

Working Capital. The information required herein is incorporated by reference to the discussion on inventories in Note 1 of Item 8 on page 31.

Seasonality. Moog's business is generally not seasonal.

Patents. Moog has numerous patents and has filed applications for others. While the aggregate protection afforded by these is of value, the Company does not consider the successful conduct of any material part of its business dependent upon such protection. The Company's patents and patent applications, including U.S., Canadian, European and Japanese patents, relate to electrohydraulic, electropneumatic and electromechanical actuation mechanisms and control valves, electronic control component systems and interface devices.

Research Activities. Research and product development activity has been and continues to be significant to the Company. The information required herein is incorporated by reference to Item 6, Selected Financial Data, on page 20.

Employees. The information required herein is incorporated by reference to Item 6, Selected Financial Data, on page 20. Segment Financial Information. The information required herein is incorporated by reference to Notes 10 and 11 of Item 8 on page 37.

Customers. The information required herein is incorporated by reference to pages 2 through 16 and 37. In aggregate, the Company markets its products to a wide variety of customers. The Boeing Corporation (including Boeing Helicopters, McDonnell Douglas and the former Space and Defense business of Rockwell) represented approximately 19% of fiscal 1997 sales, with sales to U.S. government prime- or sub-contractors, including military sales to Boeing, representing approximately 30% of sales. The concentration of customers varies within product lines. In the Commercial and Military Aircraft product lines as well as Satellites and Launch Vehicles, a few customers provide the majority of revenues, while in the Industrial Hydraulics and Industrial Electrics product lines revenues are spread over a wide customer base.

International Operations. Moog's International Controls segment is an aggregate of operations located predominantly in Europe and the Asian-Pacific region. (See pages 2 through 16, 37 and 42.) The Company's international operations are subject to the usual risks inherent in international trade, including currency fluctuations, local governmental foreign investment restrictions, exchange controls, regulation of the import and distribution of

foreign goods, as well as changing economic and social conditions in countries in which such operations are conducted.

Environmental Matters. See pages 26 and 38.

ITEM 2. Properties.

Corporate headquarters are located in East Aurora, New York. Principal manufacturing facilities for the Domestic Controls segment are located in East Aurora, New York and Torrance, California. These facilities consist of 755,525 square feet which are owned, and 53,992 square feet which are under capital lease and financed primarily by industrial revenue bonds which allow the Company to purchase the facilities at nominal prices upon expiration. The Domestic Controls segment leases 187,190 square feet in East Aurora and 6,155 square feet in Torrance under operating leases. Outside of the U.S., the Domestic Controls segment owns manufacturing centers in the Philippines and India consisting of 63,777 square feet and 31,299 square feet, respectively.

The International Controls segment maintains major manufacturing facilities in Germany, England and Japan. Of the major European facilities, 4,500 square feet are owned and 219,235 square feet are leased under operating lease agreements. The Japanese facility, consisting of 67,911 square feet, is owned. A specialty manufacturing operation with 27,750 square feet which is owned is located in Ireland. In various other major markets, including Italy, France, Spain, Sweden, Finland, Denmark, Brazil, Australia, South Korea, Hong Kong and Singapore, the Company has sales and applications engineering offices. Of these facilities, 30,027 square feet are owned and 74,977 square feet are leased under operating leases. Operating leases of the International facilities expire at varying times from December 1997 through June 2013.

The Company believes that its properties have been adequately maintained and are in generally good condition. The Company currently has plans to add approximately 94,500 square feet and 30,000 square feet of manufacturing capacity between its East Aurora, New York and Baguio City, Philippines locations, respectively. After completion of such expansion the Company believes that its existing facilities will provide sufficient production capacity for its needs in the foreseeable future. Upon the expiration of its current leases, the Company believes that it will be able to either secure renewal terms or enter into leases for alternative locations at market terms.

ITEM 3. Legal Proceedings.

From time to time, the Company is named as a defendant in legal actions arising in the normal course of business. The Company is not a party to any pending legal proceedings the resolution of which management believes will have a material adverse effect on the Company's results of operations or financial condition and liquidity or to any pending legal proceedings other than ordinary, routine litigation incidental to its business.

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

None.

Part II

ITEM 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

Dividend restrictions are detailed in Note 6 on page 33 of Item 8. Other information required herein is incorporated by reference to pages 20, 43 and 45.

ITEM 6. Selected Financial Data - Notes and Discussion.

Refer to the table on the following page for the Selected Financial Data for the five year fiscal period 1993 - 1997. For a more detailed discussion of 1995 through 1997 refer to Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 21 through 26 and Notes to Consolidated Financial Statements on pages 31 through 39.

ITEM 6. Selected Financial Data.

(dollars in thousands except per share data)

Fiscal Years	1997(1), (2)	1996	1995	1994(3), (4)	1993
RESULTS FROM OPERATIONS					
Net Sales	\$ 455,929	\$ 407,237	\$ 374,284	\$ 307,370	\$ 293,680
Earnings before extraordinary item and cumulative effect of change in accounting for income taxes	\$ 13,606	\$ 11,219	\$ 7,761	\$ 1,618	\$ 5,118
Net Earnings	\$ 13,606	\$ 10,709	\$ 7,761	\$ 2,123	\$ 4,761
Per share					
Earnings before extraordinary item and cumulative effect of change in accounting for income taxes	\$ 1.88	\$ 1.47	\$ 1.00	\$.21	\$.66
Net earnings	\$ 1.88	\$ 1.40	\$ 1.00	\$.27	\$.62
Average common and common equivalent shares outstanding	7,224,612	7,639,312	7,721,927	7,714,444	7,713,465
FINANCIAL POSITION					
Total Assets	\$ 490,563	\$ 449,558	\$ 424,957	\$ 424,456	\$ 318,130
Working Capital	187,521	187,971	166,985	150,850	123,533
Indebtedness - senior	118,245	91,262	170,361	183,376	115,515
- senior subordinated	120,000	120,000	19,400	20,800	22,082
Shareholders' equity	114,191	104,743	108,636	102,184	92,561
Shareholders' equity per common share outstanding	16.18	15.01	14.06	13.25	12.00

SUPPLEMENTAL FINANCIAL DATA

Capital expenditures	\$ 13,713	\$ 10,885	\$ 10,232	\$ 8,893	\$ 10,216
Depreciation and amortization	21,267	19,632	19,675	15,700	15,621
R&D - Company funded	17,798	17,303	15,783	18,668	16,128
- customer funded	14,071	24,411	21,603	25,332	30,986
Backlog - Domestic	236,409	205,516	195,908	181,405	149,035
- International	43,955	37,794	42,033	35,856	32,046

ADDITIONAL DATA

Number of employees	3,657	3,229	3,003	3,140	2,824
Number of shareholders - Class A	1,722	1,904	2,114	2,424	2,665
- Class B	810	898	966	1,088	1,201

RATIOS

Net return on sales	3.0%	2.6%	2.1%	.7%	1.6%
Return on shareholders' equity	12.4%	10.0%	7.4%	2.2%	5.0%
Current ratio	2.75	2.89	2.76	2.46	2.33
Debt to shareholders' equity	2.09	2.02	1.75	2.00	1.49
Long-term senior debt to capitalization(5)	30.3%	25.6%	55.5%	56.8%	40.8%
Long-term debt to capitalization(5)	66.0%	65.3%	61.8%	63.7%	51.7%

- (1) Effective in fiscal 1997, the Company changed its fiscal year-end to the last Saturday in September (September 27, 1997 for fiscal 1997). The impact on the current year results of operations was not material.
- (2) Includes the effects of the October 1996 acquisition of the industrial hydraulic servocontrols business of International Motion Control Inc. See Note 2 to the Consolidated Financial Statements.
- (3) Includes the effects of the June 1994 acquisition of the hydraulic and mechanical actuation product lines of AlliedSignal Inc.
- (4) Includes the effect of pre-tax restructuring charges of \$4.7 million.
- (5) Capitalization is equal to total long-term debt, excluding current maturities, and shareholders' equity.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company is a leading worldwide designer and manufacturer of a broad range of high performance, precision motion and fluid control products and systems for aerospace and industrial markets. Moog's servoactuation systems are critical to the flight control of commercial and military aircraft, positioning satellites, controlling the thrust of space launch vehicles, steering tactical and strategic missiles, and a wide variety of hydraulic and electric industrial applications requiring the precise control of position, velocity and force.

The Company has two segments, Domestic Controls and International Controls. Domestic Controls primarily focuses on North American markets, with the majority of its sales in aerospace-related product lines. International Controls is focused on markets in Europe and the Asian-Pacific, with the majority of sales in industrial product lines.

The Company has five principal product lines. Aerospace Controls includes Commercial Aircraft, Satellites and Launch Vehicles and Military Aircraft. Industrial Controls includes Industrial Hydraulics and Industrial Electrics controls. The Commercial Aircraft product line provides servovalves and flight controls for Boeing, Airbus and regional jet aircraft. The Satellites and Launch Vehicles product line includes satellite positioning controls and steering controls for launch vehicles, strategic missiles and tactical missiles. The Military Aircraft product line provides primary and secondary flight controls and engine controls for advanced fighters, helicopters and bomber aircraft. Industrial Hydraulics controls principally consist of servovalves used in various applications including plastic injection and blow molding, steam and gas turbines, steel rolling mills and fatigue testing machines. The Industrial Electrics product line includes motion simulators, controls for gun and turret positioning on military ground vehicles and electric drives. In each product line, significant revenues are generated through Aftermarket sales, including spares and repairs.

The Company considers strategic acquisitions to enhance market share or improve engineering and manufacturing capability. On October 26, 1996, the Company acquired the assets of and assumed certain liabilities related to the industrial hydraulic servocontrols business (the U.S. Industrial Hydraulics Business) of International Motion Control Inc., an unrelated third party, for \$48.6 million. The U.S. Industrial Hydraulics Business, which operated under the name Moog Controls Inc., was spun off by the Company in February 1988. The acquisition was principally financed with proceeds from the Company's U.S. Revolving Credit and Term Loan Facility (the Bank Credit Facility).

Sales

Aerospace and Industrial Controls sales were 64% and 36% of 1997 sales, respectively. In Aerospace Controls, the Company's sales

are dependent on commercial aircraft demand, procurement and spending levels on various military programs and the demand for satellites serving the telecommunications and direct broadcasting industries. In Industrial Controls, the Company is subject to changes in capital goods spending cycles in regional markets. The Company's sales in each product category are subject to different short and long-term cycles; however, the impact of cyclicalities in sales is mitigated by the diversity of the product lines and the Company's broad global distribution capabilities.

Sales of Aerospace Controls are typically pursuant to long-term contracts for which the Company uses the percentage of completion (cost-to-cost) method of accounting. Under this method, revenues are recognized as costs are incurred. Estimates of the cost to complete the contracts are performed on a regular basis. On contracts for which the estimated factory cost is higher than the contract's value, a charge to earnings is made, and a loss reserve created. The Company believes that adequate reserves have been established.

International Controls sales were approximately 29% of consolidated 1997 sales. Results of operations can be affected in U.S. dollar terms by the fluctuation in foreign exchange rates. Exposure to currency movements can be mitigated by the number of countries in which the Company operates. Although the Company does not hedge the operating results of its international operations, it selectively hedges certain balance sheet exposures.

Spare parts and repairs are aggressively marketed directly to the Company's Aerospace and Industrial Controls customers. Sales of spare parts and repairs are generally more profitable and less volatile than OEM sales. Aftermarket sales were approximately 19% of 1997 and 1996 sales.

Over the past five years, government sales, as a percentage of total sales, has declined as the Company has increased its focus on the development and acquisition of Commercial Aircraft and Industrial Controls product lines. In 1993, government sales were 57% of consolidated net sales compared to 39% in 1997. The mix of commercial and government sales is not expected to materially shift in the near future.

Cost of Sales

The principal elements of cost of sales are direct labor, raw materials and manufacturing overhead. The Company has a highly skilled workforce and an infrastructure of engineering and related support costs. The business requires significant investments in capital equipment, buildings and related support costs. Cost of sales can be significantly affected by changes in both volume and product mix. Accordingly, short-term changes in volume can have a significant effect on gross margins.

Selling, General and Administrative Expenses

The Company's selling, general and administrative expenses are generally higher in Industrial Controls compared to Aerospace Controls. Typically, Industrial Controls has higher gross profit margins, while requiring higher sales and support efforts. Accordingly, shifts in the sales mix to or from Industrial Controls will generally affect total selling, general and administrative expenses as a percentage of sales. For Aerospace Controls, selling, general and administrative expenses are also affected by the extent of bid and proposal work on long-term programs.

Research and Development

Research and development expenses can vary depending on whether the engineering staff is engaged in customer-funded design and development activities or Company-funded design and development activities. Annual Company-funded research and development expenses have averaged \$17.1 million over the past five years. Sales related to customer-funded design and development have averaged \$23.3 million, or 6.3% of sales, from 1993 to 1997. The decline in customer-funded design and development costs in 1997 reflects the transition of certain long-term military programs from the development phase to production.

Income Taxes

The Company's effective tax rate reflects differing tax rates of the various countries in which it conducts its business. Variations in where the Company earns income can have an impact on the effective tax rate.

Fiscal Year

Effective in fiscal 1997, the Company changed its fiscal year-end from September 30 to the last Saturday in September (September 27, 1997 for fiscal 1997). The impact on 1997 results of operations was not material.

Results of Operations

Fiscal Years Ended

September 27, September 30, September 30, (dollars in thousands) 1997 1996 1995

DOMESTIC CONTROLS

Net sales			
Aerospace	\$ 265,835	\$ 249,594	\$ 232,525
Industrial	59,031	26,981	21,401
Intersegment sales	324,866	276,575	253,926
	13,792	11,912	10,446
Total sales	\$ 338,658	\$ 288,487	\$ 264,372
Operating profit	\$ 43,288	\$ 32,744	\$ 25,242
Backlog	236,409	205,516	195,908

INTERNATIONAL CONTROLS

Net sales			
Aerospace	\$ 25,978	\$ 19,382	\$ 19,086
Industrial	105,085	111,280	101,272
Intersegment sales	131,063	130,662	120,358
	7,887	14,983	4,728
Total sales	\$ 138,950	\$ 145,645	\$ 125,086
Operating profit	\$ 7,977	\$ 11,796	\$ 8,464
Backlog	43,955	37,794	42,033

CONSOLIDATED

Net sales			
Aerospace	\$ 291,813	\$ 268,976	\$ 251,611
Industrial	164,116	138,261	122,673
	\$ 455,929	\$ 407,237	\$ 374,284
Operating profit	\$ 51,369	\$ 43,339	\$ 33,487
Net earnings	13,606	10,709	7,761
Backlog	280,364	243,310	237,941

Consolidated

Net sales for 1997 were \$455.9 million compared with \$407.2 million in 1996. The sales improvement is due to increases of \$25.9 million in Industrial Controls and \$22.8 million in Aerospace Controls. The increase in Industrial Controls resulted primarily from the acquisition of the U.S. Industrial Hydraulics Business, which added approximately \$28 million in revenues during 1997, and to a lesser extent, increased demand for entertainment simulators. Industrial Controls sales increases in Europe and the Asian-Pacific were more than offset by exchange rate fluctuations, particularly in Germany and Japan. The effect on Industrial Controls sales of the decline in the value of the applicable foreign currencies relative to the U.S. dollar was approximately 8% in 1997 compared to 1996, or approximately \$9 million. The sales improvement in Aerospace Controls resulted primarily from increased volume in the Commercial Aircraft product line and, to a lesser extent, the Satellites and Launch Vehicles product line, tempered by expected declines in Military Aircraft.

Cost of sales for 1997 was 69.2% of net sales, which is comparable to 1996. Increased volume and product mix in Aerospace Controls had a favorable effect of approximately \$3 million on consolidated cost of sales. The improved Aerospace Controls gross margin was offset by unfavorable product mix and adverse changes in foreign currencies in Industrial Controls, in particular Germany, and, to a lesser extent, costs incurred to improve the longer-term margins of Industrial Electrics.

Selling, general and administrative expenses were \$81.4 million, or 17.9% of net sales, in 1997, compared to \$75.7 million, or 18.6% of net sales, in 1996. The decrease as a percentage of sales is principally due to growth in sales.

Interest expense increased by \$4.6 million to \$22.7 million in 1997, as compared to 1996, due primarily to additional indebtedness incurred for the October 1996 acquisition of the U.S. Industrial Hydraulics Business.

The 1997 tax rate of 30.5% primarily reflects benefits resulting from the distribution of earnings from the German subsidiary and tax incentives associated with U.S. export sales.

Other income decreased by \$.8 million to \$1.6 million in 1997 as 1996 included \$.5 million of license fees received on a foreign military program.

Other expense in 1997 includes \$.4 million of the Company's share of costs associated with the start-up phase of a joint venture that manufactures and markets manifolds for OEM machinery, as well as losses associated with disposals of assets.

Results in 1996 include a \$.5 million extraordinary loss, net of income tax benefit, on the early repayment of debt.

As a result of the previously mentioned factors, net earnings for 1997 increased to \$13.6 million, or \$1.88 per share, compared with \$10.7 million, or \$1.40 per share in 1996.

Domestic Controls

Domestic Controls net sales increased by 17.5% to \$324.9 million in 1997 compared to \$276.5 million in 1996. Sales of Industrial Controls increased by \$32.1 million primarily due to the October 1996 acquisition of the U.S. Industrial Hydraulics Business. In addition, increased sales of entertainment motion simulators of approximately \$6 million contributed to the higher sales of Industrial Controls. Sales of Aerospace Controls increased by \$16.2 million in 1997 due to growing Commercial Aircraft and Satellites and Launch Vehicles demand. Sales of flight controls for Commercial Aircraft to Boeing increased approximately 47% from a year ago. The demand for cellular phones, pagers and direct-to-home television has resulted in increased sales of controls for communication-related Satellites and Launch Vehicles. These increases were in part offset by expected sales declines of approximately \$12 million in the Military Aircraft product line as certain programs, particularly the F/A-18 Super Hornet and V-22 Osprey, were transitioning from the development phase to low rate initial production.

Operating profit for the Domestic Controls segment was up 32.2% to \$43.3 million for 1997, or 12.8% of segment sales. This compares with \$32.7 million, or 11.4% of segment sales a year ago. Approximately half of the increase was attributable to higher Aerospace Controls sales, in addition to a more favorable product mix in Commercial and Military Aircraft controls. Industrial Controls accounted for the remainder of the Domestic Controls operating profit increase primarily due to the acquisition of the U.S. Industrial Hydraulics Business.

Backlog for the Domestic Controls segment was \$236.4 million at September 27, 1997 compared with \$205.5 million at September 30, 1996. The increase from a year ago is due to low rate initial production orders received on the F/A-18 Super Hornet, V-22 Osprey and Standard Missile 2 programs, growth in orders for entertainment simulators and the acquisition of the U.S. Industrial Hydraulics Business. Backlog consists of that portion of open orders for which sales are expected to be recognized over the next twelve months.

International Controls

International Controls net sales for 1997 of \$131.1 million were flat as compared to 1996 net sales of \$130.7 million despite lower average currency values. Excluding the changes in currency values, 1997 sales increased approximately 8%. Sales of Aerospace Controls, excluding the foreign exchange impact, increased approximately \$7 million in 1997 particularly on the strength of Military Aircraft controls in the United Kingdom and, to a lesser extent, missile controls in Italy. Sales of Industrial Controls increased approximately \$4 million in 1997,

excluding the foreign exchange impact, primarily due to improved sales in the Company's Industrial Electrics product line. Sales of Industrial Hydraulics controls marginally declined in Europe and were offset by sales gains in Japan.

Operating profit for the International Controls segment decreased 32.4% to \$8.0 million, or 5.7% of segment sales, compared to \$11.8 million, or 8.1% of segment sales, in 1996, primarily related to Industrial Controls. Margins in Europe were affected by the movement of certain currencies in countries where the Company's products are manufactured relative to currencies in countries where the products are sold. Margins in the Industrial Electrics product line were affected by approximately \$1.5 million of costs incurred throughout the year to better position plastic systems controls for the long-term. The remainder of the decline was attributable to a shift in Industrial Controls product lines to lower margin electric controls, along with a shift within the Industrial Hydraulics product line away from higher margin mechanical feedback valves.

Backlog at September 27, 1997 for the International Controls segment was \$44.0 million compared to \$37.8 million at September 30, 1996. The increase was attributable to growth in orders for electric drives for military ground vehicles in Germany and Industrial Hydraulics in Japan, partially offset by approximately \$4 million attributable to weaker currencies.

1996 Compared with 1995

Consolidated

Net sales for 1996 were \$407.2 million versus \$374.3 million in 1995. The increase was due to an increase of \$17.4 million in sales of controls for Aerospace applications and an increase of \$15.6 million in Industrial Controls. The increased Aerospace Controls sales were attributable to increased volume in controls for Commercial and Military Aircraft and Satellites and Launch Vehicles, while Industrial Controls increased as a result of improved sales of Industrial Hydraulics controls throughout Europe.

Cost of sales for 1996 was 69.2% of net sales compared to 70.8% of net sales in 1995. Approximately half of the decrease as a percentage of sales was due to transition costs incurred in 1995 related to the acquisition of certain actuation product lines of AlliedSignal Inc. in June 1994 and the remainder was due to increased sales in the higher margin Industrial Hydraulics and Satellites and Launch Vehicles product lines.

Research and development expenses increased to \$17.3 million in 1996 from \$15.8 million in 1995 due to the development of advanced actuation technology and active vibration development efforts in the U.S. related to Commercial and Military Aircraft controls.

Selling, general and administrative expenses in 1996 were \$75.7 million, or 18.6% of net sales, compared to \$68.5 million, or 18.3% of net sales, in 1995. Approximately half of the increase

as a percentage of sales resulted from compensation costs associated with stock appreciation rights, with the remainder due to temporarily high legal expenses and amortization of debt issuance costs.

Interest expense was \$18.1 million for 1996, compared with \$17.5 million for 1995. A recapitalization initiated by the Company in May 1996 enhanced the Company's long-term capital base and provided additional senior debt capacity to fund growth, while increasing the Company's average interest rate. Although the recapitalization resulted in higher interest expense for the third and fourth quarters of 1996, interest expense declined to 4.5% of sales in 1996 from 4.7% in 1995.

The effective tax rate for 1996 was 30.1%. The effective tax rate was affected by the utilization of net operating loss carryforwards at the German subsidiary. In 1996, the Company continued to reduce its valuation allowance for deferred tax assets principally related to the improving financial position of its German subsidiary.

Results in 1996 include a \$.5 million extraordinary loss, net of income tax benefit, on the early repayment of debt.

As a result of the factors mentioned above, net earnings for 1996 increased to \$10.7 million, or \$1.40 per share, compared with \$7.8 million, or \$1.00 per share, in 1995.

Domestic Controls

Domestic Controls net sales in 1996 were \$276.5 million, up 8.9% above net sales of \$253.9 million in 1995. Sales of Aerospace Controls accounted for most of the increase.

Operating profit for the Domestic Controls segment was \$32.7 million for 1996, or 11.4% of segment sales. This compares to \$25.2 million, or 9.5% of segment sales, in 1995. Aerospace Controls accounted for substantially all of the increase as a result of increased sales, along with the absence in 1996 of transition costs associated with the acquisition of certain actuation product lines from AlliedSignal Inc. in 1994.

International Controls

International Controls net sales in 1996 were \$130.7 million versus \$120.4 million in 1995. International Controls net sales growth relates principally to increased volumes due to stronger demand for Industrial Hydraulics throughout Europe and, to a lesser degree, the December 1995 acquisition of the industrial servovalve product line of Ultra Hydraulics Limited. The movement of certain foreign currencies relative to the U.S. dollar in 1996 versus 1995 did not have a significant impact on sales.

International Controls operating profit was \$11.8 million for 1996, or 8.1% of segment sales, compared to \$8.5 million, or 6.8% of segment sales in 1995. The increase is a result of higher segment sales due to improved European capital goods market conditions.

Financial Condition and Liquidity

Cash provided by operating activities was \$32.0 million in 1997 compared to \$15.2 million in 1996 and 1995. The increase in 1997 resulted from lower working capital requirements, and to a lesser extent, improved earnings as adjusted for non-cash expenses and charges.

Long-term senior debt increased by \$24.2 million to \$101.6 million at September 27, 1997 from September 30, 1996 primarily due to the acquisition of the U.S. Industrial Hydraulics Business, which was principally financed with proceeds from the Bank Credit Facility, offset by cash provided by operations. The percentage of long-term debt to capitalization at September 27, 1997 was 66.0% compared to 65.3% at September 30, 1996.

At September 27, 1997, the Company had \$87.7 million of unused borrowing capacity available under short and long-term lines of credit, including \$68.0 million from the Bank Credit Facility. During 1997, the Company obtained a \$15 million credit facility for its international subsidiaries. Approximately \$5.7 million was available on this facility at September 27, 1997.

Working capital at September 27, 1997 was \$187.5 million compared to \$188.0 million at September 30, 1996. The current ratio was 2.75 at September 27, 1997, compared to 2.89 at September 30, 1996.

Current assets increased by \$7.1 million to \$294.7 million at September 27, 1997. The increase was due to the acquisition of the U.S. Industrial Hydraulics Business which added approximately \$12 million of current assets, primarily receivables and inventories. In addition, receivables and inventories increased in the International Controls segment as a result of increased business. These increases were partially offset by foreign currency fluctuations which resulted in a decrease in current assets of approximately \$8 million.

Current liabilities increased by \$7.6 million to \$107.2 million at September 27, 1997. The increase was due to greater working capital demands related to higher sales and approximately \$4 million from the acquisition of the U.S. Industrial Hydraulics Business. These increases were partially offset by changes in foreign currency translation values resulting in a reduction in current liabilities of approximately \$3 million.

Net property, plant and equipment increased \$.7 million to \$132.1 million at September 27, 1997. Capital expenditures for 1997 were \$13.7 million compared with depreciation and amortization of \$21.3 million. Capital expenditures in 1996 were \$10.9 million compared with depreciation and amortization of \$19.6 million.

The acquisition of the U.S. Industrial Hydraulics Business added approximately \$7 million of property, plant and equipment, while unfavorable movements in foreign currency translation values resulted in a decrease of approximately \$2 million. During 1997, the Company entered into operating leases for equipment which otherwise would have had a purchase cost of \$6.9 million. Capital expenditures for 1998 are expected to be below depreciation and amortization levels. Capital expenditures in 1998 are expected to include the cost of approximately 124,500 square feet of facilities expansion for the Domestic Aerospace Controls operations and a low cost manufacturing operation in the Philippines.

Goodwill increased by \$33.6 million to \$49.6 million at September 27, 1997, primarily as a result of the October 1996 acquisition of the U.S. Industrial Hydraulics Business, offset by current year amortization of \$2.9 million. The goodwill resulting from this acquisition is being amortized over 30 years.

Recently Issued Accounting Pronouncements

Effective October 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and SFAS No. 123 "Accounting for Stock-Based Compensation." As permitted by SFAS No. 123, the Company has elected to continue measuring its compensation expense using the principles of Accounting Principles Board Opinion No. 25. The adoption of these standards had no effect on the Company's consolidated financial position or results of operations.

In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128, "Earnings per Share" which will be adopted by the Company during the first quarter of 1998. At that time, the Company will change the method currently used to compute earnings per share (EPS) and restate all prior periods, as required. Under the new requirements for calculating basic EPS, the dilutive effect of stock options will be excluded. When adopted, basic EPS required under SFAS No. 128 will be reported for 1997, 1996 and 1995 as \$1.95, \$1.44 and \$1.00, respectively, and diluted EPS will be \$1.88, \$1.40 and \$1.00, respectively.

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." The standard must be adopted by fiscal 1999. SFAS No. 130 does not change any accounting measurements, but requires presentation of comprehensive income and a reconciliation thereof to net income. The principal differences between comprehensive and net income are certain adjustments made directly to shareholders' equity, such as foreign currency translation adjustments.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires financial information to be reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments. The standard must be adopted by fiscal 1999. The Company is currently evaluating the disclosures required under this new standard.

Other

Foreign exchange instruments are used to hedge the Company's equity in, and long-term advances to, various international subsidiaries. In addition, the Company periodically utilizes foreign currency forward contracts to hedge known foreign currency cash flows. Interest rate swaps are used to manage exposure to increases in interest rates on a floating-rate credit facility. The Company does not hold or issue financial instruments for trading purposes.

At September 27, 1997, the Company believes that adequate reserves have been established for all currently pending environmental issues, and does not expect environmental matters and the utilization of existing reserves, if any, to have a material effect on the financial condition and liquidity or results of operations of the Company.

Sales to Boeing represented approximately 19% of the Company's 1997 net sales, and approximately 10% of the Company's sales were to Boeing for Commercial Aircraft only. Boeing recently announced plans, and the related costs, to rectify difficulties it is experiencing with commercial aircraft production inefficiencies and resulting late deliveries of its 7 series airplanes. Boeing's announced plans to rectify these matters include, among other things, the temporary shutdown of certain lines of production to allow it to concentrate on catching up on deliveries of certain of its 7 series aircraft. As Moog is current on all of its scheduled deliveries to Boeing, the Company does not foresee that any temporary shutdown will have any materially adverse impact on its results of operations at this time or in the near future. However, there can be no assurance that, at some future date, Boeing will not modify its existing orders with the Company in order to allow other vendors to catch up on deliveries.

Recent months have seen an unusually rapid devaluation of certain Asian-Pacific currencies including those in countries where the Company has operations. Similarly, certain financial markets have experienced valuation adjustments. The Company's sales in the Asian-Pacific, excluding Japan, were \$9.0 million in 1997, or 2.0% of consolidated sales. Including Japan, sales were \$31.5 million or 6.9% of sales. At this time, the Company is unaware of any major shifts in incoming orders that would produce materially adverse effects on the Company's results of operations in the near term.

The Company is currently evaluating the potential impact of the computer systems and software products situation commonly referred to as the "Year 2000 Issue." The Year 2000 Issue, which affects most corporations, concerns the inability of information systems, primarily computer software programs, to properly recognize and process date-sensitive information relating to the year 2000 and beyond. The Company utilizes a significant number of computer software programs and operating systems across its entire organization, including applications used in manufacturing, product development, financial business systems

and various administrative functions. To the extent the Company's software applications contain source code that is unable to appropriately interpret the upcoming calendar year "2000," some level of modification, or even possibly replacement of such applications may be necessary. The Company is currently in the process of completing the identification of applications that may require modification or replacement. The Company does not currently anticipate that it will incur material expenditures to complete any such modification or replacement as the Company believes that a majority of its systems are Year 2000 compliant, although there can be no assurance in this regard. The Company's issues relate not only to its own systems being Year 2000 compliant, but also those systems of its suppliers and customers. A failure of suppliers or customers to address the Year 2000 Issue could have a material adverse effect on the Company.

Outlook

The Company believes its Aerospace Controls product lines are well positioned. The Commercial Airplane market upswing, the demand for Satellites and Launch Vehicles, and Military Aircraft modernization programs are expected to provide revenue growth. The Industrial Hydraulics product line was significantly enhanced with the acquisition of the U.S. Industrial Hydraulics Business in October 1996. Further synergies are expected in 1998 as the integration with the European and the Asian-Pacific subsidiaries continues. Sales growth in Industrial Electrics is anticipated principally due to military ground vehicle controls and entertainment simulators.

ITEM 8. Financial Statements and Supplementary Data.

MOOG INC.
Consolidated Statements of Earnings

	Fiscal Years Ended		
(dollars in thousands except per share data)	September 27, 1997	September 30, 1996	September 30, 1995
NET SALES	\$ 455,929	\$ 407,237	\$ 374,284
OTHER INCOME	1,565	2,380	2,166
	<u>457,494</u>	<u>409,617</u>	<u>376,450</u>
COSTS AND EXPENSES			
Cost of sales	315,380	281,710	265,033
Research and development	17,798	17,303	15,783
Selling, general and administrative	81,413	75,707	68,457
Interest	22,675	18,124	17,492
Other expenses	649	723	895
	<u>437,915</u>	<u>393,567</u>	<u>367,660</u>
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	19,579	16,050	8,790
INCOME TAXES (note 7)	5,973	4,831	1,029
EARNINGS BEFORE EXTRAORDINARY ITEM	<u>13,606</u>	<u>11,219</u>	<u>7,761</u>

EXTRAORDINARY ITEM, LOSS FROM EARLY EXTINGUISHMENT OF DEBT, NET OF INCOME TAX BENEFIT OF \$300

(note 6)	--	(510)	--
NET EARNINGS	<u>\$ 13,606</u>	<u>\$ 10,709</u>	<u>\$ 7,761</u>

NET EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE:

Before extraordinary item	\$ 1.88	\$ 1.47	\$ 1.00
Extraordinary item	--	(.07)	--
Net earnings	<u>\$ 1.88</u>	<u>\$ 1.40</u>	<u>\$ 1.00</u>

AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING 7,224,612 7,639,312 7,721,927

See accompanying Notes to Consolidated Financial Statements.

MOOG INC.
Consolidated Balance Sheets

(dollars in thousands)	As of September 27, 1997	As of September 30, 1996
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,800	\$ 9,639
Receivables (note 3)	160,054	155,972
Inventories (note 4)	103,866	99,318
Deferred income taxes (note 7)	18,935	19,708
Prepaid expenses and other current assets	5,052	2,939
TOTAL CURRENT ASSETS	294,707	287,576
PROPERTY, PLANT AND EQUIPMENT (notes 5 and 6)	132,109	131,371
GOODWILL, net of accumulated amortization of \$7,528 in 1997, and \$4,676 in 1996	49,626	16,024
OTHER ASSETS	14,121	14,587
TOTAL ASSETS	\$ 490,563 =====	\$ 449,558 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable (note 6)	\$ 1,323	\$ 3,420
Current installments of long-term debt (note 6)	15,345	10,491
Accounts payable	23,860	21,597
Accrued salaries, wages and commissions	28,747	24,504
Contract loss reserves	8,170	10,966
Accrued interest	7,253	6,160
Federal, state and foreign income taxes	5,419	4,728
Other accrued liabilities	10,439	9,480
Customer advances	6,630	8,259
TOTAL CURRENT LIABILITIES	107,186	99,605
LONG-TERM DEBT, excluding current installments (note 6)		
Senior debt	101,577	77,351
Senior subordinated notes	120,000	120,000

OTHER LONG-TERM LIABILITIES (notes 7 and 8)	47,609	47,859
TOTAL LIABILITIES	376,372	344,815
COMMITMENTS AND CONTINGENCIES (note 12)		
SHAREHOLDERS' EQUITY (see page 30 and notes 8 and 9)		
9% Series B Cumulative, Convertible, Exchangeable Preferred stock - Par Value \$1.00 Authorized 200,000 shares. Issued 100,000 shares.	100	100
Common Stock - Par Value \$1.00 Class A - Authorized 30,000,000 shares. Issued 6,635,936 shares in 1997 and 6,629,245 shares in 1996.	6,636	6,629
Class B - Authorized 10,000,000 shares. Convertible to Class A on a one for one basis. Issued 2,498,187 shares in 1997 and 2,504,878 shares in 1996.	2,498	2,505
Additional paid-in capital	47,519	47,611
Retained earnings	88,422	74,825
Treasury shares	(30,967)	(31,803)
Equity adjustments	977	5,377
Loan to Savings and Stock Ownership Plan	(994)	(501)
TOTAL SHAREHOLDERS' EQUITY	114,191	104,743
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 490,563	\$ 449,558

See accompanying Notes to Consolidated Financial Statements.

MOOG INC.
Consolidated Statements of Cash Flows
Fiscal Years Ended

(dollars in thousands)	September 27, 1997	September 30, 1996	September 30, 1995
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	\$ 13,606	\$ 10,709	\$ 7,761
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	21,267	19,632	19,675
Provisions for losses	9,763	6,444	3,761
Deferred income taxes	(2,094)	(584)	1,565
Extraordinary item, loss from early extinguishment of debt, pre-tax	--	810	--
Other	755	485	(84)
Change in assets and liabilities providing (using) cash:			
Receivables	(10,084)	(13,465)	(7,876)
Inventories	(4,479)	(17,662)	(8,627)
Other assets	(1,652)	(1,486)	952
Accounts payable and accrued liabilities	2,745	5,604	(3,189)
Other liabilities	3,810	6,354	1,381
Customer advances	(1,607)	(1,665)	(144)
NET CASH PROVIDED BY OPERATING ACTIVITIES	32,030	15,176	15,175
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions and investments, including 1995 purchase price settlement (note 2)	(49,180)	(6,752)	9,200
Purchase of property, plant and equipment	(12,982)	(10,288)	(9,974)

Proceeds from sale of assets	393	202	362
Payments received, net of advances, on loan to Savings and Stock Ownership Plan	(493)	248	349
NET CASH USED IN INVESTING ACTIVITIES	(62,262)	(16,590)	(63)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments of notes payable	(1,913)	(3,357)	(2,738)
Proceeds from revolving lines of credit	97,000	92,272	--
Payments on revolving lines of credit	(71,000)	(149,657)	(1,000)
Proceeds from issuance of long-term debt	18,684	125,213	7,610
Payments on long-term debt	(14,825)	(46,181)	(18,884)
Purchase of outstanding shares for treasury	(428)	(14,605)	--
Proceeds from sale of treasury stock	1,123	545	60
Other	(836)	(435)	(9)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	27,805	3,795	(14,961)
Effect of exchange rate changes on cash and cash equivalents	(412)	(318)	(136)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,839)	2,063	15
Cash and cash equivalents at beginning of year	9,639	7,576	7,561
Cash and cash equivalents at end of year	\$ 6,800	\$ 9,639	\$ 7,576
	=====	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	\$ 20,452	\$ 12,856	\$ 17,598
Income taxes, net of refunds	5,646	2,739	(3,189)

Non-cash investing and financing
activities:

Adjustment required to adjust minimum pension liability (note 8)	676	(2,019)	1,083
Leases capitalized, net of leases terminated	731	597	260

See accompanying Notes to Consolidated Financial Statements

MOOG INC.
Consolidated Statements of Shareholders' Equity
Fiscal Years Ended

(dollars in thousands except per share data)	September 27, 1997	September 30, 1996	September 30, 1995
PREFERRED STOCK	\$ 100	\$ 100	\$ 100
COMMON STOCK	9,134	9,134	9,134
ADDITIONAL PAID-IN CAPITAL			
Beginning of year	47,611	47,709	47,737
Issuance of treasury shares at less than cost	(141)	(98)	(28)
Tax benefits related to stock option plan	49	--	--
End of year	47,519	47,611	47,709
RETAINED EARNINGS			
Beginning of year	74,825	64,125	56,373
Net earnings	13,606	10,709	7,761
Preferred dividends (\$.09 per share in 1997, 1996 and 1995)	(9)	(9)	(9)
End of year	88,422	74,825	64,125
TREASURY SHARES, AT COST*			
Beginning of year	(31,803)	(17,841)	(17,929)
Shares issued related to options (1997 - 50,150 Class A shares and 44,912 Class B shares; 1996 - 46,800 Class A shares and 500 Class B shares; 1995 - 6,000 Class A shares and 1,000 Class B shares)	1,264	568	87
Shares acquired through purchase (1997 - 17,321 Class A			

shares and 410 Class B shares; 1996 - 721,086 Class A shares, 80,000 Class B shares and 5,117 Series B Preferred shares)	(428)	(14,605)	--
Shares issued related to conversion of convertible subordinated debentures (1996 - 6,204 Class A shares; 1995 - 87 Class A shares)	--	75	1
End of year	(30,967)	(31,803)	(17,841)
EQUITY ADJUSTMENTS**			
Beginning of year	5,377	6,158	7,867
Adjustment from foreign currency translation	(4,400)	(2,110)	(478)
Adjustment from change in pension liability	--	1,329	(1,231)
End of year	977	5,377	6,158
LOAN TO SAVINGS AND STOCK OWNERSHIP PLAN (SSOP)			
Beginning of year	(501)	(749)	(1,098)
Payments received on loan, net of advances, to SSOP	(493)	248	349
End of year	(994)	(501)	(749)
TOTAL SHAREHOLDERS' EQUITY	\$114,191	\$ 104,743	\$108,636

* Class A Common Stock in treasury: 1,186,221 shares as of September 27, 1997; 1,219,050 shares as of September 30, 1996; 550,968 shares as of September 30, 1995. Class B Common Stock in treasury: 892,101 shares as of September 27, 1997; 936,603 shares as of September 30, 1996; 857,103 shares as of September 30, 1995. Preferred Stock in treasury: 5,117 shares as of September 27, 1997 and September 30, 1996.

** End of year balance includes cumulative foreign currency translation, net of applicable deferred taxes, of 1997 - \$977; 1996 - \$5,377; 1995 - \$7,487; and cumulative minimum pension liability adjustments of 1997 and 1996 - (\$0); 1995 - (\$1,329). Included in adjustment from foreign currency translation are net deferred (gains) losses of \$89 in 1997, \$(246) in 1996, and \$1,138 in 1995 related to hedging net investments in, and long-term advances to various international subsidiaries.

See accompanying Notes to Consolidated Financial Statements.

Notes To Consolidated Financial Statements
(dollars in thousands except per share data)

Note 1 - Summary of Significant Accounting Policies

Consolidation: The consolidated financial statements include the accounts of Moog Inc. and all of its U.S. and International subsidiaries (the Company). All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year: Effective in fiscal 1997, the Company changed its fiscal year-end to the last Saturday in September (September 27, 1997 for fiscal 1997). The impact on the current year results of operations was not material.

Cash and Cash Equivalents: All highly liquid investments with an original maturity of three months or less are considered cash equivalents. Cash and cash equivalents are carried at amounts which approximate fair value. The Company places its temporary investments in highly rated financial institutions.

Revenue Recognition: The percentage of completion (cost-to-cost) method of accounting is followed for long-term contracts. Under this method, revenues are recognized as the work progresses toward completion. Contract incentive awards affect earnings when the amounts can be determined. For contracts with anticipated losses at completion, the projected loss is accrued. Revenues other than on long-term contracts are recognized as units are delivered.

Inventories: Inventories are stated at the lower of cost or market with cost determined primarily on the first-in, first-out (FIFO) method of valuation. Consistent with industry practice, aerospace related inventories include amounts relating to contracts having long production and procurement cycles, portions of which are not expected to be realized within one year.

Foreign Currency Translation: Foreign subsidiaries' assets and liabilities are translated using rates of exchange as of the balance sheet date and the statements of earnings are translated at the average rates of exchange for the year.

Depreciation and Amortization: Plant and equipment are depreciated principally using the straight-line method over the estimated useful lives of the assets. Leasehold improvements and assets considered capital leases are amortized on a straight-line basis over the term of the lease or the estimated useful life of the asset, whichever is shorter.

Intangibles associated with acquisitions are amortized on a straight-line basis over periods not to exceed 30 years. The Company monitors its intangibles for evidence of impairment. In the event that such evidence exists, the Company uses forecasted discounted cash flow analysis to determine the amount of impairment, if any.

Long-Lived Assets: Effective October 1, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long- Lived Assets to be Disposed of." The adoption of this standard had no effect on the Company's consolidated financial position or results of operations in fiscal 1997.

Financial Instruments: The Company uses derivative financial instruments for the purpose of hedging currency and interest rate exposures which exist as part of its ongoing business operations. In general, instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Deferred gains or losses related to any instrument designated but ultimately ineffective as a hedge of existing assets, liabilities, or firm commitments are recognized immediately in the statement of earnings. The Company does not hold or issue financial instruments for trading purposes. The Company is exposed to credit loss in the event of nonperformance by the counter-parties to the instruments. The Company, however, does not expect nonperformance by the counter-parties.

The Company uses forward contracts to reduce fluctuations in foreign currency cash flows related to third party raw material purchases, intercompany product shipments, and intercompany loans. Foreign currency contracts are marked-to-market with net amounts due to or from counter-parties recorded in accounts receivable or payable. For contracts hedging firm commitments, marked-to-market gains or losses are deferred and recognized as an adjustment to the basis of the transaction. For all other contracts, marked-to-market gains or losses are recognized currently, generally offsetting gains or losses from underlying hedged transactions. Foreign currency forward contracts outstanding at fair value on September 27, 1997 and September 30, 1996 were \$2,086 and \$1,717, respectively. The Company also uses forward contracts to reduce fluctuations in the value of foreign currency investments in, and long-term advances to, subsidiaries. At September 27, 1997 and September 30, 1996, the Company had \$0 and \$4,484, respectively, of such instruments outstanding at fair value. These contracts are marked-to-market with gains or losses recorded in the cumulative translation adjustment component of shareholders' equity.

The Company uses interest rate swaps to reduce interest rate volatility with certain debt issues. The interest differential to be paid or received on the swap is recognized in the statement of earnings, as incurred, as a component of interest expense.

The cash flows related to derivative financial instruments are classified in the statement of cash flows in a manner consistent with those of the transactions being hedged.

Use of Estimates: Management has necessarily made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Note 2 - Acquisitions

On October 26, 1996, the Company acquired the assets of, and assumed certain liabilities related to, the industrial hydraulic servocontrols business (the U.S. Industrial Hydraulics Business) of International Motion Control Inc., an unrelated third party. The purchase price was \$48,600. The U.S. Industrial Hydraulics Business, which operated under the name Moog Controls Inc., was spun off by the Company in February 1988. The acquisition was principally financed with proceeds from the Company's U.S. Revolving Credit and Term Loan Facility (the Bank Credit Facility) and resulted in intangible assets of approximately \$36,500, the majority of which are being amortized over 30 years.

The following summary, prepared on a proforma basis, combines the consolidated results of operations of the Company and the U.S. Industrial Hydraulics Business for the year ended September 30, 1996 as if the acquisition took place on October 1, 1995. The proforma consolidated results include the impact of certain adjustments, including amortization of intangibles and increased interest expense on acquisition debt, and related income tax effects.

(Unaudited)	1996
Net Sales	\$437,099
Earnings before extraordinary item	11,739
Net earnings	11,229
Net earnings per share	\$1.47

The proforma results are not necessarily indicative of what actually would have occurred if the acquisition had been in effect for the period presented. In addition, they are not intended to be a projection of future results.

On May 7, 1997, the Company purchased the assets and servovalve distributor and repair business of Dowty-France for \$580. On May 24, 1996, the Company acquired the propellant valve product line of Parker Hannifin Corporation for \$890. On December 15, 1995, the Company purchased for \$5,012 net of cash acquired, the industrial servovalve product line of Ultra Hydraulics Limited located in the United Kingdom.

All of the Company's 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 date of acquisition.

On May 13, 1996, a joint venture called Moog Hydrolux LLC, in which the company has a 50% interest, was formed. The Company accounts for this investment on the equity method.

Note 3 - Receivables

Receivables consist of:

	September 27, 1997	September 30, 1996
Long-term contracts:		
Amounts billed	\$ 42,028	\$ 37,068
Unbilled recoverable costs and profits	66,472	71,101
Claims on terminated contracts	558	1,518
Total long-term contract receivables	109,058	109,687
Trade	50,998	45,710
Refundable income taxes	250	183
Other	1,342	1,724
Total receivables	161,648	157,304
Less allowance for doubtful accounts	(1,594)	(1,332)
Receivables	\$ 160,054	\$ 155,972

The long-term contract amounts are primarily associated with U.S. Government prime- and sub-contractors and major commercial aircraft manufacturers. Substantially all unbilled amounts are expected to be collected within one year. In situations where billings exceed revenues recognized, the excess is included in customer advances.

Concentrations of credit risk with respect to trade receivables are mitigated due to the significant amount of business with large commercial aerospace companies or U.S. Government prime- and sub-contractors and to the number of customers and their dispersion over a large geographic region.

Note 4 - Inventories

Inventories consist of the following:

	September 27, 1997	September 30, 1996
Raw materials and purchased parts	\$ 28,933	\$ 30,609
Work in process	64,502	55,789
Finished goods	10,431	12,920
Inventories	\$ 103,866	\$ 99,318

Note 5 - Property, Plant and Equipment

Property, plant and equipment consists of:

	September 27, 1997	September 30, 1996
Land	\$ 7,283	\$ 7,553
Buildings and improvements	87,727	87,945
Machinery and equipment	222,362	214,880
Property, plant and equipment, at cost	317,372	310,378
Less accumulated depreciation and amortization	(185,263)	(179,007)
Property, plant and equipment	\$ 132,109	\$ 131,371

Assets under leases that have been accounted for as capital leases and included in property, plant and equipment are summarized as follows:

	September 27, 1997	September 30, 1996
Capital leases at cost	\$ 6,025	\$ 6,711
Less accumulated amortization	(2,114)	(2,721)
Net assets under capital leases	\$ 3,911	\$ 3,990

Note 6 - Indebtedness

Long-term debt consists of the following:

	September 27, 1997	September 30, 1996
Bank Credit Facility		
- revolving credit	\$ 67,000	\$ 41,000
- term loan	24,000	30,000
International and other U.S. term loan agreements	13,935	13,254
International revolving credit facility	9,266	-
Obligations under capital leases	2,721	3,588
Senior debt	116,922	87,842
10% senior subordinated notes	120,000	120,000
Total long-term debt	236,922	207,842
Less current installments	(15,345)	(10,491)
Long-term debt	\$ 221,577	\$ 197,351

The Bank Credit Facility consists of a \$135,000 revolving credit facility and a \$24,000 term loan. The revolving credit facility expires in October 2000. The term loan has four years remaining through July 2001, with quarterly principal payments of \$1,500.

Interest on the Bank Credit Facility is LIBOR plus 1.75%. In order to provide for interest rate protection, the Company has entered into interest rate swap agreements for \$80,000, effectively converting this amount to fixed rate debt averaging 8.1%. The swaps expire at various times during 1998.

The Bank Credit Facility contains various covenants which, among others, specify minimum interest coverage, limit senior debt to a defined capital base, limit capital expenditures and restrict payment of cash dividends on common stock. The Bank Credit Facility is secured by substantially all of the Company's U.S. assets and the common shares of all Domestic and International subsidiaries.

International and other U.S. term loan agreements of \$13,935 at September 27, 1997 consist principally of financing provided by various banks to individual International subsidiaries. These term loans are being repaid through 2003, and carry interest rates ranging from .8% to 13.5%.

During fiscal 1997, the Company entered into a credit facility for its international subsidiaries. The facility allows for borrowings in different foreign currencies up to \$15 million, carries an interest rate of LIBOR plus .75% and expires on October 1, 1999.

The 10% Senior Subordinated Notes (the "Notes"), have a single maturity with the aggregate principal amount due on May 1, 2006. The Notes are redeemable at the option of the Company, in whole or in part, at any time on or after May 1, 2001 initially at 105% of their principal amount, plus accrued interest, declining ratably to 100% of their principal amount, plus accrued interest, on or after May 1, 2003.

The Notes are unsecured, general obligations of the Company subordinated in right of payment to all existing and future senior indebtedness. The Notes indenture includes certain covenants limiting, subject to certain exceptions, the incurrence of additional indebtedness, payment of dividends, redemption of capital stock, asset sales and certain mergers and consolidations.

In May 1996, the Company prepaid in its entirety the principal balance on its 10.25% Senior Secured Note resulting in an extraordinary pre-tax charge of \$810. The charge consisted of prepayment and amendment fees and the write-off of related debt issuance costs.

Maturities of long-term debt are \$15,345 in 1998, \$18,002 in 1999, \$8,526 in 2000, \$73,794 in 2001, \$886 in 2002, and \$120,369 thereafter.

The fair value of long-term debt was estimated based on quoted market prices and discounted cash flow analysis using current rates offered to the Company for debt with the same remaining maturities. At September 27, 1997, the estimated fair value of long-term debt was \$245,471.

At September 27, 1997, the Company has pledged assets with a net book value of \$288,531 as security for long-term debt.

The Company has both short-term lines of credit and long-term credit facilities with various banks throughout the world. The short-term credit lines are principally demand lines and subject to revision by the banks. These short-term lines of credit, along with \$68,000 available on the Bank Credit Facility and \$5,734 on the international revolving credit facility, provided credit availability of \$87,709 at September 27, 1997. Commitment fees are charged on some of these arrangements based on a percentage of the unused amounts available.

At September 27, 1997, the International Controls segment had \$1,323 of notes payable to banks at an average rate of 13.7%. During 1997, an average of \$1,948 in notes payable were outstanding at an average interest rate of 11.6%. Notes payable are carried at amounts which approximate fair value.

Note 7 - Income Taxes

The reconciliation of the provision for income taxes with the amount computed by applying the U.S. federal statutory tax rate of 34% to earnings before income taxes and extraordinary item is as follows:

	1997	1996	1995
Earnings before income taxes and extraordinary item:			
Domestic	\$ 16,310	\$ 10,979	\$ 6,042
Foreign	3,165	6,272	2,967
Eliminations	104	(1,201)	(219)
Total	\$ 19,579	\$ 16,050	\$ 8,790
Computed expected tax expense	\$ 6,657	\$ 5,457	\$ 2,988
Increase (decrease) in income taxes resulting from:			
Foreign tax rates	571	1,102	356
Nontaxable export sales	(664)	(76)	(280)
State taxes net of federal benefit	302	141	226
Foreign tax credits	(1,244)	-	-

Change in beginning of the year

valuation allowance	(77)	(2,541)	(2,709)
Other	428	748	448
Income taxes	\$ 5,973	\$ 4,831	\$ 1,029
Effective income tax rate	30.5%	30.1%	11.7%

At September 27, 1997, certain International subsidiaries had net operating loss carryforwards totalling \$1,219. These loss carryforwards do not expire and can be used to reduce current taxes otherwise due on future earnings of those subsidiaries.

No provision has been made for U.S. federal or foreign taxes on that portion of certain International subsidiaries' undistributed earnings (\$28,474 at September 27, 1997) considered to be permanently reinvested. It is not practicable to determine the amount of tax that would be payable if these amounts were repatriated to the Company.

The components of income taxes excluding the extraordinary item are as follows:

	1997	1996	1995
Current:			
Federal	\$ 6,543	\$ 2,817	\$ (828)
Foreign	949	2,518	292
State	575	80	-
Total current	8,067	5,415	(536)
Deferred:			
Federal	(1,621)	1,220	2,466
Foreign	(354)	(1,937)	(1,243)
State	(119)	133	342
Total deferred	(2,094)	(584)	1,565
Total income taxes	\$ 5,973	\$ 4,831	\$ 1,029

The tax effects of temporary differences that generated deferred tax assets and liabilities are detailed in the following table. Realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making its assessment of the recoverability of deferred tax assets.

Deferred tax assets:

Contract loss reserves not currently deductible	\$ 4,137	\$ 4,739
Tax benefit carryforwards	647	2,044
Accrued vacation	5,173	5,025
Deferred compensation	5,069	4,156
Accrued expenses not currently deductible	3,508	2,463
Inventory	3,884	3,633
Other	427	505
Total gross deferred tax assets	22,845	22,565
Less: Valuation reserve	(295)	(456)
Net deferred tax assets	22,550	22,109

Deferred tax liabilities:

Differences in bases and depreciation of property, plant and equipment	21,720	21,314
Prepaid pension	-	207
Other	1,135	996
Total gross deferred tax liabilities	22,855	22,517
Net deferred tax liabilities	\$ 305	\$ 408

Note 8 - Employee Benefit Plans

The Company maintains a number of defined benefit pension plans. The funded status of these plans is as follows:

	September 27, 1997			September 30, 1996		
	U.S. Employee Plan with Assets in Excess of Accumulated Benefits	Other Plans with Assets in Excess of Accumulated Benefits	Other Plans with Accumulated Benefits in Excess of Assets	U.S. Employee Plan with Assets in Excess of Accumulated Benefits	Other Plans with Assets in Excess of Accumulated Benefits	Other Plans with Accumulated Benefits in Excess of Assets
Accumulated benefit obligation						
- Vested	\$ 109,686	\$ 9,034	\$ 15,274	\$ 100,232	\$ 7,071	\$ 14,883
- Nonvested	914	-	4,177	670	-	3,545
- Total	<u>\$ 110,600</u>	<u>\$ 9,034</u>	<u>\$ 19,451</u>	<u>\$ 100,902</u>	<u>\$ 7,071</u>	<u>\$ 18,428</u>
Projected benefit obligation (PBO)	<u>\$ 121,300</u>	<u>\$ 9,972</u>	<u>\$ 24,258</u>	<u>\$ 112,357</u>	<u>\$ 7,377</u>	<u>\$ 23,553</u>
Plan assets at fair value	<u>139,743</u>	<u>9,769</u>	<u>1,337</u>	<u>112,119</u>	<u>8,377</u>	<u>1,447</u>
Plan assets in excess of (or less than) PBO	18,443	(203)	(22,921)	(238)	1,000	(22,106)
Unrecognized cumulative experience loss (gain)	(19,074)	822	(1,346)	1,426	(482)	(2,446)
Unrecognized net (asset) liability from SFAS no. 87 adoption date, amortized over 15 years	(1,735)	-	1,470	(2,104)	-	1,909
Unrecognized prior service cost	31	-	1,071	35	-	273
Adjustment required to recognize minimum liability	-	-	(729)	-	-	(53)
Accrued pension (liability) asset	<u>\$ (2,335)</u>	<u>\$ 619</u>	<u>\$ (22,455)</u>	<u>\$ (881)</u>	<u>\$ (518)</u>	<u>\$(22,423)</u>

Fiscal 1997 plan assets, shown above, consist primarily of publicly traded stocks, bonds, mutual funds and \$21,667 in Company stock, based on quoted market prices. The Company's funding policy is to contribute at least the amount required by law in the various jurisdictions in which the plans are domiciled. The principal actuarial assumptions weighted for all defined benefit plans are:

	1997	1996
Discount rate	7.3%	7.6%
Return on assets	8.5%	8.6%
Rate of compensation increase	3.7%	3.8%

In addition, the Company maintains various defined contribution plans. These defined contribution plans, along with the defined benefit plans, cover substantially all employees. Pension expense for all plans for 1997, 1996 and 1995 is as follows:

	1997	1996	1995
Service cost - benefits earned during the year	\$ 5,093	\$ 4,635	\$ 4,523
Interest cost on projected benefit obligation	10,841	9,827	9,019
Actual return on plan assets	(30,843)	(17,231)	(16,939)
Net amortization, deferral and other	21,278	9,816	9,038
Pension expense for defined benefit plans	6,369	7,047	5,641
Pension expense for other plans	873	574	763
Total pension expense	\$ 7,242	\$ 7,621	\$ 6,404

Employee and management profit share plans provide for the computation of profit share based on net earnings as a percent of net sales multiplied by base wages, as defined. Profit share expense was \$4,518 in 1997 and \$2,602 in 1996. The profit share plan was suspended for 1995.

The Company has a Savings and Stock Ownership Plan (SSOP) which includes an Employee Stock Ownership Plan. As one of the investment alternatives, participants in the SSOP can acquire Company stock at market value, with the Company providing a 25% share match. The SSOP purchase of the initial shares was funded by a Company loan. The loan is repaid with Company contributions. Interest on the loan is computed at the Bank Credit Facility

borrowing rate. The Company makes temporary advances to the SSOP for purchases of additional shares. Shares are allocated and compensation expense is recognized as the employer share match is earned. At September 27, 1997, the SSOP owned (allocated and unallocated) 147,991 Class A shares and 514,311 Class B shares.

The Company provides postretirement health care benefits to certain retirees. Expenses under this plan were \$1,222, \$1,158 and \$1,011 in 1997, 1996 and 1995, respectively. A reconciliation of the funded status of the plan with the accrued liability is shown below. There are no plan assets.

	September 27, 1997	September 30, 1996
Accumulated postretirement benefit obligation (APBO)		
- Inactives	\$ (5,420)	\$ (5,147)
- Actives fully eligible	(767)	(395)
- Actives not fully eligible	(3,229)	(2,800)
Total APBO (funded status)	(9,416)	(8,342)
Unrecognized transition obligation	6,310	6,704
Unrecognized prior service cost	211	-
Unrecognized gains (losses)	780	(343)
Accrued postretirement benefit liability	\$ (2,115)	\$ (1,981)
Discount rate	7.8%	8.0%

The effect of a one percentage point increase in the health care cost trend rate, currently assumed at 2.5%, would not have a significant impact on the accumulated postretirement benefit obligation as of September 27, 1997.

Note 9 - Shareholders' Equity

Class A and Class B Common Stock equally share in the earnings of the Company, and are identical with certain exceptions. Class A shares have limited voting rights, with each share of Class A being entitled to one-tenth of a vote on most matters, and each share of Class B being entitled to one vote. Class A shareholders are entitled, subject to certain limitations, to elect at least 25% of the Board of Directors (rounded up to the nearest whole number) with Class B shareholders entitled to elect the balance of the directors. Cash dividends may be paid on Class A without paying a cash dividend on Class B, and no cash dividend may be paid on Class B unless at least an equal cash dividend is paid on Class A. Class B shares are convertible at any time into Class A on a one-for-one basis at the option of the shareholder. The number of common shares issued reflects conversion of Class B to Class A of 6,691 and 30,039 shares in 1997 and 1996, respectively.

The Company is authorized to issue up to 10,000,000 shares of preferred stock. Series B Preferred Stock is 9% Cumulative, Convertible, Exchangeable Preferred Stock with a \$1.00 par value. Series B Preferred Stock consists of 100,000 issued shares and 94,883 outstanding shares at September 27, 1997, and is convertible into Class A Common shares (.08585 shares of Class A Common Stock per share of Series B Preferred Stock). The Series B Preferred Stock is owned by nine principal officers of the Company. With respect to any matters on which the Series B Preferred Stock is entitled to vote, all shares will be voted in a manner determined by a majority of such shares. The Series B Preferred Stock is entitled to vote as a class on certain takeover transactions. The Board of Directors may authorize, without further shareholder action, the issuance of additional preferred stock which ranks senior to both classes of Common Stock of the Company with respect to the payment of dividends and the distribution of assets on liquidation. The preferred stock, when issued, would have such designations relative to voting and conversion rights, preferences, privileges and limitations as determined by the Board of Directors.

The Company adopted SFAS No. 123 "Accounting for Stock-Based Compensation," effective October 1, 1996. This statement encourages companies to adopt a fair value based method of accounting for compensation costs of employee stock compensation plans. As permitted by SFAS No. 123, the Company will continue to apply its current accounting policy using the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion No. 25 with respect to measuring stock-based compensation. The adoption of SFAS No. 123, therefore, had no effect on the Company's consolidated financial position or results of operations for fiscal 1997. Proforma footnote disclosures of net earnings and earnings per share, as if the fair value based method of accounting had been applied, have not been presented as awards have not been granted subsequent to fiscal 1995.

Of the Class B Common Stock, 85,000 shares are reserved for issuance under the 1983 Non-Statutory Stock Option Plan. Class A shares reserved for issuance at September 27, 1997 are as follows:

	Shares
Conversion of Class B to Class A shares	1,691,086
1983 Incentive Stock Option Plan	271,650
Conversion of Series B Preferred Stock to Class A shares	8,146
	1,970,882

The 1983 Non-Statutory Stock Option Plan granted options on Class B shares to directors, officers, and key employees. Stock appreciation rights were granted in tandem with the options and

are exercisable only to the extent the options are exercised. Compensation expense related to the stock appreciation rights was \$1,302, \$1,043 and \$73 in fiscal 1997, 1996 and 1995, respectively. The 1983 Incentive Stock Option Plan granted options on Class A shares to officers and key employees. The Plans terminated on December 31, 1992 and outstanding options expire no later than ten years after the date of grant.

Options were granted at prices not less than market value on the date of the grant. Shares under option are as follows:

	Non-Statutory Plan (Class B)	Incentive Plan (Class A)
Outstanding at September 30, 1994:	133,412	380,000
Cancelled or expired in fiscal 1995	(500)	(3,400)
Exercised in fiscal 1995	(1,000)	(6,000)
Outstanding at September 30, 1995:	131,912	370,600
Cancelled or expired in fiscal 1996	(1,500)	(1,200)
Exercised in fiscal 1996	(500)	(46,800)
Outstanding at September 30, 1996 (weighted-average exercise price: Class B - \$14.28, Class A - \$8.36)	129,912	322,600
Cancelled or expired in fiscal 1997 (weighted-average exercise price: Class A - \$10.50)	-	(800)
Exercised in fiscal 1997 (weighted-average exercise price: Class B - \$14.44, Class A - \$9.46)	(44,912)	(50,150)
Outstanding and exercisable at September 27, 1997: (weighted- average exercise price: Class B - \$14.75, Class A - \$8.15)	85,000	271,650

The weighted-average remaining contractual life of the Class B and Class A options as of September 27, 1997 is .9 and 2.6 years, respectively.

All options outstanding at September 27, 1997, are exercisable at prices ranging as follows: Class B - \$14.75 per share; Class A - \$5.625 to \$10.50 per share.

Note 10 - Segment Information

The Company is organized into two segments: The Domestic Controls segment, which is larger based on sales and assets, and International Controls. Domestic Controls primarily serves North American markets with a substantial majority of its sales within the aerospace industry. International Controls serves markets in Europe and the Asian-Pacific with the majority of its sales related to industrial applications.

	1997	1996	1995
Domestic Controls			
Net sales:			
Aerospace	\$ 265,835	\$ 249,594	\$ 232,525
Industrial	59,031	26,981	21,401
	324,866	276,575	253,926
Intersegment sales	13,792	11,912	10,446
Total sales	\$ 338,658	\$ 288,487	\$ 264,372
Operating profit	\$ 43,288	\$ 32,744	\$ 25,242
Net earnings	10,960	5,863	4,030
Identifiable assets	351,944	297,445	282,323
Capital expenditures	8,322	4,973	5,633
Depreciation and amortization expense	10,975	10,103	10,363
International Controls			
Net sales:			
Aerospace	\$ 25,978	\$ 19,382	\$ 19,086
Industrial	105,085	111,280	101,272
	131,063	130,662	120,358
Intersegment sales	7,887	14,983	4,728
Total sales	\$ 138,950	\$ 145,645	\$ 125,086
Operating profit	\$ 7,977	\$ 11,796	\$ 8,464
Net earnings	2,570	5,691	3,918
Identifiable assets	121,456	126,732	120,499
Capital expenditures	3,910	4,468	3,977
Depreciation and amortization expense	4,312	4,913	5,337
Consolidated operations			
Net sales	\$ 455,929	\$ 407,237	\$ 374,284
Operating profit (O.P.), net of intercompany eliminations	\$ 51,369	\$ 43,339	\$ 33,487
Deductions from O.P.:			
Interest expense	22,675	18,124	17,492
Currency (gain) loss	(186)	(88)	143
Other expenses, net	9,301	9,253	7,062
Earnings before income taxes and extraordinary item	\$ 19,579	\$ 16,050	\$ 8,790
Total identifiable assets	\$ 473,400	\$ 424,177	\$ 402,822
Corporate assets	32,938	45,976	39,864
Eliminations	(15,775)	(20,595)	(17,729)
Total consolidated assets	\$ 490,563	\$ 449,558	\$ 424,957

Intersegment sales, which are transacted and accounted for at factory cost plus applicable general and administrative expenses and profit, have been eliminated in net sales.

Operating profit is total revenue less cost of sales and other operating expenses. The deductions from operating profit have been charged to the respective segments by being directly identified with the segments or allocated on the basis of assets or sales.

Included in net sales for Domestic Controls is \$85,033 in 1997 of sales to the Boeing Corporation (including Boeing Helicopters, McDonnell Douglas and the former Space and Defense business of Rockwell) and \$134,659 in 1997, \$153,865 in 1996 and \$136,261 in 1995, in sales to U.S. government prime- or sub-contractors, including military sales to Boeing.

In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information," which requires financial information to be reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments. The standard must be adopted by fiscal 1999. The Company is currently evaluating the disclosures required under this new standard.

Note 11 - Geographic Areas and Export Sales

United Europe Pacific & Corporate & Consol- States Other Eliminations idated Identifiable Assets:

1997	\$351,944	\$ 87,606	\$ 33,850	\$ 17,163	\$490,563
1996	297,445	92,206	34,526	25,381	449,558
1995	282,323	79,910	40,589	22,135	424,957

Sales to Unaffiliated Customers:

1997	\$324,866	\$ 99,609	\$ 31,454		\$455,929
1996	276,575	101,093	29,569		407,237
1995	253,926	90,076	30,282		374,284

Inter-area Sales to Affiliates:

1997	\$ 13,792	\$ 5,662	\$ 2,225		\$ 21,679
1996	11,912	13,529	1,454		26,895
1995	10,446	4,062	666		15,174

Export Sales:

1997	\$ 71,348	\$ 25,277	\$ 2,578		\$ 99,203
1996	57,350	27,023	2,220		86,593
1995	54,364	25,370	1,610		81,344

Net Earnings (Loss):

1997	\$ 10,960	\$ 1,185	\$ 1,385	\$ 76	\$ 13,606
1996	5,863	5,005	686	(845)	10,709
1995	4,030	4,082	(164)	(187)	7,761

Export sales from the United States are primarily to areas other than Europe. Export sales from Europe and all other geographic areas are principally to countries within their geographic area.

Note 12- Commitments and Contingencies

The Company is, in the normal course of its business, engaged in administrative proceedings with governmental agencies and legal proceedings with governmental agencies and other third parties, including litigation under Superfund laws, regarding environmental matters. The Company believes that adequate reserves have been established for all currently pending environmental administrative or legal proceedings, and does not expect that these environmental matters, and the utilization of existing reserves, if any, will have a material effect on the financial condition and liquidity, or results of operations of the Company.

From time to time, the Company is named as a defendant in legal actions arising in the normal course of business. The Company is not a party to any pending or legal proceedings the resolution of which management believes will have a material adverse effect on the Company's results of operations or financial condition and liquidity, or to any pending legal proceedings other than ordinary, routine litigation incidental to its business.

The Company leases certain facilities and equipment under operating lease arrangements. These arrangements may include fair market renewal or purchase options. Rent expense under operating leases amounted to \$7,762 in 1997, \$7,191 in 1996 and \$6,957 in 1995. Future minimum rental payments required under noncancelable operating leases are \$7,359 in 1998, \$6,169 in 1999, \$4,751 in 2000, \$3,292 in 2001, \$3,035 in 2002 and \$9,281 thereafter.

The Company subleases various facilities to third parties. Gross rental income from such activities was \$351 in 1997, \$1,291 in 1996 and \$1,535 in 1995. Future minimum rental income under noncancelable operating leases is \$234 in 1998, \$225 in 1999 and \$188 in 2000.

Note 13 - Per Share Data

Primary earnings per common and common equivalent share have been calculated after deducting dividend entitlements on preferred stock and using the weighted average number of shares of common stock and dilutive stock options outstanding.

In February 1997, the FASB issued SFAS No. 128, "Earning per Share," which will be adopted by the Company during the first quarter of fiscal 1998. At that time, the Company will change the method currently used to compute earnings per share (EPS) and restate all prior periods, as required. Under the new requirements for calculating basic EPS, the dilutive effect of stock options will be excluded. When adopted, basic EPS required under SFAS No. 128 will be reported for fiscal 1997, 1996 and 1995 as \$1.95, \$1.44 and \$1.00, respectively, and the diluted EPS will be \$1.88, \$1.40 and \$1.00, respectively.

Note 14 Quarterly Data - Unaudited

Net Sales and Earnings
(dollars in thousands except per share data)

	Year Ended September 27, 1997					Year Ended September 30, 1996				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
Net sales	\$103,850	\$109,805	\$120,064	\$122,210	\$455,929	\$ 93,233	\$106,822	\$103,107	\$104,075	\$407,237
Gross profit	33,051	35,003	36,023	36,472	140,549	28,526	32,324	32,573	32,104	125,527
Earnings before income taxes and extraordinary item	4,226	4,515	5,017	5,821	19,579	3,226	4,431	4,299	4,094	16,050
Earnings before extraordinary item	2,959	3,259	3,561	3,827	13,606	2,350	3,044	3,022	2,803	11,219
Extraordinary item	-	-	-	-	-	-	-	(510)	-	(510)
Net earnings	<u>\$ 2,959</u>	<u>\$ 3,259</u>	<u>\$ 3,561</u>	<u>\$ 3,827</u>	<u>\$ 13,606</u>	<u>\$ 2,350</u>	<u>\$ 3,044</u>	<u>\$ 2,512</u>	<u>\$ 2,803</u>	<u>\$ 10,709</u>
Net earnings per common and common equivalent share before extra- ordinary item	\$.41	\$.45	\$.49	\$.53	\$ 1.88	\$.30	\$.40	\$.40	\$.39	\$ 1.47
Extraordinary item	-	-	-	-	-	-	-	(.07)	-	(.07)
Net earnings	<u>\$.41</u>	<u>\$.45</u>	<u>\$.49</u>	<u>\$.53</u>	<u>\$ 1.88</u>	<u>\$.30</u>	<u>\$.40</u>	<u>\$.33</u>	<u>\$.39</u>	<u>\$ 1.40</u>

Note: The 1996 quarterly Earnings Per Share do not add to the total due to rounding.

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors of Moog Inc.:

We have audited the consolidated financial statements of Moog Inc. and subsidiaries listed in Item 14 (a)(1) of the annual report on Form 10-K for the fiscal year 1997. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule listed in Item 14 (a)(2) of the annual report on Form 10-K for the fiscal year 1997. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits. We did not audit the consolidated financial statements or schedule of Moog Controls Limited and Moog GmbH, wholly owned consolidated subsidiaries of the Company, which statements reflect total assets constituting 13% and 15% as of September 27, 1997 and September 30, 1996, respectively, and total net sales constituting 19%, 20% and 21% of the related consolidated totals for the years ended September 27, 1997, September 30, 1996 and 1995, respectively. Those statements and schedule were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Moog Controls Limited and Moog GmbH, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Moog Inc. and subsidiaries as of September 27, 1997 and September 30, 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended September 27, 1997, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all materials respects, the information set forth therein.

Buffalo, New York
November 10, 1997
KPMG Peat Marwick LLP

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Part III**ITEM 10. Directors and Executive Officers of the Registrant.**

The information required herein with respect to directors of the Company is incorporated by reference to "Election of Directors" in the 1998 Proxy.

Executive Officers of the Registrant.

The names and ages of all executive officers of Moog are set forth below.

Other than John B. Drenning, the principal occupations of the following officers for the past five years have been their employment with the Company. Mr. Drenning's principal occupation is partner in the law firm of Phillips, Lytle, Hitchcock, Blaine & Huber.

Executive Officers and Positions Held	Age	Year First Elected Officer
Robert T. Brady Chairman of the Board; President; Chief Executive Officer; Director; Member, Executive Committee	56	1967
Richard A. Aubrecht Vice Chairman of the Board; Vice President - Strategy and Technology; Director; Member, Executive Committee	53	1980
Joe C. Green Executive Vice President; Chief Administrative Officer; Director; Member, Executive Committee	56	1973
Robert R. Banta Executive Vice President; Chief Financial Officer; Assistant Secretary; Director; Member, Executive Committee	55	1983
Philip H. Hubbell Vice President - Contracts and Pricing	58	1988
Stephen A. Huckvale Vice President	48	1990

Robert H. Maskrey Vice President	56	1985
Richard C. Sherrill Vice President	59	1991
William P. Burke Treasurer	62	1985
John B. Drenning Secretary	60	1989
Donald R. Fishback Controller	41	1985

ITEM 11. Executive Compensation.

The information required herein is incorporated by reference to "Compensation Committee Report," "Stock Price Performance Graph," "Summary Compensation Table," "Fiscal Year-End Option/SAR Values," "Employees' Retirement Plan," "Supplemental Retirement Plan," "Employment Termination Benefits Agreements" and "Compensation of Directors" in the 1998 Proxy.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management.

The information required herein is incorporated by reference to "Certain Beneficial Owners" and "Election of Directors" in the 1998 Proxy.

ITEM 13. Certain Relationships and Related Transactions.

The information required herein is incorporated by reference to the 1998 Proxy.

Part IV.

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Documents filed as part of this report:

1. Index to Financial Statements. The following financial statements are included:

(i) Consolidated Statements of Earnings for each of the three years ended September 27, 1997.

(ii) Consolidated Balance Sheets as of September 27, 1997 and September 30, 1996.

(iii) Consolidated Statements of Cash Flows for each of the three years ended September 27, 1997.

- (iv) Consolidated Statements of Shareholders' Equity for each of the three years ended September 27, 1997.
- (v) Notes to Consolidated Financial Statements.
- (vi) Report of Independent Auditors.

2. Index to Financial Statement Schedules. The following Financial Statement Schedule as of and for each of the three years ended September 27, 1997, is included in this Annual Report on Form 10-K:

II. Valuation and Qualifying Accounts. Schedules other than that listed above are omitted because the conditions requiring their filing do not exist, or because the required information is provided in the Consolidated Financial Statements, including the notes thereto.

3. Exhibits The exhibits required to be filed as part of this Annual Report on Form 10-K have been included as follows:

- (2)(i) Stock Purchase Agreement between Moog Inc., Moog Torrance Inc. and AlliedSignal Inc., incorporated by reference to exhibit 2.1 of the Company's report on Form 8-K dated June 15, 1994.
- (ii) Asset Purchase Agreement dated as of September 22, 1996 between Moog Inc., Moog Controls Inc., International Motion Control Inc., Enidine Holdings, L.P. and Enidine Holding Inc., incorporated by reference to exhibit 2.1 of the Company's report on Form 8-K dated October 28, 1996.
- (3) Restated Certificate of Incorporation and By-laws of the Company, incorporated by reference to exhibit (3) of the Company's Annual Report on Form 10-K for its fiscal year ended September 30, 1989.
- (4) Form of Indenture between Moog Inc. and Fleet National Bank, as Trustee, dated May 10, 1996 relating to the 10% Senior Subordinated Notes due 2006, incorporated by reference to exhibit (iv) to Form 8-K dated May 10, 1996.
- (9)(i) Agreement as to Voting, effective October 15, 1988, incorporated by reference to exhibit (i) of October 15, 1988 Report on Form 8-K dated November 30, 1988.
- (ii) Agreement as to Voting, effective November 30, 1983, incorporated by reference to exhibit (i) of November 1983 Report on Form 8-K dated December 9, 1983.
- (10) Material contracts.
 - (i) Management Profit Sharing Plan, incorporated by reference to exhibit 10(i) of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1991.
 - (ii) Supplemental Retirement Plan dated October 1980, as amended, incorporated by reference to exhibit (iv) of November 1983 Report on Form 8-K, dated December 9, 1983, as amended, and reported in August 30, 1988 Report on Form 8-K, dated October 3, 1988, and amended on October 20, 1988, incorporated by reference thereto.

- (iii) Deferred Compensation Plan for Directors and Officers, incorporated by reference to exhibit (i) of November 1985 Report on Form 8-K, dated December 3, 1985.
- (iv) Incentive Stock Option Plan, incorporated by reference to exhibit 4(b) of the Registration Statement on Form S-8, File No. 33-36721, filed with the Securities and Exchange Commission on September 7, 1990.
- (v) Non-Statutory Stock Option Plan, as amended, incorporated by reference to exhibits 10(v) and 10(vi) of the Company's Annual Report on Form 10-K for its fiscal year ended September 30, 1989.
- (vi) Savings and Stock Ownership Plan, incorporated by reference to exhibit 4(b) of the Company's Annual Report on Form 10-K for its fiscal year ended September 30, 1989.
- (vii) Executive Termination Benefits Agreement incorporated by reference to January 29, 1988 Report on Form 8-K dated February 4, 1988.
- (viii) Indemnity Agreement, incorporated by reference to Annex A to 1988 Proxy Statement dated January 4, 1988.
- (ix) Revolving Credit and Term Loan Agreement dated June 15, 1994, incorporated by reference to Exhibit 10(ix) to the Company's Report on Form 10-K for its fiscal year ended September 30, 1994.
- (x) Amendment No. 2 to the Bank Credit Facility, incorporated by reference to Exhibit (ii) to the Company's Report on Form 8-K dated March 13, 1996.
- (xi) Amendment No. 3 to the Bank Credit Facility, incorporated by reference to Exhibit (v) to the Company's Report on Form 8-K dated May 10, 1996.
- (xii) Amendment No. 4 to the Bank Credit Facility, dated June 18, 1996, incorporated by reference to exhibit 10 (xii) of the Company's Annual Report on Form 10-K for its fiscal year ended September 30, 1996.
- (xiii) Amendment No. 5 to the Bank Credit Facility, dated October 26, 1996. (Filed herewith)
- (xiv) Amendment No. 6 to the Bank Credit Facility, dated April 9, 1997. (Filed herewith)
- (11) Statement re: Computation of per share earnings. (Filed herewith)
- (13) 1997 Annual Report to Shareholders. (Except for those portions which are expressly incorporated by reference to the Annual Report on Form 10-K, this exhibit is furnished for the information of the Securities and Exchange Commission and is not deemed to be filed as part of this Annual Report on Form 10-K.)
- (21) Subsidiaries of the Company. Subsidiaries of the Company are listed below:
 - (i) Moog AG, Incorporated in Switzerland, wholly-owned subsidiary with branch operation in Ireland
 - (ii) Moog Australia Pty. Ltd., Incorporated in Australia, wholly-owned subsidiary
 - (iii) Moog do Brasil Controles Ltda., Incorporated in Brazil, wholly-owned subsidiary

- (iv) Moog Buhl Automation, a branch office of Moog Inc. operating under Danish law
- (v) Moog Controls Corporation, Incorporated in New York, wholly-owned subsidiary with branch operation in the Republic of the Philippines
- (vi) Moog Controls Hong Kong Ltd., Incorporated in Hong Kong, wholly-owned subsidiary
- (vii) Moog Controls (India) Private Ltd., Incorporated in India, wholly-owned subsidiary
- (viii) Moog Controls Ltd., Incorporated in the United Kingdom, wholly-owned subsidiary
- (a) Moog Norden A.B., Incorporated in Sweden, wholly-owned subsidiary of Moog Controls Ltd.
- (b) Moog OY, Incorporated in Finland, wholly-owned subsidiary of Moog Controls Ltd.
- (ix) Moog FSC Ltd., Incorporated in the Virgin Islands, wholly-owned subsidiary
- (x) Moog GmbH, Incorporated in Germany, wholly-owned subsidiary
- (a) Moog Italiana S.r.l., Incorporated in Italy, wholly-owned subsidiary, 90% owned by Moog GmbH; 10% owned by Moog Inc.
- (xi) Moog Industrial Controls Corporation, Incorporated in New York, wholly-owned subsidiary
- (xii) Moog Japan Ltd., Incorporated in Japan, 90% owned subsidiary
- (xiii) Moog Korea Ltd., Incorporated in South Korea, wholly-owned subsidiary
- (xiv) Moog Properties, Inc., Incorporated in New York, wholly-owned subsidiary
- (xv) Moog Sarl, Incorporated in France, wholly-owned subsidiary, 95% owned by Moog Inc; 5% owned by Moog GmbH.
- (xvi) Moog Singapore Pte. Ltd., Incorporated in Singapore, wholly-owned subsidiary
- (23)(ii) Consent of KPMG Peat Marwick LLP; Consents and Audit Reports of Coopers & Lybrand and Coopers & Lybrand GmbH. (Filed herewith)
- (27) Financial Data Schedule. (Filed herewith)
- (99) Additional Exhibits. Information, Financial Statements and Exhibits required by Form 11-K for the Moog Inc. Savings and Stock Ownership Plan (to be filed by amendment).
- (b) Reports on Form 8-K
- (i) The Company filed a report on Form 8-K dated October 28, 1996 reporting pursuant to items 2 and 7.
- (ii) The Company filed a report on Form 8-K dated September 17, 1997 reporting pursuant to item 8.

MOOG INC.
Valuation and Qualifying Accounts - Three Years ended September 27, 1997
(dollars in thousands)

Description	Balance at beginning of period	Additions charged to costs and expenses	Deductions	Acquisitions/Exchange rate changes 1/	Balance at end of period
Year ended 1995:					
Reserve for contract losses	\$14,964	\$ 986	\$ 7,369	\$ 4,291	\$12,872
Allowance for doubtful accounts	1,493	352	501	35	1,379
Reserve for inventory valuation	3,486	2,423	1,209	2,892	7,592
Year ended 1996:					
Reserve for contract losses	\$12,872	\$ 1,965	\$ 3,871	\$ -	\$10,966
Allowance for doubtful accounts	1,379	462	479	(30)	1,332
Reserve for inventory valuation	7,592	4,017	2,237	(37)	9,335
Year ended 1997:					
Reserve for contract losses	\$10,966	\$ 3,898	\$ 6,694	\$ -	\$ 8,170
Allowance for doubtful accounts	1,332	882	527	(93)	1,594
Reserve for inventory valuation	9,335	4,983	2,076	612	12,854

Note:

1/ Represents the impact of changes in currency exchange rates during the year and, in 1995, reserves for contract losses related to the acquisition of the hydraulic and mechanical actuation product lines of AlliedSignal Inc.

Quarterly Stock Prices

Fiscal Year Ended	Stock Prices			
	Class B		Class A	
	High	Low	High	Low
Sept. 27, 1997				
1st Quarter	\$25 3/4	\$21 5/8	\$26	\$17 1/8
2nd Quarter	25 3/8	24 7/8	25 1/4	22 1/2
3rd Quarter	31 3/8	23 1/8	31 7/8	21
4th Quarter	39 3/4	28 3/8	40 1/4	28
Sept. 30, 1996				
1st Quarter	\$18	\$14 7/8	\$17 1/2	\$12 7/8
2nd Quarter	19 1/2	17 7/8	20	16 3/4
3rd Quarter	24 5/8	18 5/8	24 1/2	18 1/8
4th Quarter	24 5/8	21 1/4	24 3/4	19

Signatures

Pursuant to the requirements of Section 13, or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Moog Inc.
(Registrant)

Date: November 21, 1997

*By /s/ ROBERT T. BRADY
Robert T. Brady
Chairman of the Board,
President, Chief Executive Officer,
and Director
(Principal Executive Officer)*

*By /s/ ROBERT R. BANTA
Robert R. Banta
Executive Vice President,
Chief Financial Officer,
and Director
(Principal Financial Officer)*

*By /s/ DONALD R. FISHBACK
Donald R. Fishback
Controller (Principal Accounting Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and on the dates indicated.

*By/s/ RICHARD A. AUBRECHT
Richard A. Aubrecht
Director, November 21, 1997*

*By/s/PETER P. POTH
Peter P. Poth
Director, November 21, 1997*

*By/s/ JOE C. GREEN
Joe C. Green
Director, November 21, 1997*

*By/s/ARTHUR S. WOLCOTT
Arthur S. Wolcott
Director, November 21, 1997*

*By/s/ KENNETH J. MCILRAITH
Kenneth J. McIlraith
Director, November 21, 1997*

*By/s/ JOHN D. HENDRICK
John D. Hendrick
Director, November 21, 1997*

*By/s/ ALBERT F. MYERS
Albert F. Myers
Director, November 21, 1997*

Investor Information

Reports

In addition to our Annual Report and 10-K, shareholders receive copies of our three quarterly earnings releases. Additional information about the Company may be obtained by writing:

Shareholder Relations

Moog Inc.

East Aurora, New York 14052-0018

PHONE - 716/652-2000

FAX - 716/687-4457

E-MAIL sjohnson.inc@moog.com

Electronic Information About Moog

In Moog's annual report, we try to convey key information about our fiscal year results. In addition to this primary information, we have a site on the world wide web. Please visit this location using the URL address of:

<http://www.moog.com>

Annual Meeting

Moog Inc.'s Annual Meeting of Shareholders will be held February 11, 1998. Proxy cards should be dated, signed and returned promptly to ensure that all shares are represented at the meeting and voted in accordance with shareholder instructions.

Stock Exchange

Moog Inc.'s two classes of common shares are traded on the American Stock Exchange under the ticker symbols MOG/A and MOG/B.

Financial Mailing List

Shareholders who hold Moog stock in the names of their brokers or bank nominees but wish to receive information directly from the Company should contact Shareholder Relations at Moog Inc.

Transfer Agent and Registrar

ChaseMellon Shareholder Services

85 Challenger Road

Overpeck Centre

Ridgefield Park, New Jersey 07660

1-800-288-9541

Affirmative Action Program

In recognition of our role as a contributing corporate citizen, Moog has adopted all programs and procedures in our Affirmative Action Program as a matter of corporate policy.

Exhibit 10(xiii)

CONSENT AND FIFTH AMENDMENT TO REVOLVING AND TERM LOAN AGREEMENT

THIS AGREEMENT is made as of the 26th day of October, 1996 among the banks identified in Exhibit A attached to and made a part of this Agreement (collectively the "Banks" and individually a "Bank"), Marine Midland Bank, a New York banking corporation having its chief executive office at One Marine Midland Center, Buffalo, New York 14203, ("Marine"), as agent for the Banks, and Moog Inc., a New York business corporation having its chief executive office at Jamison Road and Seneca Street, East Aurora, New York 14052-0018, (the "Borrower").

WHEREAS, the Banks, Marine as agent for the Banks and the Borrower previously entered into a Revolving and Term Loan Agreement dated June 15, 1994, a First Amendment to Revolving and Term Loan Agreement dated as of November 14, 1995, a Consent and Second Amendment to Revolving and Term Loan Agreement dated as of March 22, 1996, a Consent and Third Amendment to Revolving and Term Loan Agreement dated as of May 13, 1996 and a Fourth Amendment to Revolving and Term Loan Agreement dated as of June 18, 1996 (as so amended, the "Loan Agreement"); and

WHEREAS, the Banks, Marine as agent for the Banks and the Borrower now desire to amend certain terms of the Loan Agreement; and

WHEREAS, the Banks and Marine as agent for the Banks now desire to give their consent under the Loan Agreement to the taking of certain actions by the Borrower;

NOW, THEREFORE, effective on the date described in Section 5(a) of this Agreement, the Banks, Marine as agent for the Banks and the Borrower agree as follows:

1. DEFINITIONS. Each word or expression used, but not defined, in this Agreement shall have the meaning given it in the Loan Agreement.

2. AMENDMENTS.

a. Section 6(d) of the Loan Agreement shall be amended to read in its entirety as follows:

d. Senior Debt to Net Capital Base Ratio. Maintain at the end of each fiscal quarter of the Borrower the Senior Debt to Net Capital Base Ratio so that it does not exceed the following applicable percentage: (i) for any fiscal quarter ending on or before September 30, 1998, 102% and (ii) for any such fiscal quarter ending thereafter, 80%;

b. Subsection (i) of Section 6(e) of the Loan Agreement shall be amended in its entirety to read as follows:

(i) EBITDA of the Borrower (A) for the fiscal year of the Borrower ending on September 30, 1995 less the aggregate amount of all capital expenditures of the Borrower and all Subsidiaries for such fiscal year so that it is not less than 200% of the required interest payments on all Indebtedness of the Borrower and all Subsidiaries for such fiscal year, (B) for the fiscal years of the Borrower ending on September 30, 1996 and September 30, 1997 so that it is not less than 250% of the required interest payments on all Indebtedness of the Borrower and all Subsidiaries for each such fiscal year and (C) for each fiscal year of the Borrower ending thereafter so that it is not less than 275% of the required interest payments on all Indebtedness of the Borrower and all Subsidiaries for such fiscal year and

c. Section 6(t) of the Loan Agreement shall be amended to read in its entirety as follows:

t. Interest Rate Protection. Execute and deliver or cause to be executed and delivered agreements, in form and substance satisfactory to the Agent, with financial institutions satisfactory to the Required Banks providing, when aggregated with similar protections previously delivered, interest rate protections with respect to (i) at least \$60,000,000 for a period of at least two years and deliver evidence satisfactory to the Agent of the existence thereof no later than July 15, 1994 and (ii) at least \$60,000,000 at all times during the period from October 15, 1996 through September 30, 1999, in such time increments as the Borrower may select, and deliver evidence satisfactory to the Agent of the existence thereof within fifteen days of entering into each such agreement; and

d. Subsection (iii) of Section 7(i) of the Loan Agreement shall be amended to read in its entirety as follows:

(iii) acquire all or substantially all of the assets or stock of any other Person, or assets constituting all or substantially all of a division or product line of any other Person, other than pursuant to a Permitted Acquisition,

e. Section 7(j-1) of the Loan Agreement shall be amended to read in its entirety as follows:

j-1. Capital Expenditures. Make (whether by means of any purchase or other acquisition of any asset, by means of any capital lease or otherwise) capital expenditures, other than for any permitted Acquisition, exceeding in the aggregate for the Borrower and all Subsidiaries during any fiscal year of the Borrower the following applicable amount: (i) during the fiscal year of the Borrower ending on September 30, 1996, \$14,000,000 and (ii) during any fiscal year of the Borrower ending thereafter, \$15,000,000;

f. Section 12 (rr-1) of the Loan Agreement shall be amended to read in its entirety as follows:

rr-1. Permitted Acquisition. "Permitted Acquisition" means (i) the Permitted Special Acquisition or (ii) any other acquisition by the Borrower or any Subsidiary of all or substantially all of the assets or stock of any other Person, or assets constituting all or substantially all of a division or product line of any other Person, so long as (A) neither immediately prior to contracting for such other acquisition shall there exist, nor as a direct or indirect result of the consummation of any such other acquisition shall there occur, any Event of Default or Default, (B) the aggregate consideration paid (whether by means of transfer of assets, assumption of liabilities or otherwise) by the Borrower and all Subsidiaries in connection with all such other acquisitions during the term of this Agreement does not exceed \$2,000,000 and (C) with respect to any assets or stock of any Person acquired directly or indirectly pursuant to any such other acquisition, all collateral requirements of the Required Banks are satisfied.

g. Section 12(tt) shall be amended to read in its entirety as follows:

tt. Permitted Indebtedness. "Permitted Indebtedness" means any Indebtedness (including any related to any Contingent Obligation) of the Borrower or of any Subsidiary (i) to any Lending Entity pursuant to this Agreement, (ii) constituting unsecured normal trade debt incurred upon customary terms in the ordinary course of its business, (iii) resulting from the endorsement in the ordinary course of its business of any check or other negotiable instrument for deposition or collection, (iv) to the extent incurred to pay, or to defer the payment of, the purchase price of any equipment used in the ordinary course of its business, (v) consisting of Indebtedness only of any Foreign Subsidiary, (vi) to any Sharing Creditor to the extent described in clause (ii) of Section 12(fff) of this Agreement, (vii) Indebtedness of the Borrower, in an amount not to exceed \$15,000,000, pursuant to that certain Credit Facility for Eurocredits dated September 18, 1996 between the Borrower and Landesgirokasse öffentliche Bank und Landessparkasse or (viii) identified as "Permitted Indebtedness" in Exhibit A attached to and made a part of this Agreement.

3. CONSENTS. Section 5(a) of the Loan Agreement provides that "[t]he proceeds of each subsequent Revolving Loan will be used only for working capital and other cash needs arising in the ordinary course of business (not including any corporate or other acquisition other than pursuant to a Permitted Acquisition". Section 7(b) of the Loan Agreement provides that "the Borrower shall not, without the prior written consent of the

Required Banks . . . assume or have any Indebtedness . . .

(ii) pursuant to any Contingent Obligation, except . . . for Permitted Indebtedness". Section 7(d) of the Loan Agreement provides that "the Borrower shall not, without the prior written consent of the Required Banks . . . cause or permit . . . any of its Assets to be subject to any Lien, except for Permitted Liens". Section 7(i) of the Loan Agreement, as amended by this Agreement, provides that "the Borrower shall not, without the prior written consent of the Required Banks . . . (iii) acquire all or substantially all of the assets . . . of any other Person . . . other than pursuant to a Permitted Acquisition". In addition, Section 7(j-1) of the Loan Agreement, as amended by this Agreement, provides that "the Borrower shall not, without the prior written consent of the Required Banks . . .

[m]ake . . . capital expenditures exceeding . . . during any fiscal year of the Borrower . . . \$15,000,000". The Borrower has requested the Required Banks to consent, and by this Agreement the Required Banks consent, to (i) the acquisition by the Borrower of (A) the assets and business of Moog Controls Inc. ("MCI") and certain assets of IMC Controls GmbH pursuant to the terms of that certain Asset Purchase Agreement dated as of September 22, 1996 by and between the Borrower, MCI, International Motion Control Inc., Enidine Holding L.P. and Enidine Holding, Inc. (the "Asset Purchase Agreement") for a purchase price of \$48,600,000 (the "MCI Assets") and (B) the real property and improvements commonly known as 7 Sterling Drive, Orchard Park, New York pursuant to the terms of that certain Real Estate Purchase Agreement dated as of September 22, 1996 by and between the Borrower and MCI (as amended by that certain letter agreement dated as of September 22, 1996 by and between Borrower and MCI) (the "Real Estate Purchase Agreement") for a purchase price of \$5,850,000 (the "MCI Real Property") (the acquisition of the MCI Assets and the MCI Real Property is collectively referred to herein as the "MCI Acquisition"), (ii) the use by the Borrower of proceeds of any subsequent Revolving Loan to pay for the purchase of the MCI Assets and (iii) either (A) the use by the Borrower of the proceeds of any subsequent Revolving Loan to pay for the purchase of the MCI Real Property or (B) the assumption by the Borrower of Indebtedness of MCI, the principal amount of which does not exceed \$5,850,000, governed by those certain financing arrangements of MCI described in that certain Lease Agreement dated as of January 1, 1996 between the Erie County Industrial Development Agency and MCI in connection with the purchase of the MCI Real Property and the Borrower's permitting the existing liens and encumbrances on the MCI Real Property created by such financing arrangements to remain.

4. PREREQUISITES TO LOANS. The obligation of any Bank to make any Loan after the effective date of this Agreement shall be conditioned upon the following:

a. No Default. (i) There not existing at the time such Loan is to be made any Event of Default or Default and (ii) such Bank not believing in good faith that any Event of Default or Default so exists;

b. Representations and Warranties. (i) Each representation and warranty made in the Loan Agreement, as amended by this Agreement, being true and correct as of all times during the period beginning on the effective date of this Agreement and ending at the time such Loan is to be made and as of the time such Loan is to be made, except to the extent updated in a certificate executed by a Designated Officer and a Designated Financial Officer and received by each Lending Entity before the time such Loan is to be made, (ii) each other representation and warranty made to any Lending Entity by or on behalf of the Borrower or any Subsidiary before the time such Loan is to be made being true and correct as of the date thereof, except to the extent updated in a certificate executed by a Designated Officer and a Designated Financial Officer and received by each Lending Entity before the time such Loan is to be made, (iii) each financial statement provided to any Lending Entity by or on behalf of the Borrower or any Subsidiary before the time such Loan is to be made having fairly represented the financial information that it purports to reflect as of the date thereof and (iv) such Bank not believing in good faith that (A) any such representation or warranty, except to the extent so updated, was or is other than true and correct as of any time or date of determination of the truth and correctness thereof or (B) any such financial statement did not so fairly represent such information as of the date thereof;

c. Proceedings. Such Bank being satisfied as to each corporate or other proceeding of the Borrower and any Subsidiary in connection with any transaction contemplated by the Loan Agreement, as amended by this Agreement; and

d. Receipt by Banks. The receipt by each Bank at or before the time such Loan is to be made of the following, in form and substance satisfactory to each Lending Entity:

(i) If such Loan is the first Revolving Loan after the effective date of this Agreement, a certificate executed by a Designated Officer and a Designated Financial Officer updating each representation and warranty previously made in or pursuant to the Loan Agreement and stating that (A) there did not occur or exist at any time during the period beginning on the date of the Loan Agreement and ending at the time such Loan is to be made and there does not exist at the time such Loan is to be made any Event of Default or Default and (B) each representation and warranty made in the Loan Agreement, as amended by this Agreement, was true and correct as of all times during the period beginning on the date of the Loan Agreement and ending at the time such Loan is to be made and is true and correct as of the time such Loan is to be made, except to the extent updated in a certificate executed by a Designated Officer and a Designated Financial Officer and received by each Lending Entity before the time such Loan is to be made;

(ii) If such Loan is the first Revolving Loan after the date of this Agreement, evidence of the taking and the continuation in full force and effect, at the time such Revolving Loan is to be made, of each corporate or other action of the

Borrower or any other Person necessary to authorize the obtaining of all Loans by the Borrower and the execution, delivery and performance of each Loan Document and the imposition or creation of each security interest, mortgage and other lien and encumbrance imposed or created pursuant to any Loan Document;

(iii) If such Loan is the first Revolving Loan after the date of this Agreement, evidence of the closing of the MCI Acquisition in accordance with the terms of the Asset Purchase Agreement and the Real Estate Purchase Agreement including the expiration of the related waiting period therefor under Hart- Scott-Rodino and any other applicable Law and the receipt of any necessary governmental and other third party approvals and consents, together with copies of each other document related to the MCI Acquisition;

(iv) If such Loan is the first Revolving Loan after the date of this Agreement, confirmation that the MCI Assets and the MCI Real Property are being acquired free and clear of all liens and encumbrances except the extent to which, if any, the MCI Real Property remains subject to existing liens and encumbrances as a result of the assumption of Indebtedness described in clause (iii) of the last sentence of Section 3 of this Agreement;

(v) If such Loan is the first Revolving Loan after the date of this Agreement, Collateral Assignments, appropriately completed and duly executed by the Borrower, with respect to the patents and licensed technology acquired by the Borrower pursuant to the MCI Acquisition;

(vi) If such Loan is the first Revolving Loan after the date of this Agreement, a Negative Pledge Agreement, together with an Environmental Indemnity Agreement, each appropriately completed and duly executed by the Borrower with respect to the MCI Real Property;

(vii) If such Loan is the first Revolving Loan after the date of this Agreement, evidence (A) that no asset subject to any Lien pursuant to any Loan Document is at the time such Loan is to be made subject to any other Lien, except for Permitted Liens, and (B) of the making of each recording and filing, and of the taking of each other action, deemed necessary or desirable by the Agent at the sole option of the Agent to perfect or otherwise protect any such Lien;

(viii) If such Loan is the first Revolving Loan after the date of this Agreement, evidence that each requirement contained in any Loan Document with respect to insurance is being met at the time such Loan is to be made;

(ix) If such Loan is the first Revolving Loan after the date of this Agreement, an opinion of Phillips, Lytle, Hitchcock, Blaine & Huber, counsel to the Borrower;

(x) If such Loan is the first Revolving Loan after the date of this Agreement, such financial, business and other information regarding the Borrower, MCI and each such Person's Subsidiaries and Affiliates as any of the Lender Entities shall have reasonably requested;

(xi) If such Loan is the first Revolving Loan after the effective date of this Agreement, payment on the effective date of this Agreement of a modification fee to the Agent, for the ratable benefit of each Bank, equal to such Bank's Pro Rata share of \$100,000;

(xii) Each additional agreement, instrument and other writing, including, but not limited to, (A) each agreement, instrument and other writing intended to be filed or recorded with any Governmental Authority to perfect or otherwise preserve or protect the priority of any Lien created or imposed pursuant to any Loan Document and (B) if such Loan is not the first Revolving Loan after the effective date of this Agreement, each item referred to in any of clauses (i) through (xiii) of this Section 4d, referred to in any of clauses (i) through (xviii) of Section 4(d) of the Loan Agreement, required by any Loan Document or reasonably deemed necessary or desirable by the Required Banks; and

(xiii) Payment of all costs and expenses payable pursuant to the first sentence of Section 9(a) of the Loan Agreement at or before the time such Loan is to be made.

5. GENERAL.

a. Term. This Agreement shall become effective upon its execution by the Borrower, the Agent and the Required Banks. The term of this Agreement shall be the same as the term of the Loan Agreement, as amended by this Agreement.

b. Survival; Reliance. Each representation, warranty, covenant and agreement contained in this Agreement shall survive the making of each Loan and the execution and delivery of each Loan Document and shall continue in full force and effect during the term of this Agreement, except to the extent modified in accordance with the terms of this Agreement. Each such representation, warranty, covenant and agreement shall be presumed to have been relied upon by each Lending Entity.

c. Entire Agreement. This Agreement contains the entire agreement between each Lending Entity and the Borrower with respect to the subject matter of this Agreement, and supersedes each course of dealing or other conduct heretofore pursued, accepted or acquiesced in, and each oral or written agreement and representation heretofore made, by or on behalf of any Lending Entity with respect thereto, whether or not relied or acted upon. No course of performance or other conduct hereafter pursued, accepted or acquiesced in, and no oral agreement or representation hereafter made, by or on behalf of any Lending Entity, whether or not relied or acted upon, and no usage of trade, whether or not relied or acted upon, shall modify or terminate this Agreement or impair or otherwise affect any indebtedness, liability or obligation of the Borrower pursuant to this Agreement or any right or remedy of any Lending Entity pursuant to this Agreement or otherwise. No modification or termination of this Agreement shall be effective unless made in a writing duly executed by the Required Banks and specifically referring to each provision of this Agreement being modified or to such termination.

- d. Governing Law. This Agreement shall be governed by and construed, interpreted and enforced in accordance with the internal law of the State of New York, without regard to principles of conflict of laws.
- e. Invalidity. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law. If, however, any such provision shall be prohibited by or invalid under such Law, it shall be deemed modified to conform to the minimum requirements of such Law, or, if for any reason it is not deemed so modified, it shall be prohibited or invalid only to the extent of such prohibition or invalidity without the remainder thereof or any other such provision being prohibited or invalid.
- f. Headings. In this Agreement, headings of sections are for convenience of reference only, and are not of substantive effect.
- g. Counterparts. This Agreement may be executed in any number of counterparts and signature pages, but all of such counterparts shall together constitute a single agreement.
- h. Loan Agreement. As specifically amended by this Agreement, the Loan Agreement shall remain in full force and effect. Effective on the effective date of this Agreement, references in the Loan Agreement to this Agreement shall be deemed to be references to the Loan Agreement as amended by this Agreement.

IN WITNESS WHEREOF, each Lending Entity and the Borrower have caused this Agreement to be duly executed on the date shown at the beginning of this Agreement.

MARINE MIDLAND BANK

*By /s/Hugh C. McLean
Hugh C. McLean, Vice President*

MANUFACTURERS AND TRADERS TRUST COMPANY

By /s/Timothy Geiger *Title*

FLEET BANK

By /s/John J. Larry *VP
Title*

**THE BANK OF TOKYO-MITSUBISHI, LTD.,
NEW YORK BRANCH, SUCCESSOR BY MERGER TO
THE MITSUBISHI BANK, LIMITED**

By /s/Paul Malecki
attorney-in-fact

THE SUMITOMO BANK, LIMITED

By /s/William N. Paty
Vice President and Manager Title

By /s/James Drum
Vice President, NY Office Title

BARNETT BANK OF PINELLAS COUNTY

By /s/Michael S. Crowe
Senior VP Title

NATIONAL BANK OF CANADA

By /s/Robert G. Uhrig
Vice President and Manager Title

By /s/Michael S. Woodward
Vice President Title

MARINE MIDLAND BANK, AS AGENT

By /s/Hugh C. McLean
Hugh C. McLean, Vice President

MOOG INC.

By /s/Robert R. Banta
Robert R. Banta, Executive Vice
President

ACKNOWLEDGEMENTS

STATE OF NEW YORK)
 : SS.
COUNTY OF ERIE)

On this 22 day of October in the year 1996, before me personally came Hugh C. McLean, known to me, who, being by me duly sworn, did depose and say that he resides at 170 Highland Avenue, Buffalo, New York; that he is a Vice President of Marine Midland Bank, the corporation described in and which executed the above instrument; and that he signed his name thereto by order of the board of directors of said corporation.

/s/Beth A. Flynn
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 22 day of October in the year 1996, before me personally came Timothy Geiger, to me known, who, being by me duly sworn, did depose and say that he resides at 1145 D. Youngs Rd., Williamsville, NY 14221; that he is Vice President of Manufacturers and Traders Trust Company, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 24th day of October in the year 1996, before me personally came John J. Larry, to me known, who, being by me duly sworn, did depose and say that he resides at 302 Colonial Dr., Grand Island, NY, that he is Vice President of Fleet Bank, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/ Karen Ertman
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On this 24th day of October in the year 1996, before me personally came Joseph P. Devoe, to me known, who, being by me duly sworn, did depose and say that he resides at Hartsdale, NY, that he is the attorney-in-fact of The Bank of Tokyo-Mitsubishi, Ltd., New York Branch, successor by merger to The Mitsubishi Bank, Limited, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto pursuant to duly granted authority.

/s/Nancy Mallm Morton
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On this 23 day of October in the year 1996, before me personally came William N. Paty, to me known, who, being by me duly sworn, did depose and say that he resides at 136 Allison Road, Katovah, NY; that he is Vice President & Manager of The Sumitomo Bank, Limited, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Marie K. Capone
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On this 23 day of October in the year 1996, before me personally came James Drum, to me known, who, being by me duly sworn, did depose and say that he resides at 108 Charles St., N. Massapequa, NY 11758; that he is Vice President of The Sumitomo Bank, Limited, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Mary K. Capone
Notary Public

STATE OF FLORIDA)
) SS.:
COUNTY OF PINELLAS)

On this 23rd day of October in the year 1996, before me personally came Michael S. Crowe, to me known, who, being by me duly sworn, did depose and say that he resides at 200 Central Avenue, Suite 1800, St. Petersburg, Florida 33701; that he is the Senior Vice President of Barnett Bank of Pinellas County, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Susanna J. Macdonald
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 22nd day of October in the year 1996, before me personally came Robert G. Uhrig, to me known, who, being by me duly sworn, did depose and say that he resides at Orchard Park, New York; that he is the Vice President of National Bank of Canada, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Lori A. Potter
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 22nd day of October in the year 1996, before me personally came Michael S. Woodard, to me known, who, being by me duly sworn, did depose and say that he resides at Lancaster, New York; that he is Vice President of National Bank of Canada, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Lori A. Potter
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 22 day of October in the year 1996, before me personally came Hugh C. McLean, to me known, who, being by me duly sworn, did depose and say that he resides at 170 Highland Avenue, Buffalo, New York; that he is Vice President of Marine Midland Bank, as Agent, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Beth A. Flynn
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 22nd day of October in the year 1996, before me personally came Robert R. Banta, to me known, who, being by me duly sworn, did depose and say that he resides at 158 Willardshire Road, East Aurora, New York; that he is Executive Vice President of Moog Inc., the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Linda A. Zazynski
Notary Public

EXHIBIT A

Banks that are a Party to
this Agreement

Marine Midland Bank

Manufacturers and Trades Trust Company

Fleet Bank

The Sumitomo Bank, Limited

The Bank of Tokyo-Mitsubishi, Ltd., New York Branch

Barnett Bank of Pinellas County

National Bank of Canada

SIXTH AMENDMENT TO REVOLVING AND TERM LOAN AGREEMENT

THIS AGREEMENT is made as of the 9th day of April, 1997 among the banks identified in Exhibit A attached to and made a part of this Agreement (collectively the "Banks" and individually a "Bank"), Marine Midland Bank, a New York banking corporation having its chief executive office at One Marine Midland Center, Buffalo, New York 14203, ("Marine"), as agent for the Banks, and Moog Inc., a New York business corporation having its chief executive office at Jamison Road and Seneca Street, East Aurora, New York 14052-0018, (the "Borrower").

WHEREAS, the Banks, Marine as agent for the Banks and the Borrower previously entered into a Revolving and Term Loan Agreement dated June 15, 1994, a First Amendment to Revolving and Term Loan Agreement dated as of November 14, 1995, a Consent and Second Amendment to Revolving and Term Loan Agreement dated as of March 22, 1996, a Consent and Third Amendment to Revolving and Term Loan Agreement dated as of May 13, 1996, a Fourth Amendment to Revolving and Term Loan Agreement dated as of June 18, 1996 and a Consent and Fifth Amendment to Revolving and Term Loan Agreement Dated as of October 26, 1996 (as so amended, the "Loan Agreement"); and

WHEREAS, the Banks, Marine as agent for the Banks and the Borrower now desire to amend certain terms of the Loan Agreement; and

NOW, THEREFORE, effective on the date described in
Section 4(a) of this Agreement, the Banks, Marine as agent for the Banks and the Borrower agree as follows:

1. DEFINITIONS. Each word or expression used, but not defined, in this Agreement shall have the meaning given it in the Loan Agreement.
2. AMENDMENT. Section 7(j-1) of the Loan Agreement shall be amended to read in its entirety as follows:

j-1. Capital Expenditures. Make capital expenditures, other than for any Permitted Acquisition, exceeding in the aggregate for the Borrower and all Subsidiaries during any fiscal year of the Borrower the following applicable amount: (i) during the fiscal year of the Borrower ending on September 30, 1996, \$14,000,000, (ii) during the fiscal year of the Borrower ending on September 30, 1997, \$18,000,000 and (iii) during any fiscal year of the Borrower ending thereafter, \$15,000,000;
3. PREREQUISITES TO LOANS. The obligation of any Bank to make any Loan after the effective date of this Agreement shall be conditioned upon the receipt by each Bank at or before the time such Loan is to be made of the following, in form and substance satisfactory to each Lending Entity:

a. If such Loan is the first Revolving Loan after the effective date of this Agreement, a certificate executed by a Designated Officer and a Designated Financial Officer updating each representation and warranty previously made in or pursuant to the Loan Agreement and stating that (i) there did not occur or exist at any time during the period beginning on the date of the Loan Agreement and ending at the time such Loan is to be made and there does not exist at the time such Loan is to be made any Event of Default or Default and (ii) each representation and warranty made in the Loan Agreement, as amended by this Agreement, was true and correct as of all times during the period beginning on the date of the Loan Agreement and ending at the time such Loan is to be made and is true and correct as of the time such Loan is to be made, except to the extent updated in a certificate executed by a Designated Officer and a Designated Financial Officer and received by each Lending Entity before the time such Loan is to be made; and

b. Payment of all costs and expenses payable pursuant to the first sentence of Section 9(a) of the Loan Agreement at or before the time such Loan is to be made.

4. GENERAL.

a. Term. This Agreement shall become effective upon its execution by the Borrower, the Agent and the Required Banks. The term of this Agreement shall be the same as the term of the Loan Agreement, as amended by this Agreement.

b. Survival; Reliance. Each representation, warranty, covenant and agreement contained in this Agreement shall survive the making of each Loan and the execution and delivery of each Loan Document and shall continue in full force and effect during the term of this Agreement, except to the extent modified in accordance with the terms of this Agreement. Each such representation, warranty, covenant and agreement shall be presumed to have been relied upon by each Lending Entity.

c. Entire Agreement. This Agreement contains the entire agreement between each Lending Entity and the Borrower with respect to the subject matter of this Agreement, and supersedes each course of dealing or other conduct heretofore pursued, accepted or acquiesced in, and each oral or written agreement and representation heretofore made, by or on behalf of any Lending Entity with respect thereto, whether or not relied or acted upon. No course of performance or other conduct hereafter pursued, accepted or acquiesced in, and no oral agreement or representation hereafter made, by or on behalf of any Lending Entity, whether or not relied or acted upon, and no usage of trade, whether or not relied or acted upon, shall modify or terminate this Agreement or impair or otherwise affect any indebtedness, liability or obligation of the Borrower pursuant to this Agreement or any right or remedy of any Lending Entity pursuant to this Agreement or otherwise. No modification or termination of this Agreement shall be effective unless made in a writing duly executed by the Required Banks and specifically referring to each provision of this Agreement being modified or to such termination.

- d. Governing Law. This Agreement shall be governed by and construed, interpreted and enforced in accordance with the internal law of the State of New York, without regard to principles of conflict of laws.
- e. Invalidity. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law. If, however, any such provision shall be prohibited by or invalid under such Law, it shall be deemed modified to conform to the minimum requirements of such Law, or, if for any reason it is not deemed so modified, it shall be prohibited or invalid only to the extent of such prohibition or invalidity without the remainder thereof or any other such provision being prohibited or invalid.
- f. Headings. In this Agreement, headings of sections are for convenience of reference only, and are not of substantive effect.
- g. Counterparts. This Agreement may be executed in any number of counterparts and signature pages, but all of such counterparts shall together constitute a single agreement.
- h. Loan Agreement. As specifically amended by this Agreement, the Loan Agreement shall remain in full force and effect. Effective on the effective date of this Agreement, references in the Loan Agreement to "this Agreement" or words of similar effect shall be deemed to be references to the Loan Agreement as amended by this Agreement.

IN WITNESS WHEREOF, each Lending Entity and the Borrower have caused this Agreement to be duly executed on the date shown at the beginning of this Agreement.

MARINE MIDLAND BANK

By */s/Hugh C. McLean*
Hugh C. McLean, Vice President

MANUFACTURERS AND TRADERS TRUST COMPANY

By */s/Timothy Geiger*
Vice President *Title*

FLEET BANK

By */s/John J. Larry*
Vice President *Title*

**THE BANK OF TOKYO-MITSUBISHI, LTD.,
NEW YORK BRANCH, SUCCESSOR BY MERGER TO
THE MITSUBISHI BANK, LIMITED**

By /s/Paul Malecki
attorney-in-fact

THE SUMITOMO BANK, LIMITED

By /s/William N. Paty
Vice President and Manager Title

By /s/James Drum
Vice President Title

BARNETT BANK OF PINELLAS COUNTY

By /s/Michael S. Crowe
Senior Vice President Title

NATIONAL BANK OF CANADA

By /s/Robert G. Uhrig
Vice President and Manager Title

By /s/Michael S. Woodward
Vice President Title

MARINE MIDLAND BANK, AS AGENT

By /s/Hugh C. McLean
Hugh C. McLean, Vice President

MOOG INC.

By /s/Robert R. Banta
Robert R. Banta, Executive Vice
President

ACKNOWLEDGEMENTS

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 11 day of April in the year 1997, before me personally came Hugh C. McLean, known to me, who, being by me duly sworn, did depose and say that he resides at 170 Highland Avenue, Buffalo, New York; that he is a Vice President of Marine Midland Bank, the corporation described in and which executed the above instrument; and that he signed his name thereto by order of the board of directors of said corporation.

/s/Beth A. Flynn
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 11th day of April in the year 1997, before me personally came Timothy Geiger, to me known, who, being by me duly sworn, did depose and say that he resides at 1145 D. Youngs Rd., Williamsville, NY 14221; that he is Vice President of Manufacturers and Traders Trust Company, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Barbara V. Rackley
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 15th day of April in the year 1997, before me personally came John J. Larry, to me known, who, being by me duly sworn, did depose and say that he resides at 302 Colonial Dr., Grand Island, NY, that he is Vice President of Fleet Bank, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Patricia A. Brennan
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On this 2nd day of May in the year 1997, before me personally came Paul Malecki, to me known, who, being by me duly sworn, did depose and say that he resides at 211 _____ Road, _____, NJ 08853; that he is the attorney-in- fact of The Bank of Tokyo-Mitsubishi, Ltd., New York Branch, successor by merger to The Mitsubishi Bank, Limited, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto pursuant to duly granted authority.

/s/Nancy Mallm Morton
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On this 1st day of May in the year 1997, before me personally came William N. Paty, to me known, who, being by me duly sworn, did depose and say that he resides at 136 Allison Road, Katonah, NY; that he is Vice President & Manager of The Sumitomo Bank, Limited, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Anastasia Alexopoulos
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On this 1st day of May in the year 1997, before me personally came James Drum, to me known, who, being by me duly sworn, did depose and say that he resides at 108 Charles St., N. Massapequa, NY 11758; that he is Vice President of The Sumitomo Bank, Limited, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Anastasia Alexopoulos
Notary Public

STATE OF FLORIDA)
) SS.:
COUNTY OF PINELLAS)

On this 14th day of April in the year 1997, before me personally came Michael S. Crowe, to me known, who, being by me duly sworn, did depose and say that he resides at 200 Central Avenue, Suite 1800, St. Petersburg, Florida 33701; that he is the Senior Vice President of Barnett Bank of Pinellas County, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Susanna Macdonald
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 15th day of April in the year 1997, before me personally came Robert G. Uhrig, to me known, who, being by me duly sworn, did depose and say that he resides at Orchard Park, New York; that he is the Vice President & Manager of National Bank of Canada, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Sharon A. Benitez
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 15th day of April in the year 1997, before me personally came Michael S. Woodard, to me known, who, being by me duly sworn, did depose and say that he resides at Lancaster, New York; that he is V.P.-Marketing of National Bank of Canada, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Sharon A. Benitez
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 11th day of April in the year 1997, before me personally came Hugh C. McLean, to me known, who, being by me duly sworn, did depose and say that he resides at 170 Highland Avenue, Buffalo, New York; that he is Vice President of Marine Midland Bank, as Agent, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Beth A. Flynn
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF ERIE)

On this 14th day of April in the year 1997, before me personally came Robert R. Banta, to me known, who, being by me duly sworn, did depose and say that he resides at 158 Willardshire Road, East Aurora, New York; that he is Executive Vice President of Moog Inc., the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

/s/Linda A. Zazynski
Notary Public

EXHIBIT A

Banks that are a Party to
this Agreement

Marine Midland Bank

Manufacturers and Trades Trust Company

Fleet Bank

The Sumitomo Bank, Limited

The Bank of Tokyo-Mitsubishi, Ltd., New York Branch

Barnett Bank of Pinellas County

National Bank of Canada

COMPUTATION OF PER SHARE EARNINGS - PRIMARY

	Years Ended		
	September 27, 1997	September 30, 1996	September 30, 1995
Weighted-average common shares outstanding	6,979,011	7,412,485	7,721,927
Net effect of dilutive stock options	245,601	226,827	0
Weight-average common and common equivalent shares outstanding (A)	7,224,612	7,639,312	7,721,927
Net earnings before extra- ordinary item and cumulative effect of change in accounting for income taxes \$	13,606	\$ 11,219	\$ 7,761
Less: Preferred stock dividends	(9)	(9)	(9)
Net earnings before extra- ordinary item and cumulative effect of change in accounting for income taxes attributable to common shareholders (B)	13,597	11,210	7,752
Extraordinary item (C)	0	(510)	0
Cumulative effect of change in accounting for income taxes (D)	0	0	0
Net earnings attributable to common shareholders (E)	\$ 13,597	\$ 10,700	\$ 7,752
Per share:			
Net earnings before extra- ordinary item and cumulative effect of change in accounting for income taxes (B)/(A)	\$ 1.88	\$ 1.47	\$ 1.00
Extraordinary item (C)/(A)	0.00	(0.07)	0.00
Cumulative effect of change in accounting for income taxes (D)/(A)	0.00	0.00	0.00
Net earnings (E)/(A)	\$ 1.88	\$ 1.40	\$ 1.00

EXHIBIT 11.2
COMPUTATION OF PER SHARE EARNINGS - FULLY DILUTED

	Years Ended		
	September 27, 1997	September 30, 1996	September 30, 1995
Weighted-average common shares outstanding	6,979,011	7,412,485	7,721,927
Net effect of dilutive stock options	261,237	244,040	93,352
Assumed conversion of Preferred Stock	8,146	8,585	8,585
Assumed conversion of Convertible Subordinate Debentures		0	863,305
Weighted-average common and common equivalent shares outstanding (A)	7,248,394	7,665,110	8,687,169
Net earnings before extra-ordinary item and cumulative effect of change in accounting for income taxes \$	13,606	\$ 11,219	\$ 7,761
Add: conversion of Convertible Subordinated Debentures	0	0	1,682
Net earnings before extra-ordinary item and cumulative effect of change in accounting for income taxes attributable to common shareholders (B)	13,606	11,219	9,443
Extraordinary item (C)	0	(510)	0
Cumulative effect of change in accounting for income taxes (D)	0	0	0
Net earnings attributable to common shareholders (E)	\$ 13,606	\$ 10,709	\$ 9,443
Per share:			
Net earnings before extra-ordinary item and cumulative effect of change in accounting for income taxes (B)/(A)	\$ 1.88	\$ 1.46	\$ 1.00*
Extraordinary item (C)/(A)	0.00	(0.06)	0.00
Cumulative effect of change in accounting for income taxes (D)/(A)	0.00	0.00	0.00
Net earnings (E)/(A)	\$ 1.88	\$ 1.40	\$ 1.00*

*Antidilutive

Content

Financial Highlights	1
Letter to Shareholders	2
Moog at a Glance	4
Market Segment Facts	
Military Aircraft	6
Commercial Aircraft	8
Satellites & Launch Vehicles	10
Industrial Hydraulics	12
Industrial Electronics & Electric Drives	14
	16
Form 10K	17
Investor Information	42
Directors and Officers, and International Subsidiaries located on inside back cover.	

Financial Highlights					
Fiscal Years	1997	1996	1995	1994	1993
Net Sales	\$455,929	\$407,237	\$374,284	\$307,370	\$293,680
Net Earnings	13,606	10,709	7,761	2,123	4,761
Net Earnings Per Share	\$1.88	\$1.40	\$1.00	\$.27	\$.62
Total Assets	\$490,563	\$449,558	\$424,957	\$424,456	\$318,130
Indebtedness - Senior	118,245	91,262	170,361	183,376	115,515
- Subordinated	120,000	120,000	19,400	20,800	22,082
Shareholders' Equity	114,191	104,743	108,636	102,184	92,561
Capital Expenditures	13,713	10,885	10,232	8,893	10,216
Depreciation and Amortization	21,267	19,632	19,675	15,700	15,621
Backlog	280,364	243,310	237,941	217,261	181,081

(dollars in thousands except per share data)

To Our Shareholders, Employees and Friends:

A Record Year

Fiscal '97 was a very good year. On a per share basis, earnings were up 34% on a 12% sales increase. This is the third consecutive year in which earnings per share growth has exceeded 30%. The reshaping of our company, begun in the early '90's, has finally paid off for our shareholders. During '97 our stock price increased by 78%. Our market capitalization was \$158 million coming into the year and \$282 million at the end.

Over our 46 year history, we've cultivated a variety of different markets for high performance motion controls. This diversification worked well for us in '97. Lively activity across a broad base of applications provided consistent earnings performance quarter-by-quarter. Each quarter's results in Fiscal '97 were an increase over the year previous and a record for the Company. In addition to sales and earnings growth, our businesses have provided a strong cash flow throughout the year. Early in the year, we borrowed \$49 million to acquire the principal assets of Moog Controls Inc. By year-end, we'd paid nearly half that money back.

Aircraft: Surging Commercial, Stable Military

The big news in the aircraft business in '97 was the dramatic increase in production of commercial airplane flight controls. Our sales to Boeing grew by 47%. Revenue increased on every one of the Boeing airplanes, but the big increase was on the 747. Every member of the Moog team should "get a medal" for maintaining "on schedule deliveries" throughout this remarkable acceleration in production rates. It was a major achievement. The entire airplane industry is stretching to keep pace with this new level of activity. Once achieved, we believe it will be sustained for a long time. Production levels in military aircraft were fairly stable, although we had a big year on the F-15 program, all a result of foreign military sales. The F/A-18E/F and the V-22 are transitioning from development into production. In the years to come, these two programs will be the long-awaited stimulus for growth in military aircraft revenues. Controls for commercial and military aircraft, which make up half our revenues, grew by about 7% in '97.

Acquisition Adds To Industrial Growth

About a third of our business is industrial controls, both hydraulic and electric. In '97, the growth in our industrial sector came about mostly because of our timely acquisition of the assets of Moog Controls Inc., the U.S. manufacturer of industrial servovalves and servoactuators. The addition of this strong U.S. product line and the realization of improved operating efficiencies had an immediately accretive effect on our earnings. Also during the year, we began production of some important new products including entertainment simulators for MCA-Universal and industrial electric drives used on the PzH2000 German howitzer.

Rapid Growth in Space, Resurgence in Missiles

Our Satellites and Launch Vehicles (previously Space and Missiles) product line is currently 14% of revenues and is the fastest growing. The global demand for commercial satellites provides increasing revenues for our electric propulsion feed systems, thrusters, and actuation systems. We believe that we are in the very early days in the build-up of large space-based commercial communication systems. All of the major satellite buses built by Hughes, Lockheed and Loral use our products and we participate on most of the major satellite launch vehicles including Titan, Centaur and Ariane V. In addition, the Iridium constellation uses our isolation valves. The tactical missile business is also growing again because the U. S. Congress is making serious preparations to defend against missile attacks. Standard Missile 2, on which we supply a fin control package, has been adopted as an anti-missile defense system.

Research and Development Enhances Market Leadership

Our strategy in most of our markets is to be the market leader both in terms of product performance as well as market share. To maintain this position, we pay special attention to both in-house and customer-funded R&D. In '97, much of our development activity in the Aircraft Group was directed to the flight controls for the Joint Strike Fighter concept demonstrators. On the commercial side, the early part of the year was spent supporting the Boeing program to re-wing the 747. When Boeing decided not to pursue the new aircraft, our technical team continued to design and produce a state-of-the-art, fly-by-wire primary flight control actuator demonstrating to Boeing our breakthrough improvement in development cycle time through the effective use of concurrent engineering.

The Satellite Market Goes Electric

Product development in satellite controls was principally focused on electric propulsion. We designed and built xenon feed systems and components for three different customers. Our first electric propulsion feed system will be launched in early '98. In launch vehicles, all of our emphasis is on electromechanical actuation for thrust vector control and for upper stage fuel control. Satellite launch vehicles are well on the way to using all-electric actuation and we're a leading contributor to this transition.

Industrial R & D Focuses on Specialties

In the industrial area, our product development emphasis has been on controls for industrial gas turbines, on design of the custom-tailored simulator for MCA-Universal, as well as on a broader range of standard simulators, and in electric actuation for tilting high-speed trains.

We Love Long Term Agreements

Our contracts with Boeing Commercial are six years in duration. In '97, we signed multi-year contracts with AlliedSignal for APU servoactuators, Hughes Electronics for satellite attitude controls, the Standard Missile Company for fin control actuators and MTS for servovalves. These long term commitments set the stage for a genuine technical and commercial collaboration. In that kind of framework, we can provide our best in terms of product performance, service and value for our customers.

Bill's Culture Lives On

Fiscal '97 marked the passing of our founder, Bill Moog. Although Bill retired from our Company over nine years ago, it seemed natural for the Moog community to get together and reminisce about the good old days with Bill. For many of us, it was striking how distinct an imprint Bill left on the Company he founded. Since the earliest days, the culture Bill fashioned has placed the highest priority on the delivery of a technically superior product, built to the highest standards of quality and reliability. It occurred to us on the day of Bill's memorial that our tribute did not have to be summed up in graceful words spoken on one afternoon. Our tribute continues every day as products built to his high standards, products that carry his name, are delivered to customers all around the world.

'98 Looks Great

Bill gave our Company its start. Over the years, a great many people have built Moog into what it is today. In '97, we had our best year ever. We're looking forward to an even better year in '98.

Robert T. Brady
Chairman, CEO

Pictured below,
from left to right:

Bob Maskrey,
Aircraft Controls

Bob Banta,
Chief Financial Officer

Phil Hubbell,
Contracts & Pricing

Dick Aubrecht,
Vice-Chairman

Bob Brady,
Chairman, CEO

Joe Green,
Chief Administrative Officer

Steve Huckvale,
International Controls Group

Bing Sherrill,
Systems Group

Moog at a Glance

Everyone appreciates the tremendous pace of advancement in computers and computer software. Just as the PC has revolutionized information technology, computers have also revolutionized controls in aircraft, satellites and industrial machinery. This phenomenon places Moog in an enviable position. Our principal product lines are servoactuators that take the information generated by computers and then make something happen. The inputs to our products are the tiny electrical signals emanating from the control computers. Advancements in computer technology enhance the capabilities of our products and their relevance in today's industrial society. The illustration at right describes the operating parts of a servoactuator system. There are hundreds of design variations, but they share the fundamental characteristics shown.

The following diagram shows the elements of a servocontrol system in which the power to move the output is provided by pressurized hydraulic fluid. The concepts are similar for systems in which the power is directly provided by an electric motor.

(Diagram)

An electrohydraulic servocontrol system consists of the six elements indicated in the diagram above: (1) control electronics which may be a computer, microprocessor or guidance system which creates command input signal; (2) a servoamplifier which provides a low power electrical actuating signal which is the difference between the command input signal and the feedback signal generated by the feedback transducer (6); (3) a servovalve which responds to this low power electrical signal and controls the high power flow of hydraulic fluid to (5), an actuation element such as a piston and cylinder or a hydraulic motor which positions the device being controlled; and (4) a power supply, generally an electric motor and pump, which provides a flow of hydraulic fluid under high pressure. The feedback transducer (6) measures the output of the system and converts this measurement into a proportional signal which is sent to the servoamplifier.

Military Aircraft

27% of '97 sales

Moog has supplied high performance servoactuation to move flight control surfaces on military aircraft since the 1950's. Throughout our history, we've worked on most U.S. military aircraft and many built overseas. Over the next few years, we'll be starting production on a number of new programs: the F/A-18E/F Super Hornet, the V-22 Osprey, the RAH-66 Comanche, the Japanese F-2 and the Indian Light Combat Aircraft. This year we began design of flight control and engine control actuation for the Joint Strike Fighter (JSF) demonstrators.

FY98 Forecast Sales = \$125 million

(Pie Chart inserted which shows the distribution of 1998 sales by project as follows:

B-2 - 9.5%
F-15 - 11.5%
F-16 - 3.0%
F-18 - 14.6%
V-22 - 8.2%
Engines - 5.9%
Aftermarket - 14.8%
Other - 32.5%)

Products

- Primary and secondary flight control actuation for fighters, bombers, helicopters
- Engine control servovalves and servoactuators
- Active vibration control systems
- Flight data recording systems
- Wingfold and weapons bay systems

Major Programs & Applications

Primary Flight Controls:

- B-2, V-22, RAH-66, Taiwanese IDF, Indian LCA, JSF

Secondary and Leading Edge Actuation:

- F/A-18, F-15, F-16, Blackhawk, Japanese F-2, Taiwanese IDF, Czech L-159, JSF

Active Vibration Controls:

- EH-101, S-92

Engine Control Servovalves and Servoactuators:

- F-404, F-414, F-110, F-119, EJ200, AE2100, T406, RTM322, Thrust Vector Controls

Competitive Advantages

- Extensive U.S. and international experience in design of fly-by-wire flight controls
- Product innovation for advanced flight controls, engine controls and active vibration control

- World-class manufacturing capability
- Skilled, experienced and dedicated workforce

Competitors

- Parker Hannifin, Curtiss-Wright, HR Textron

Market Developments

- F/A-18C/D, E/F are funded for production
- V-22 Osprey approved for limited production, 523 aircraft are planned
- RAH-66 Comanche in flight testing, 6 development helicopters planned for 2001
- Japanese F-2 starts production
- Indian LCA initial production is funded
- Koreans launch new trainer
- JSF concept demonstrators are in design
- Czech Republic orders 72 L-159 light attack/trainer aircraft

Strategies & Initiatives

- Develop next generation technology in flight control, engine control, vibration suppression
- Partner with prime contractor R&D Centers
- Pursue opportunities in international markets
- Strengthen European manufacturing capabilities
- Develop depot capability for overhauls

Commercial Aircraft

22% of '97 sales

We supply many of the flight control and autopilot actuators for the 747, 757, 767, and 777. We make servovalves for all the Boeing aircraft and all the Airbus aircraft. In addition, we supply flight control actuators for the ailerons on the A330/A340.

FY98 Forecast Sales = \$113 million

(Pie Chart inserted which shows the distribtuion of 1998 sales by project as follows:

747 - 18.1%
 757 - 7.4%
 767 - 5.1%
 777 - 9.6%
 Engines - 12.8%
 Airbus - 9.2%
 Aftermarket - 25.1%
 Other - 12.7%)

Products

- Primary and secondary flight control actuation
- Flight control servovalves
- Digital engine control servovalves

Major Programs & Applications

Primary Flight Controls and Spoilers:

- 747, 757, 777, A330/A340, Citation X

Autopilot Actuators:

- 747, 767

Leading Edge Rotary Actuators:

- 777

Flight Control Servovalves:

- Boeing, Airbus, IPTN-250, regional jets

Trailing Edge Flap System:

- Gulfstream IV, Challenger

Digital Engine Control Servovalves:

- CF-6, GE90, V2500, Rolls Royce RB211 and Trent, AlliedSignal APU's

Competitive Advantages

- Extensive experience in design and production of primary and secondary flight control actuators and components
- Product innovation for advanced flight controls, engine controls and active vibration controls
- World-class manufacturing capability
- Focused, highly responsive aftermarket support organization
- Skilled, experienced and dedicated workforce

Competitors

- Parker Hannifin, Teijin Seiki, Curtiss-Wright, Dowty, Sundstrand

Market Developments

- Production rate increases at Boeing and Airbus
- Airline traffic is projected to grow at a rate of 5% per year over the next 20 years
- Trent 500/600 series begins development

Strategies & Initiatives

- Align business plans with customer objectives
- Dramatically reduce development cycle time to benefit airframe design
- Continue pursuit of cost reduction opportunities
- Find appropriate transfer of military technology to commercial applications

Satellites & Launch Vehicles

14% of '97 sales

What was the missile business has become the satellite, launch vehicle and anti-missile business. The number of satellites launched to meet the demand for cellular phones, pagers and direct-to-home TV increases every year.

Anti-missile defense initiatives funded by the Congress have triggered the production start of Standard Missile-2 Block IV and the potential of a Theater High Altitude Air Defense System (THAADs).

FY98 Forecast Sales = \$81 million

(Pie Chart inserted which shows the distribution of 1998 sales by project as follows:

Satellites - 27.0%
Strategic Missiles - 3.7%
Tactical Missiles - 28.9%
Launch Vehicles - 29.0%
Space Vehicles - 11.4%)

Products

- Steering controls for launch vehicles, strategic missiles, and space shuttle
- Thrusters, isolation valves, propulsion system valves and actuation systems for satellites and launch vehicles
- Electric propulsion feed systems for satellite attitude control
- Thermal control valves

Major Programs & Applications

Satellite Propulsion:

- HS-601, HS-702, A2100, FS1300, Eurostar 3000

Launch Vehicle Steering Controls:

- Titan IV, Atlas Centaur, Ariane, Space Shuttle

Tactical Missile Steering Controls:

- Standard Missile-2 BLK IV, VLASROC, THAADs, Patriot, Aspide, Sea Dart, Penguin, Aster 15 and 30, Apache, Storm Shadow, Arbizon, MQM 170-B, C-22 Drone

Space Station Components:

- Fluid quick disconnects, segment attachment drives

Electric Propulsion:

- Loral propellant management assembly
- New Millennium Deep Space One xenon feed system
- Artemis xenon solenoid valves
- HS-601 xenon regulator
- Hughes XIPS

Competitive Advantages

- Extensive experience in design and manufacture of launch vehicle steering controls
- Unparalleled experience in design and manufacture of propulsion control devices
- Leading edge technology in electric propulsion
- World class manufacturing capabilities
- Skilled, experienced and dedicated workforce

Competitors

- AlliedSignal, HR Textron, Vacco, Wright

Market Developments

- Our customers, Hughes, Lockheed Martin, and Loral, dominate U.S. satellite production
- Big LEO constellations offer unprecedented production rates. Over 1100 satellites will be produced in next 10 years.
- Traditional launch vehicles, Titan, Atlas, Delta, Space Shuttle, continue as workhorses
- Standard Missile-2 BLK IV will be used by the Navy for missile defense
- Theater High Altitude Area Defense (THAADs) still has a potential

Strategies & Initiatives

- Increase capacity and reduce lead time to support accelerated demand
- Develop leading edge technology for satellite and launch vehicle propulsion systems and steering controls
- Support satellite and launch vehicle manufacturers on a worldwide basis

Industrial Hydraulics

27% of '97 sales

Since 1959, when Moog introduced the first industrial servovalve, we have led the way in product technology. By any measure, we are the world's market leader in industrial servovalves. In addition, we produce high performance long stroke actuators for motion platforms and turbine control actuators for industrial gas turbines.

FY98 Forecast Sales = \$120 million

(Pie Chart inserted which shows the distribution of 1998 sales by geographic region:

U.S. - 36.1%

U.K. - 8.7%

Germany - 18.6%

Japan - 13.8%

Pacific Rim - 6.2%

Scandinavia - 4.1%

France - 4.4%

Italy - 7.0%

Other - 1.1%)

Products

- Servovalves and proportional valves
- Electrical and mechanical feedback
- Direct drive, nozzle-flapper, servojet

- Low friction, long stroke actuators for flight simulators
- Servo-controlled valve assemblies for turbines
- Closed loop motion control subsystems

Major Applications

- Electrical feedback servovalves for control of clamp and injection operations on plastic injection molding equipment
- Mechanical feedback and direct drive valves for parison control in plastic blow molding machines and for control of nip load in paper machinery
- Fuel metering, steam bypass and override control servovalves for gas and steam turbines
- Hydraulic position control actuators and servovalves for fatigue testing systems
- Direct drive and electrical feedback valves for precise positioning in saw mills
- Electrical and mechanical feedback servovalves for gauge coil box, side guide and camcoiler control of steel and aluminum processing equipment
- Control loading and motion platform actuators for full flight simulators

Competitive Advantages

- Leading edge technology for 38 years
- Unmatched, worldwide application engineering to optimize custom solutions
- Worldwide engineering, manufacturing, support and service facilities
- Skilled, experienced and dedicated workforce

Competitors

- Bosch, Rexroth

Market Developments

- Increased global demand, including developing economies
- Consistent pressure to reduce lead time

Strategies & Initiatives

- Continue development of leading edge technology
- Pursue forward integration of products in key end markets
- Consolidate production in global manufacturing centers
- Focus factories and processes to shorten lead times
- Further expansion and focus on global locations for support and service

Industrial Electronics & Electric Drives

11% of '97 sales

The growth areas in the drives business have been the specialties. In '97 we began producing entertainment simulators for MCA-Universal and electric drives used on the automatic ammunition loader for a German howitzer. Both of these product lines have the potential for a big commercial future.

FY98 Forecast Sales = \$53 million

(Pie Chart inserted which shows the distribution of 1998 sales by project as follows:

Electric Drives - 35.3%
Military Vehicles - 20.0%
Plastics Controls - 10.4%
Motion Simulators - 17.0%
Other - 17.3%)

Products

- Brushless D.C. servomotors and digital motor controllers
- Electronic controls for injection machines
- Electronic controls for specialized automated machinery
- Electromechanical servoactuators
- Ruggedized high-torque drives for military vehicles

Major Applications

- Electric drives for assembly robots, brush making machines, material handling robots and packaging machines
- Full performance total machine control for injection molding and blow molding
- Custom-tailored controls for Tuftco carpet tufting and scrolling machine
- Four and six-degree-of-freedom motion platforms with capacities between 2,000 and 13,000 pounds
- Electric azimuth and elevation gun control, ammunition-handling, and radar platform control for military and naval vehicles.
- Tilting controls for high speed trains

Competitive Advantages

- Highest power density of available brushless D.C. servodrives
- Full range of capability in total machine control for injection molding and blow molding
- High reliability in electrically actuated motion platforms
- Demonstrated experience in electric gun controls for military vehicles

Competitors

- Indramat, Pacific Scientific, Barber Colman, Siemens, Gefran, Control Techniques, Kollmorgen, CAD Gage Textron

Market Developments

- Moog electric simulators lead the field in both entertainment and training
- Wegmann howitzer production starts
- Spares and warranty contract signed for PzH2000
- Military vehicle technology is applied to high-speed trains

Strategies & Initiatives

- Focus on development of specialized electromechanical actuation systems

- Refine product design and reduce costs to improve profitability in electric drives
- Broaden worldwide distribution of plastics machine controls
- Broaden product range in electric motion simulators

Worldwide Locations:

Moog Inc.
Headquarters
East Aurora, New York, USA

Moog Australia
Pty., Ltd
Mulgrave, Australia

Moog Buhl Automation
Copenhagen, Denmark

Moog Controls
Corporation
Baguio City, Philippines

Moog Controls
Hong Kong Ltd.
Hong Kong

Moog Controls
(India) Pvt. Ltd. Bangalore, India

Moog Controls Ltd.
Tewkesbury,
England

Moog do Brasil
Controles Ltda.
Sao Paulo,
Brazil

Moog OY
Espoo, Finland

Moog Sarl
Rungis,
France

Moog GmbH
Boblingen, Germany

Moog Ltd.
Ringaskiddy, Ireland

Moog Italiana S.r.l.
Malnate,
Italy

Moog Japan Ltd.
Hiratsuka, Japan

Moog Korea Ltd.
Kwangju-Kun, Korea

Moog Singapore
Pte. Ltd.
Singapore

Moog Sarl
Sucursal En Espana
Orio, Spain

Moog Norden A.B.
Askim, Sweden

Moog-Hydrolux
Hydraulic Systems LLC
East Aurora, New York, USA

Directors and Officers:

Robert T. Brady
Chairman of the Board
Chief Executive Officer
President
Director

Richard A. Aubrecht
Vice Chairman of the Board
Vice President
Director

Robert R. Banta
Executive Vice President
Chief Financial Officer
Assistant Secretary
Director

William P. Burke
Treasurer

Warren B. Cutting
Director Emeritus
Business Consultant

John B. Drenning
Secretary
Partner, Phillips Lytle

Joe C. Green
Executive Vice President
Chief Administrative Officer
Director

John D. Hendrick
Director
President,
Okuma Machinery Inc.

Philip H. Hubbell
Vice President

Stephen A. Huckvale
Vice President

Robert H. Maskrey
Vice President

Kenneth J. McIlraith
Director
Retired Banking Executive

Albert F. Myers
Director
Treasurer,
Northrop Grumman

Peter P. Poth
Director
Retired Executive

Richard C. Sherrill
Vice President

Arthur S. Wolcott
Director
Chairman,
Seneca Foods Corporation

Exhibit 23(ii)

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Moog Inc.:

We consent to incorporation by reference in the Registration Statements (No. 33-62968, 33-36722, 33-36721, 33-33958, 33-20069 and 33-57131) on Form S-8 of Moog Inc. of our report dated November 10, 1997, relating to the consolidated balance sheets of Moog Inc. and subsidiaries as of September 27, 1997 and September 30, 1996, and the related consolidated statements of earnings, shareholders' equity, and cash flows and related schedule for each of the years in the three-year period ended September 27, 1997, which report appears in the September 27, 1997 annual report on Form 10-K of Moog Inc.

KPMG Peat Marwick LLP

Buffalo, New York
November 21, 1997

[Cooper & Lybrand Letterhead]

Moog Inc.
East Aurora
New York 14052
U.S.A.

Consent of Independent Accountants

We consent to the incorporation by reference in the Registration Statement of Moog Inc. on Form S-8 of our report dated 14 November 1997 on our audits of the financial statements of Moog Controls Limited (a wholly owned subsidiary of Moog Inc) as of September 30, 1997 and 1996 and for the years then ended, which report is included in the Annual Report on Form 10-K of Moog Inc.

*/s/ Coopers & Lybrand
Gloucester, UK
Date 19 November 1997*

[Coopers & Lybrand Letterhead]

MOOG Inc.
East Aurora, New York 14052-0018
U.S.A.

Consent of Independent Auditors'

We consent to the incorporation by reference in the Registration Statement of Moog Inc. on Form S-8 of our report dated November 10, 1997 on our audits of the consolidated financial statements of MOOG GmbH (a wholly-owned subsidiary of MOOG Inc.) and subsidiary as of September 30, 1997, 1996 and 1995 and for the years then ended, which report is included in this Annual Report on Form 10-K of Moog Inc.

Stuttgart Germany
November 19, 1997

Coopers & Lybrand

10 November 1997

MOOG Inc.
East Aurora, New York 14052-0018
United States of America

Independent Auditors' Report

Board of Directors
MOOG Inc.

We have audited the consolidated balance sheets of MOOG GmbH (a wholly-owned subsidiary of MOOG Inc.) and subsidiary as of September 30, 1997, 1996 and 1995, and the related consolidated statements of earnings and retained earnings and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require, that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the financial position of MOOG GmbH and subsidiary as of September 30, 1997, 1996, 1995 and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental Schedules are presented for purposes of additional analysis and are not required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements as it relates to the required footnote disclosure and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Coopers & Lybrand
Stuttgart/Germany

[Coopers & Lybrand Letterhead]

14 November 1997 The Board of Directors
Moog Inc.
East Aurora
New York
14052-0018
USA

Dear Sirs

Independent Auditors' Report

We have audited the consolidated balance sheets of Moog Controls Limited (a wholly-owned subsidiary of Moog Inc.) and subsidiaries as at September 30, 1997 and 1996 and the related consolidated statement of earnings and retained earnings and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion of these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures of the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Moog Controls Limited and subsidiaries as of September 30, 1997 and 1996, and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information in Schedules 1 through 25 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as whole.

*/s/ Coopers & Lybrand
Chartered Accountants
Gloucester, UK
14 November 1997*

Exhibit 27

[ARTICLE] 5

[PERIOD-TYPE]	12 - MOS
[FISCAL-YEAR-END]	SEP - 27 - 1997
[PERIOD-END]	SEP - 27 - 1997
[CASH]	6,800
[SECURITIES]	0
[RECEIVABLES]	161,648
[ALLOWANCES]	(1,594)
[INVENTORY]	103,866
[CURRENT-ASSETS]	294,707
[PP&E]	317,372
[DEPRECIATION]	(185,263)
[TOTAL-ASSETS]	490,563
[CURRENT-LIABILITIES]	107,186
[BONDS]	221,577
[COMMON]	56,653
[PREFERRED-MANDATORY]	0
[PREFERRED]	100
[OTHER-SE]	57,438
[TOTAL-LIABILITY-AND-EQUITY]	490,563
[SALES]	455,929
[TOTAL-REVENUES]	457,494
[CGS]	315,380
[TOTAL-COSTS]	315,380
[OTHER-EXPENSES]	18,447
[LOSS-PROVISION]	882
[INTEREST-EXPENSE]	22,675
[INCOME-PRETAX]	19,579
[INCOME-TAX]	5,973
[INCOME-CONTINUING]	13,606
[DISCONTINUED]	0
[EXTRAORDINARY]	0
[CHANGES]	0
[NET-INCOME]	13,606
<EPS-PRIMARY	1.88
[EPS-DILUTED]	0

ARTICLE 5

PERIOD TYPE	12 MOS
FISCAL YEAR END	SEP 27 1997
PERIOD END	SEP 27 1997
CASH	6,800
SECURITIES	0
RECEIVABLES	161,648
ALLOWANCES	(1,594)
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CURRENT ASSETS	294,707
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DEPRECIATION	(185,263)
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PREFERRED	100
COMMON	56,653
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TOTAL REVENUES	457,494
CGS	315,380
TOTAL COSTS	315,380
OTHER EXPENSES	18,447
LOSS PROVISION	882
INTEREST EXPENSE	22,675
INCOME PRETAX	19,579
INCOME TAX	5,973
INCOME CONTINUING	13,606
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	13,606
EPS PRIMARY	1.88
EPS DILUTED	0

End of Filing

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