

MOOG		
CHAIRMAN'S LETTER		
	FY '03	
SALES	EARNINGS	OUTLOOK '04

To Our Shareholders, Employees, and Friends:

How appropriate that, in the year when we're celebrating the hundredth anniversary of powered flight, our military aircraft product line delivers a performance so outstanding that it carries the company to a successful result. There have been times in our history when commercial airplanes, commercial satellites, and industrial gas turbines were vibrant markets providing robust sales growth. During those periods we continued to support our military aircraft product line with consistent investments in product development and program start-up. Fiscal 2003 was a year when those investments paid off. Our growth in sales to \$755 million and a 14% increase in net earnings, which provided a 10% increase in diluted earnings per share, were all made possible by the strength in our military aircraft product line.

Aircraft

In achieving our '03 results, it wasn't enough to simply be in the military business. We had to be on the right platforms. We had to be on the F-18 and the V-22, and we had to have a big role on the F-35 Joint Strike Fighter (JSF). Many years ago, we invested heavily in research and development on the JSF. In fiscal '03, that bet paid off.

Another of the key elements in the equation is our success in the aftermarket. Over one-third of our revenues are generated from spares, repairs, and overhaul of our products on the thousands of aircraft that the U. S. military maintains in flying condition.

Military aircraft sales increased in '03 by almost \$64 million, allowing us to move gracefully through a year when sales of original equipment to Boeing Commercial declined by \$22 million.

All in all, it was a great year for our military aircraft programs. Production on the F/A-18E/F continued its steady growth; and support of the F-18's in service continued as a major focus for our aftermarket activity.

A critical review of the V-22 Osprey Program confirmed both its necessity and viability. Flight testing on the V-22 resumed and is proceeding successfully, with the DoD joining Congress in its support for continuing production.

The F-35 Joint Strike Fighter program is proving to be an extraordinary experience for our company. We're leading a team partnership that includes Parker Hannifin and Hamilton Sundstrand in the development of a completely new technological approach to primary flight controls. Most of the designs are complete, the product is performing well in development tests, and we're supporting the aircraft schedule.

In commercial aircraft, combined sales to Boeing and Airbus in '03 were \$49 million and commercial aircraft aftermarket sales were \$51 million. Revenues on business jets grew 10% to a total of over \$23 million as Raytheon's Hawker Horizon and Bombardier's Challenger 300 moved through development and prepared for production. On both aircraft we developed an entire suite of flight control actuation. Each of these programs represented a major development effort.

Space

Historically, sales in our Space segment have included ongoing production of controls for satellites and launch vehicles, both military and commercial, as well as strategic and tactical missiles. In most years, this production has been supplemented by sizable funded design and development projects. Fiscal 2003 was a year without any of these funded development programs and it was made worse by the low level of activity on production products.

The commercial satellite business was at a virtual standstill and the tactical missile business was down by 40% in 2003. The result was a very tough year. Sales of \$84 million were \$23 million lower than the year previous. We responded to this situation by reducing the staffing in this segment by the same percentage as the revenue change. One of the great strengths of our company is that the skills and talent of our engineers and technicians are transferable from one product line to another. As a result, our Space segment provided some of the talent pool needed for our rapid build-up on the JSF. Even having made this adjustment, a 21% sales reduction takes its toll on margins, and recent performance in the Space segment leaves lots of room for improvement.

In spite of these recent difficulties, we continue to believe that our capabilities in the Space business are an asset that will pay off again in the future, as they have in the past. During this current market lull, we've strengthened our product and market position, both in military and commercial satellites. We're also anticipating recovery in our production rate on tactical missile systems and we're optimistic that national missile defense will one day be a major program for us.

Industrial

Our Industrial segment had a much better year this year than last. In dollar terms, sales were up 6% to \$267 million, and operating profit was up 21%.

Just as our Aircraft business had to achieve its growth in spite of the decline at Boeing Commercial, our Industrial business had to cope with the shrinking U.S. market for power generating turbines. Our \$14 million sales increase was achieved in spite of a \$17 million reduction in sales of turbine controls. Setting aside what occurred in the turbine control market, we saw a 15% sales increase in our other product lines - over half of which was the result of the much stronger euro. This real growth is a welcome achievement in the context of a generally sluggish global industrial economy. It was achievable because of the particular niches we serve in the industrial equipment markets.

Our strongest Industrial market was plastics forming machinery. Growth was influenced by the demand for machines that mold compact discs and DVD's, machines that produce plastic containers, and equipment required to support the increased use of plastics in automobile manufacturing. Controls used on large metal forming presses and die casting machines are another growth area for us. The automobile industry, in particular, is demanding improved performance in large metal forming equipment, and this provides increasing opportunity for our closed loop controls. We also saw increased sales of controls used in