GOODRICH CORP
Form 10-K
February 23, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

Or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-892

GOODRICH CORPORATION

(Exact name of registrant as specified in its charter)

New York	**34-0252680**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
Four Coliseum Centre **2730 West Tyvola Road** **Charlotte, North Carolina**	**28217**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code: (704) 423-7000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $5 par value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No þ

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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. ¨

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

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

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

The aggregate market value of the voting and non-voting common equity of the registrant, consisting solely of common stock, held by nonaffiliates of the registrant as of June 30, 2011 was $11.9 billion.

The number of shares of common stock outstanding as of January 31, 2012 was 125,801,407 (excluding 14,000,000 shares held by a wholly owned subsidiary).

DOCUMENTS INCORPORATED BY REFERENCE: None

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PART I

Item 1. *Business*

Overview

We are one of the largest worldwide suppliers of aerospace components, systems and services to the commercial and general aviation airplane markets. We also are a leading supplier of systems and products to the global defense and space markets. Our business is conducted globally with manufacturing, service and sales undertaken in various locations throughout the world. Our products and services are sold principally to customers in North America, Europe and Asia.

We were incorporated under the laws of the State of New York on May 2, 1912 as the successor to a business founded in 1870.

Our principal executive offices are located at Four Coliseum Centre, 2730 West Tyvola Road, Charlotte, North Carolina 28217 (telephone 704-423-7000).

We maintain an internet site at http://www.goodrich.com. The information contained at our internet site is not incorporated by reference in this report, and you should not consider it a part of this report. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, are available free of charge on our Internet site as soon as reasonably practicable after they are filed with, or furnished to, the Securities and Exchange Commission. In addition, we maintain a corporate governance page on our Internet site that includes key information about our corporate governance initiatives, including our Guidelines on Governance, the charters for our standing board committees and our Business Code of Conduct. These materials are available upon request.

On September 21, 2011 we entered into an Agreement and Plan of Merger (Merger Agreement) with United Technologies Corporation (UTC). The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, we will be acquired by UTC in a cash-for-stock transaction (Merger). We have agreed to various covenants in the Merger Agreement, including, among other things, to conduct our business in the ordinary course consistent with past practice during the period between the execution of the Merger Agreement and the time of the Merger. The consummation of the Merger is expected to occur in mid-2012. See Note 1, Goodrich Merger Agreement with United Technologies Corporation to our consolidated financial statements.

Unless otherwise noted herein, disclosures in this Annual Report on Form 10-K relate only to our continuing operations. Our discontinued operations include Goodrich Aviation Technical Services, Inc. (ATS), which was sold in November 2007.

Unless the context otherwise requires, the terms we, our, us, Company and Goodrich as used herein refer to Goodrich Corporation and its subsidiaries.

As used in this Form 10-K, the following terms have the following meanings:

- aftermarket means products and services provided to our customers to replace, repair or overhaul original equipment (OE) parts and systems;
- commercial means large commercial and regional airplanes;
- large commercial means commercial airplanes manufactured by Airbus S.A.S. (Airbus) and The Boeing Company (Boeing);
- regional means commercial airplanes produced by manufacturers other than Airbus and Boeing, such as Bombardier and Embraer; and
- general aviation means business jets and all other non-commercial, non-military airplanes.

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Business Segment Information

Our three business segments are as follows:

- The Actuation and Landing Systems segment provides systems, components and related services pertaining to aircraft taxi, take-off, flight control, landing and stopping, and engine components, including fuel delivery systems and rotating assemblies.

- The Nacelles and Interior Systems segment produces products and provides maintenance, repair and overhaul services associated with aircraft engines, including thrust reversers, cowlings, nozzles and their components, and aircraft interior products, including slides, seats, cargo and lighting systems.

- The Electronic Systems segment produces a wide array of systems and components that provide flight performance measurements, flight management, fuel controls, electrical systems, control and safety data, reconnaissance and surveillance systems and precision guidance systems.

For financial information about our segments, see Note 4, Business Segment Information to our consolidated financial statements.

Key Products and Services

We provide products and services for the entire life cycle of airplane and defense programs, including a significant level of aftermarket support for our key products. Our key products include:

- Actuation systems equipment that utilizes linear, rotary or fly-by-wire actuation to control movement. We manufacture a wide-range of actuators including primary and secondary flight controls, helicopter main and tail rotor actuation, engine and nacelle actuation, utility actuation, precision weapon actuation and land vehicle actuation.

- Landing gear complete landing gear systems for commercial, general aviation and defense aircraft.

- Aircraft wheels and brakes aircraft wheels and brakes for a variety of commercial, general aviation and defense applications.

- Nacelles the structure surrounding an aircraft engine. Components of a nacelle include thrust reversers, inlet and fan cowls, nozzle assemblies, exhaust systems and other structural components. Our aerostructures business is one of a few businesses that is a nacelle integrator, which means that we have the capabilities to design and manufacture all components of a nacelle, dress the engine systems and coordinate the installation of the engine and nacelle to the aircraft.

- Interiors interior products, including evacuation slides, specialty seating, cargo systems, lighting systems, cabin interior furnishings and cabin management systems.

- Engine control systems applications for large and small commercial engines, helicopters and all forms of military aircraft. Our products include fuel metering controls, fuel pumping systems, electronic controls (software and hardware), variable geometry actuation controls and engine health monitoring systems.

Intelligence surveillance and reconnaissance systems high performance custom engineered electronics, optics, shortwave infrared cameras and arrays, and electro-optical products and services for sophisticated defense, scientific and commercial applications.

Sensor systems aircraft and engine sensors that provide critical measurements for flight control, cockpit information and engine control systems.

Power systems aircraft electrical power systems for large commercial airplanes, business jets and helicopters. We supply these systems to defense and civil customers around the globe.

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Customers

We serve a diverse group of customers worldwide in the commercial and general aviation airplane markets and in the global defense and space markets. We market our products, systems and services directly to our customers through an internal marketing and sales force and through sales subsidiaries and distributors in various countries.

In 2011, 2010 and 2009, direct and indirect sales to the United States (U.S.) government were approximately 23%, 25% and 22%, respectively, of consolidated sales. Indirect sales to the U.S. government include a portion of the direct and indirect sales to Boeing.

In 2011, 2010 and 2009, direct and indirect sales to Airbus were approximately 18%, 17% and 17%, respectively, of consolidated sales. In 2011, 2010 and 2009, direct and indirect sales to Boeing were approximately 15%, 15% and 16%, respectively, of consolidated sales.

Competition

The aerospace industry in which we operate is highly competitive. Principal competitive factors include price, product and system performance, quality, service, design and engineering capabilities, new product innovation and timely delivery. We compete worldwide with a number of U.S. and foreign companies that are both larger and smaller than us in terms of resources and market share, and some of which are our customers.

The following table lists the companies that we consider to be our major competitors for each major aerospace product or system platform for which we believe we are one of the leading suppliers. Unless otherwise noted, the primary market channels include original equipment and aftermarket products and services.

System	Primary Market Channels	Major Non-Captive Competitors(1)
Actuation and Landing Systems		
Wheels, Brakes and Brake Control Systems	Commercial/Regional/ Business/Defense	Crane Co.; Honeywell International Inc.; Meggitt Aircraft Braking Systems; Messier-Bugatti (a subsidiary of SAFRAN); Triumph Group Inc.
Landing Gear	Large Commercial/Defense	APPH Ltd; GE Aviation; Héroux-Devtek Inc.; Liebherr-Holding GmbH; Loud Engineering; Messier-Dowty (a subsidiary of SAFRAN); Sumitomo Precision
Flight Control Actuation	Large Commercial/Defense	Eaton Aerospace Ltd.; Liebherr-Holding GmbH; Moog Inc.; Nabtesco Aerospace, Inc.; Parker Hannifin Corporation; United Technologies Corporation; Woodward Governor Company
Power Transmission Systems	Commercial and Military Helicopters	Kamatics (a subsidiary of Kaman Corporation); Pankl Aerospace Systems Inc. (a subsidiary of Pankl Racing Systems AG); Rexnord Industries, LLC
Turbine Fuel Technologies	Large Commercial/Military/ Regional/Business	Parker Hannifin Corporation; Woodward Governor Company

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System	Primary Market Channels	Major Non-Captive Competitors(1)
Turbomachinery Products	Aero and Industrial Turbine Components	Alcoa Howmet (a subsidiary of Alcoa Inc.); Blades Technology; Samsung; Honeywell Greer (a subsidiary of Honeywell International, Inc.); PZL, LLC (a subsidiary of United Technologies Corporation); TECT Corporation
Nacelles and Interior Systems		
Nacelles/Thrust Reversers	Large Commercial/Military	Nexcelle, a joint-venture of Aircelle (a subsidiary of SAFRAN) and Middle River Aircraft Systems (a subsidiary of General Electric); Spirit Aerosystems, Inc.
Evacuation Systems	Large Commercial/Regional	Air Cruisers (a subsidiary of Zodiac S.A.)
Propulsion Systems	Defense	Ensign Bickford; Nammo Talley; Pacific Scientific (a subsidiary of Meggitt PLC); Scot, Inc. (a subsidiary of Chemring PLC.)
Aircraft Crew Seating	Large Commercial/Regional/ Business/Military	B/E Aerospace, Inc.; BAE Systems; C&D Aerospace (a subsidiary of Zodiac S,A,); EADS Sogerma Group (a subsidiary of EADS European Aeronautical Defense and Space Co.); Ipeco Holdings Ltd; Sicma Aero Seat (a subsidiary of Zodiac S.A.)
Ejection Seats	Defense	Martin-Baker Aircraft Co. Limited
Lighting	Large Commercial/Regional/ Business/Defense	Astronics Corporation; B/E Aerospace; Diehl Aerospace GmbH; Honeywell Inc. (Grimes Inc.); Luminator; Page Aerospace Limited (a subsidiary of United Technologies Corporation); Zodiac S.A
Cargo Systems	Large Commercial	AAR Structures and Systems (AAR Corp); Ancra International (a subsidiary of Heico Companies LLC)
Cabin Systems	Business	B/E Aerospace; Ipeco Holdings Ltd; Zodiac S.A.
Electronic Systems		
Sensors	Large Commercial/Regional/ Business/Defense	Auxitrol (a subsidiary of Esterline Technologies Corporation); Honeywell International Inc.; Thales, S.A.
Fuel and Utility Systems	Large Commercial/Defense	Honeywell International Inc.; Parker Hannifin Corporation; Smiths Group plc (a subsidiary of General Electric)
De-Icing Systems	Large Commercial/Regional/ Business/Defense	Aérazur S.A. (a subsidiary of Zodiac S.A.); B/E Aerospace, Inc.
Aerospace Hoists/Winches	Defense/Search & Rescue/ Commercial Helicopter	Breeze-Eastern (a division of TransTechnology Corporation); Telair International (a subsidiary of Teleflex Incorporated)

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System	Primary Market Channels	Major Non-Captive Competitors(1)
Intelligence, Surveillance and Reconnaissance Systems	Defense/Space	BAE Systems, plc; Honeywell International Inc.; ITT Industries, Inc.; L-3 Communications Holdings, Inc.
Power Systems	Large Commercial/Regional/ Business/Defense	Hamilton Sunstrand (a subsidiary of United Technologies Corporation); Honeywell International Inc.; Smiths Group plc (a subsidiary of General Electric);
Engine Controls	Large Commercial Aftermarket/Regional/ Business/Defense/Helicopter	Argo-Tech Corporation; BAE Systems plc; Hamilton Sunstrand (a subsidiary of United Technologies Corporation); Hispano-Suiza (a subsidiary of SAFRAN); Honeywell International Inc.; Woodward Governor Company

(1) Excludes aircraft manufacturers, airlines and prime defense contractors who, in some cases, have the capability to produce these systems internally.

Backlog

Backlog as of December 31, 2011 was approximately:

	Firm Backlog	Unobligated Backlog	Total Backlog	Firm Backlog Expected to be Filled in 2012
		(Dollars in millions)		
Commercial and General Aviation	$ 3,305	$ 12,812	$ 16,117	$ 2,603
Defense and Space	2,416	1,170	3,586	1,673
	$ 5,721	$ 13,982	$ 19,703	$ 4,276

Firm commercial and general aviation backlog includes orders for which we have definitive purchase contracts and the estimated sales value to be realized under firm agreements to purchase future aircraft maintenance and overhaul services. Firm backlog includes fixed, firm contracts that have not been shipped and for which cancellation is not anticipated.

Aircraft manufacturers, such as Airbus and Boeing, may have firm orders for commercial aircraft that are in excess of the number of units covered under their firm contracts with us. We believe it is reasonable to expect that we will continue to provide products and services to these aircraft in the same manner as those under firm contract. Our unobligated commercial and general aviation backlog includes the expected sales value for our product on the aircraft manufacturers firm orders for commercial aircraft in excess of the amount included in our firm commercial and general aviation backlog.

Firm defense and space backlog represents the estimated remaining sales value of work to be performed under firm contracts for which the funding has been approved by the U.S. Congress, as well as commitments by international customers that are similarly funded and approved by their governments. Unobligated defense and space backlog represents the estimated remaining sales value of work to be performed under firm contracts for which funding has not been appropriated. Indefinite delivery/indefinite quantity contracts are not reported in backlog.

Backlog may be subject to delivery delays or program cancellations that are beyond our control. Firm backlog approximated $4.8 billion at December 31, 2010.

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Raw Materials and Components

We purchase a variety of raw materials and components for use in the manufacture of our products, including aluminum, titanium, steel, various specialty metals and carbon fiber. In some cases we rely on sole-source suppliers for certain of these raw materials and components, and a delay in delivery of these materials and components could create difficulties in meeting our production and delivery obligations. We continue to experience margin and cost pressures in some of our businesses due to increased market prices and limited availability of some raw materials, such as titanium, steel and various specialty metals. We have taken actions to address these market dynamics, including securing long-term supply contracts for titanium, and believe we currently have adequate sources of supply for raw materials and components.

Environmental

We are subject to various U.S. and international environmental laws and regulations which may require that we investigate and remediate the effects of the release or disposal of materials at sites associated with past and present operations, including sites at which we have been identified as a potentially responsible party under the federal Superfund laws and comparable state laws. We currently are involved in the investigation and remediation of a number of sites under these laws. For additional information concerning environmental matters, see Item 3. Legal Proceedings Environmental .

Research and Development

We perform research and development under company-funded programs for commercial products and under contracts with customers. Research and development under contracts with others is performed on both defense and commercial products. Total research and development expenses in 2011, 2010 and 2009 were approximately $247 million, $247 million and $239 million, respectively. These amounts are net of approximately $119 million, $85 million and $101 million, respectively, which were funded by customers.

Intellectual Property

We own or are licensed to use various intellectual property rights, including patents, trademarks, copyrights and trade secrets. While such intellectual property rights are important to us, we do not believe that the loss of any individual property right or group of related rights would have a material adverse effect on our overall business or on any of our business segments.

Seasonality

Our large commercial, regional, business and general aviation airplane aftermarket market channel is moderately seasonal because certain of our customers maintain busy flight schedules from late November through December. Historically, this has resulted in some sales in this market channel being postponed from the fourth quarter into the first quarter of the following year.

Working Capital

Our working capital is influenced by the following factors:

- New commercial aircraft development;
- Aircraft production rate changes by OE manufacturers;
- Levels of aircraft utilization, age of aircraft in the fleets and types of aircraft utilized by airlines; and
- Levels of defense spending by governments worldwide.

Our working capital is currently at a high level relative to sales primarily due to introductions of new airplane models such as the Boeing 787 and 747-8 and the Airbus A350 XWB, and new engine types such as the Pratt and Whitney PurePower PW 1000G.

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Human Resources

As of December 31, 2011, we employed approximately 28,000 people, of which approximately 17,000 were employed in the U.S. and approximately 11,000 people were employed in other countries. We believe that we have good relationships with our employees. Hourly employees who are unionized are covered by collective bargaining agreements with a number of labor unions and with varying contract termination dates through 2016. Approximately 18% of our global labor force is covered by collective bargaining arrangements and approximately 9% of our global labor force is covered by collective bargaining arrangements that will expire within one year. There were no material work stoppages during 2011.

International Operations

We are engaged in business worldwide. We market our products and services through sales subsidiaries and distributors in various countries. We also have international joint venture agreements.

Currency fluctuations, tariffs and similar import limitations, price controls and labor regulations can affect our foreign operations, including foreign affiliates. Other potential limitations on our foreign operations include expropriation, nationalization, restrictions on foreign investments, or their transfers, and additional political and economic risks. In addition, the transfer of funds from foreign operations could be impaired by the inability to exchange the local currency to the U.S. dollar or other restrictive regulations that foreign governments could enact.

For financial information about our U.S. and foreign sales and assets, see Note 4, Business Segment Information to our consolidated financial statements.

Item 1A. ***Risk Factors***

Our business, financial condition, results of operations and cash flows can be affected by a number of factors, including but not limited to those set forth below and elsewhere in this Annual Report on Form 10-K, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results.

Our future success is dependent on demand for and market acceptance of new commercial and military aircraft programs.

We are currently under contract to supply components and systems for a number of new commercial, general aviation and military aircraft programs, including the Airbus A380, A350 XWB and A320neo, the Boeing 787, 747-8 and 737 MAX, the Bombardier CSeries, the Mitsubishi Regional Jet, the Dassault Falcon 7X and the Lockheed Martin F-35 Lightning II. We have made and will continue to make substantial investments and incur substantial development costs in connection with these programs. We cannot provide assurance that each of these programs will enter full-scale production as expected or that demand for each aircraft will be sufficient to allow us to recover our investment in these programs. In addition, we cannot assure you that we will be able to extend our contracts relating to these programs beyond the initial contract periods. If any of these programs are not successful, it could have a material adverse effect on our business, financial condition or results of operations.

The market segments we serve are cyclical and sensitive to domestic and foreign economic considerations that could adversely affect our business and financial results.

The market segments in which we sell our products are, to varying degrees, cyclical, and have experienced periodic downturns in demand. For example, certain of our commercial aviation products sold to aircraft manufacturers have experienced downturns during slowdowns in the commercial airline industry and during periods of weak general economic conditions, as demand for new aircraft typically declines during these periods. Aftermarket demand for many of our products also is exposed to these business downturns and we have experienced periods of declining demand for our products from aircraft operators in the recent past and may experience downturns in the future.

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Capital spending by airlines and aircraft manufacturers may be influenced by a variety of factors including current and predicted traffic levels, load factors, aircraft fuel pricing, labor issues, competition, the retirement of older aircraft, regulatory changes, terrorism and related safety concerns, general economic conditions, worldwide airline profitability and backlog levels. Also, because a substantial portion of commercial airplane OE deliveries are scheduled beyond 2011, changes in economic conditions may cause customers to request that firm orders be rescheduled or canceled. Aftermarket sales and service trends are affected by similar factors, including usage, pricing, regulatory changes, the retirement of older aircraft and technological improvements that increase reliability and performance. Credit availability to airlines and airline leasing companies also could impact the demand for new aircraft. A reduction in spending by aircraft manufacturers, airlines, airline customers or airline leasing companies could have a significant effect on the demand for our products, which could have an adverse effect on our business, financial condition, results of operations or cash flows.

Current conditions in the airline industry could adversely affect our business and financial results.

Increases in fuel costs, global economic conditions, high labor costs and heightened competition from low cost carriers have adversely affected the financial condition of some commercial airlines. Over the past ten years, several airlines have declared bankruptcy. A portion of our sales are derived from the sale of products directly to airlines, and we sometimes provide sales incentives to airlines and record sales incentives as other assets. If an airline declares bankruptcy, we may be unable to collect our outstanding accounts receivable from the airline and we may be required to record a charge related to unamortized sales incentives to the extent they cannot be recovered.

A significant decline in business with Airbus or Boeing could adversely affect our business and financial results.

For the year 2011, approximately 18% of our direct and indirect sales were made to Airbus and approximately 15% of our direct and indirect sales were made to Boeing for all categories of products, including OE and aftermarket products for commercial and military aircraft and space applications. Accordingly, a significant reduction in purchases by either of these customers could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Demand for our defense and space-related products is dependent upon government spending.

Approximately 30% of our sales for the year 2011 were derived from the defense and space market segment. Included in that category are direct and indirect sales to the U.S. Government, which represented approximately 23% of our sales for 2011. The defense and space market segment is largely dependent upon government budgets, particularly the U.S. defense budget. We cannot assure you that an increase in defense spending will be allocated to programs that would benefit our business. Moreover, we cannot assure you that new military aircraft programs in which we participate will enter full-scale production as expected. A change in levels of defense spending or levels of military flight operations could curtail or enhance our prospects in this market segment, depending upon the programs affected.

Our business could be adversely affected if we are unable to obtain necessary raw materials and components.

We purchase a variety of raw materials and components for use in the manufacture of our products, including aluminum, titanium, steel, various specialty metals and carbon fiber. Our inability to obtain necessary raw materials or an unanticipated increase in the price of such raw materials could impact our capability to manufacture our products and the profitability of our products. In addition, the loss of a significant supplier or the inability of a supplier to meet our performance and quality specifications or delivery schedules could affect our ability to complete our contractual obligations to our customers on a satisfactory, timely and/or profitable basis. These events may adversely affect our operating results, result in the termination of customer contracts or damage our reputation and relationships with our customers. All of these events could have a material adverse effect on our business.

We use a number of estimates in accounting for some long-term contracts. Changes in our estimates could materially affect our future financial results.

We account for sales and profits on some long-term contracts in accordance with the percentage-of-completion method of accounting, using the cumulative catch-up method to account for updates in estimates. The percentage-of-completion method of accounting involves the use of various estimating techniques to project revenues and costs at completion and various assumptions and projections relative to the outcome of future events, including the quantity and timing of product deliveries, future labor performance and rates, and material and overhead costs. These assumptions involve various levels of expected performance improvements. Under the cumulative catch-up method, the impact of updates in our estimates related to units shipped to date is recognized immediately.

Because of the significance of the judgments and estimates described above, it is likely that we could record materially different amounts if we used different assumptions or if the underlying circumstances or estimates were to change. Accordingly, updates in underlying assumptions, circumstances or estimates may materially affect our future financial performance.

Competitive pressures may adversely affect our business and financial results.

The aerospace industry in which we operate is highly competitive. We compete worldwide with a number of U.S. and foreign companies that are both larger and smaller than we are in terms of resources and market share, and some of which are our customers. While we are the market and technology leader in many of our products, in certain areas some of our competitors may have more extensive or more specialized engineering, manufacturing or marketing capabilities and lower manufacturing cost. As a result, these competitors may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or may be able to devote greater resources to the development, promotion and sale of their products than we can.

The significant consolidation occurring in the aerospace industry could adversely affect our business and financial results.

The aerospace industry in which we operate has been experiencing significant consolidation among suppliers, including us and our competitors, and our customers. There have been mergers and global alliances in the aerospace industry to achieve greater economies of scale and enhanced geographic reach. Aircraft manufacturers have made acquisitions to expand their product portfolios to better compete in the global marketplace. In addition, aviation suppliers have been consolidating and forming alliances to broaden their product and integrated system offerings and achieve critical mass. This supplier consolidation is in part attributable to aircraft manufacturers and airlines more frequently awarding long-term sole source or preferred supplier contracts to the most capable suppliers, thus reducing the total number of suppliers from whom components and systems are purchased. Our business and financial results may be adversely impacted as a result of consolidation by our competitors, customers or suppliers.

Expenses related to employee and retiree medical and pension benefits may continue to rise.

We have periodically experienced significant increases in expenses related to our employee and retiree medical and pension benefits. Although we have taken action seeking to contain these cost increases, including making material changes to some of these plans, there are risks that our expenses will rise as a result of continued increases in medical costs due to increased usage of medical benefits and medical cost inflation. Pension expense may increase if investment returns on our pension plan assets do not meet our long-term return assumption, if there are reductions in the discount rate used to determine the present value of our benefit obligation, or if other actuarial assumptions are not realized.

The aerospace industry is highly regulated.

The aerospace industry is highly regulated in the U.S. by the Federal Aviation Administration and in other countries by similar regulatory agencies. We must be certified by these agencies and, in some cases, by individual OE manufacturers in order to engineer and service systems and components used in specific aircraft models. If material authorizations or approvals were revoked or suspended, our operations would be adversely affected. New or more stringent governmental regulations may be adopted, or industry oversight heightened, and we may incur significant expenses to comply with any new regulations or any heightened industry oversight.

We may have liabilities relating to environmental laws and regulations that could adversely affect our financial results.

We are subject to various domestic and international environmental laws and regulations which may require that we investigate and remediate the effects of the release or disposal of materials at sites associated with past and present operations. We currently are involved in the investigation and remediation of a number of sites for which we have been identified as a potentially responsible party under these laws. Based on currently available information, we do not believe that future environmental costs in excess of those accrued with respect to such sites will have a material adverse effect on our financial condition. We cannot assure you that additional future developments, administrative actions or liabilities relating to environmental matters will not have a material adverse effect on our results of operations and/or cash flows in a given period.

In connection with the divestiture of our tire, vinyl and other businesses, we received contractual rights of indemnification from third parties for environmental and other claims arising out of the divested businesses. If these third parties do not honor their indemnification obligations to us, it could have a material adverse effect on our results of operations and/or cash flows.

Any material product liability claims in excess of insurance may adversely affect us.

We are exposed to potential liability for personal injury or death with respect to products that have been designed, manufactured, serviced or sold by us, including potential liability for asbestos and other toxic tort claims. While we believe that we have substantial insurance coverage available to us related to such claims, our insurance may not cover all liabilities. Additionally, insurance coverage may not be available in the future at a reasonable cost. Any material liability not covered by insurance or for which third-party indemnification is not available could have a material adverse effect on our financial condition, results of operations and/or cash flows.

Any material product warranty obligations may adversely affect us.

Our operations expose us to potential liability for warranty claims made by third parties with respect to aircraft components that have been designed, manufactured, distributed or serviced by us. Any material product warranty obligations could have a material adverse effect on our financial condition, results of operations and/or cash flows.

Our operations depend on our production facilities and our suppliers production facilities throughout the world. These production facilities are subject to physical and other risks that could disrupt production.

Our production facilities and those of our suppliers could be damaged or disrupted by a natural disaster, labor strike, war, political unrest, terrorist activity or a pandemic. Although we have obtained property damage and business interruption insurance for our production facilties, a major catastrophe such as an earthquake or other natural disaster at any of our sites, or significant labor strikes, work stoppages, political unrest, war or terrorist activities in any of the areas where we conduct operations, could result in a prolonged interruption of our business. Any disruption resulting from these events could cause significant delays in shipments of products and the loss of sales and customers. We cannot assure you that we will have insurance to adequately compensate us for any of these events.

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We have significant international operations and assets and are therefore subject to additional financial and regulatory risks.

We have operations and assets throughout the world. In addition, we sell our products and services outside of the U.S. and seek to increase our level of international business activity. Accordingly, we are subject to various risks, including: U.S.-imposed embargoes of sales to specific countries; foreign import controls (which may be arbitrarily imposed or enforced); price and currency controls; exchange rate fluctuations; dividend remittance restrictions; expropriation of assets; war, civil uprisings and riots; government instability; the necessity of obtaining governmental approval for new and continuing products and operations; legal systems of decrees, laws, taxes, regulations, interpretations and court decisions that are not always fully developed and that may be retroactively or arbitrarily applied; and difficulties in managing a global enterprise. We also may be subject to unanticipated income taxes, excise duties, import taxes, export taxes or other governmental assessments. Any of these events could result in a loss of business or other unexpected costs that could reduce our sales or profits and have a material adverse effect on our financial condition, results of operations and/or cash flows.

We are exposed to foreign currency risks that arise from normal business operations. These risks include transactions denominated in foreign currencies and the translation of certain non-functional currency balances of our subsidiaries. Our international operations also expose us to translation risk when the local currency financial statements are translated to U.S. Dollars, our reporting currency. As currency exchange rates fluctuate, translation of the statements of income of international businesses into U.S. Dollars will affect comparability of revenues and expenses between years.

Certain of our contracts could subject us to losses in the event we experience cost overruns.

At the time we bid for business on OE manufacturers (OEM) platforms, we must make certain assumptions with respect to our estimated costs and expenditures in developing, manufacturing and selling our products. In certain cases, these contracts involve new technologies or applications and extend for many years. As a result, it often is difficult to predict the ultimate costs and expenditures associated with these contracts. Factors such as technological difficulties, fluctuations in raw material prices and supplier problems can lead to cost overruns, resulting in the contractual price becoming less profitable or even unprofitable. Any inability to accurately predict the costs associated with our contracts could have a material adverse effect on our results of operations and cash flows in a particular period.

Item 1B. ***Unresolved Staff Comments***

Not applicable.

Item 2. ***Properties***

We operate manufacturing plants and service and other facilities throughout the world.

Information with respect to our significant facilities that are owned or leased is set forth below:

Segment	**Location**	**Owned or Leased**	**Approximate Number of Square Feet**
Actuation and Landing Systems	Turin, Italy	Owned	584,000
	Cleveland, Ohio	Leased	477,000
	Wolverhampton, England	Owned	450,000
	Troy, Ohio	Owned/Leased	415,000
	Oakville, Canada	Owned	390,000
	Vernon, France	Owned	273,000
	Tullahoma, Tennessee	Owned	260,000
	Miami, Florida	Owned	200,000

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Segment	Location	Owned or Leased	Approximate Number of Square Feet
Nacelles and Interior Systems	Chula Vista, California	Owned	1,788,000
	Riverside, California	Owned	1,059,000
	Singapore, Singapore	Owned/Leased	817,000
	Mexicali, Mexico	Owned	489,000
	Foley, Alabama	Owned	427,000
	Bangalore, India	Leased	389,000
	Toulouse, France	Owned	330,000
	Jamestown, North Dakota	Owned/Leased	272,000
	Phoenix, Arizona	Owned/Leased	236,000
	Prestwick, Scotland	Owned	250,000
	Wichita, Kansas	Leased	216,000
	Tianjin, China	Leased	206,000
Electronic Systems	Danbury, Connecticut	Owned	523,000
	Birmingham, England	Owned	396,000
	Burnsville, Minnesota	Owned/Leased	320,000
	Neuss, Germany	Owned/Leased	305,000
	West Hartford, Connecticut	Owned	262,000
	Westford, Massachusetts	Leased	230,000
	Vergennes, Vermont	Owned	211,000

Our headquarters is in Charlotte, North Carolina. We lease approximately 120,000 square feet under a lease that extends through May 2018, with two additional consecutive five-year options. The offices provide space for our corporate and segment headquarters.

Approximately 290,000 square feet of the Birmingham, England facility is leased to Aero Engine Controls, in which we have a 50% interest.

We and our subsidiaries are lessees under a number of cancelable and non-cancelable leases for real properties, used primarily for administrative, maintenance, repair and overhaul of aircraft, aircraft wheels and brakes and evacuation systems and warehouse operations.

In the opinion of management, our principal properties, whether owned or leased, are suitable and adequate for the purposes for which they are used and are suitably maintained for such purposes. See Item 3, Legal Proceedings-Environmental for a description of proceedings under applicable environmental laws regarding some of our properties.

Item 3. ***Legal Proceedings***

In connection with the Merger Agreement with UTC, eleven putative class-action complaints were filed in the Supreme Court of the State of New York relating to the Merger. Nine of these complaints were filed in the County of New York: Rice v. Goodrich Corp., et al., Index No. 652619/2011, New Jersey Carpenters Annuity Fund v. Goodrich Corp., et al., Index No. 652637/2011, Louisiana Municipal Police Employees Retirement Sys. v. Goodrich Corp., et al., Index No. 652649/2011, Pill v. Goodrich Corp., et al., Index No. 652655/2011, IUE-CWA Local 475 Pension Plan v. Goodrich Corp., et al., Index No. 652661/2011, Mass. Laborers Pension Fund v. Goodrich Corp., et al., Index No. 652664/2011, Pifko v. Goodrich Corp., et al., Index No. 11111146, Ruschel v. Goodrich Corp., et al., Index No. 652695/2011, and Astor BK Realty Trust v. Larsen, et al., Index No. 652706/2011. Two additional putative class-action complaints were filed in Nassau County: Casey v. Larsen, et al., Index No. 13699/2011, and Minneapolis Retail Meat Cutters and Food Handlers Pension Fund v. Goodrich Corp., et al., Index No. 14366/2011. On November 7, 2011, upon plaintiffs motions, all eleven actions were consolidated into In re Goodrich Shareholders Litigation, Index No. 13699/2011 in the Supreme Court for Nassau County and, on November 9, plaintiffs filed a Consolidated Amended Class Action Complaint (Consolidated Complaint) in that court.

The Consolidated Complaint purports to be brought on behalf of a putative class of Goodrich shareholders and names Goodrich, its directors, UTC and a merger subsidiary as defendants. The Consolidated Complaint generally alleges that, in approving the proposed transaction, the Goodrich directors breached their fiduciary duties of care, loyalty, good faith and fair dealing owed to the putative class. The Consolidated Complaint further alleges that UTC, the merger subsidiary and Goodrich aided and abetted the Goodrich directors in the breach of their fiduciary duties. In addition to damages, the Consolidated Complaint seeks, among other things, injunctive relief barring the named defendants from consummating the Merger, as well as attorneys fees and costs. Goodrich and its directors believe that these consolidated lawsuits and the underlying claims are without merit.

The parties to the consolidated action have reached an agreement in principle, which is intended to resolve all issues in this litigation. On February 6, 2012, the parties entered into a Memorandum of Understanding (MOU) memorializing the key terms of that agreement. Pursuant to the MOU, Goodrich has made various additional disclosures in its Definitive Proxy Statement related to the Merger, and UTC agreed to forebear from exercising certain rights under the Merger Agreement.

The effect of UTC s forbearance is to shorten the period of written notice Goodrich must give to UTC prior to making a Company Adverse Recommendation Change or terminating the Merger Agreement pursuant to its Section 8.1(c) in light of a Company Superior Proposal (as those terms are defined in the Merger Agreement) from five calendar days to three business days, and the period of prior written notice Goodrich must give to UTC of its intention to make a Company Adverse Recommendation Change or terminate the Merger Agreement in light of any change to the financial or other material terms of a subsequent Company Superior Proposal from the longer of (i) three business days or (ii) the period remaining under the initial five calendar-day notice, to the longer of (i) two business days or (ii) the period remaining under the initial three business-day notice.

The MOU will not affect the merger consideration to be paid to shareholders of Goodrich pursuant to the Merger Agreement or the timing of the special meeting of Goodrich s shareholders scheduled for March 13, 2012 to vote upon a proposal to adopt the Merger Agreement. The settlement is subject to approval by the New York Supreme Court for Nassau County.

General

There are various pending or threatened claims, lawsuits and administrative proceedings against us or our subsidiaries, arising in the ordinary course of business, which seek remedies or damages. Although no assurance can be given with respect to the ultimate outcome of these matters, we believe that any liability that may finally be determined with respect to commercial and non-asbestos product liability claims should not have a material effect on our consolidated financial position, results of operations or cash flows. Legal costs are expensed when incurred.

Environmental

We are subject to environmental laws and regulations which may require that we investigate and remediate the effects of the release or disposal of materials at sites associated with past and present operations. At certain sites we have been identified as a potentially responsible party under the federal Superfund laws and comparable state laws. We are currently involved in the investigation and remediation of a number of sites under applicable laws.

Estimates of our environmental liabilities are based on current facts, laws, regulations and technology. These estimates take into consideration our prior experience and professional judgment of our environmental specialists. Estimates of our environmental liabilities are further subject to uncertainties regarding the nature and extent of site contamination, the range of remediation alternatives available, evolving remediation standards, imprecise engineering evaluations and cost estimates, the extent of corrective actions that may be required and the number and financial condition of other potentially responsible parties, as well as the extent of their responsibility for the remediation.

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Accordingly, as investigation and remediation proceed, it is likely that adjustments in our accruals will be necessary to reflect new information. The amounts of any such adjustments could have a material adverse effect on our results of operations or cash flows in a given period. Based on currently available information, however, we do not believe that future environmental costs in excess of those accrued with respect to sites for which we have been identified as a potentially responsible party are likely to have a material adverse effect on our financial condition.

Environmental liabilities are recorded when the liability is probable and the costs are reasonably estimable, which generally is not later than at completion of a feasibility study or when we have recommended a remedy or have committed to an appropriate plan of action. The liabilities are reviewed periodically and, as investigation and remediation proceed, adjustments are made as necessary. Liabilities for losses from environmental remediation obligations do not consider the effects of inflation and anticipated expenditures are not discounted to their present value. The liabilities are not reduced by possible recoveries from insurance carriers or other third parties, but do reflect anticipated allocations among potentially responsible parties at federal Superfund sites or similar state-managed sites, third party indemnity obligations or contractual obligations, and an assessment of the likelihood that such parties will fulfill their obligations at such sites.

The changes in the carrying amount of environmental remediation obligations for the twelve months ended December 31, 2011, in millions, are as follows:

Balance at December 31, 2010	$ 67.7
Accruals and adjustments	5.4
Payments	(8.2)
Foreign currency translation and other	3.4
Balance at December 31, 2011	$ 68.3

At December 31, 2011 and December 31, 2010, $13.3 million and $14.6 million, respectively, of the accrued liability for environmental remediation were included in current liabilities. At December 31, 2011 and December 31, 2010, $32.8 million and $27.3 million, respectively, was associated with ongoing operations and $35.5 million and $40.4 million, respectively, was associated with previously owned businesses.

We expect that we will expend present accruals over many years, and will generally complete remediation in less than 30 years at sites for which we have been identified as a potentially responsible party. This period includes operation and monitoring costs that are generally incurred over 15 to 25 years.

Certain states in the U.S. and countries globally are promulgating or proposing new or more demanding regulations or legislation impacting the use of various chemical substances by all companies. We continue to evaluate the potential impact, if any, of new regulations and legislation.

Asbestos

We and some of our subsidiaries have been named as defendants in various actions by plaintiffs alleging damages as a result of exposure to asbestos fibers in products or at formerly owned facilities. We believe that pending and reasonably anticipated future actions are not likely to have a material adverse effect on our financial condition, results of operations or cash flows. There can be no assurance, however, that future legislative or other developments will not have a material adverse effect on our results of operations or cash flows in a given period.

Insurance Coverage

We maintain a comprehensive portfolio of insurance policies, including aviation products liability insurance which covers most of our products. The aviation products liability insurance typically provides first dollar coverage for defense and indemnity of third party claims.

A portion of our primary and excess layers of pre-1986 insurance coverage for third party claims, primarily related to certain long-tail toxic tort and environmental claims, was provided by certain insurance carriers

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who are either insolvent, undergoing solvent schemes of arrangement or in run-off. We have entered into settlement agreements with a number of these insurers pursuant to which we agreed to give up our rights with respect to certain insurance policies in exchange for negotiated payments. These settlements represent negotiated payments for our loss of insurance coverage, as we no longer have this insurance available for claims that may have qualified for coverage. The portion of these payments which related to recovery of past costs (recognized as expense in prior periods) or for which there are currently no anticipated future claims is recognized in income when the payments are received. The portion related to potential future claims is recorded as deferred settlement credits on the balance sheet.

The deferred settlement credits partially offset future costs related to insurable claims utilizing a systematic and consistent approach. The recognition of the deferred settlement credits is calculated utilizing the estimated percent of costs incurred in the current period that insurance companies would have reimbursed to us if insurance coverage were still in place. This approach utilizes our historical claims and insurance information and is reviewed and updated at least annually.

A summary of the deferred settlement credits activity for the twelve months ended December 31, 2011, in millions, is as follows:

Balance at December 31, 2010	$ 48.6
Proceeds from insurance settlements	0.5
Amounts recorded as reduction of costs	(5.6)
Balance at December 31, 2011	$ 43.5

The current and long-term portions of the deferred settlement credits were as follows:

	December 31, 2011	**December 31, 2010**
	(Dollars in millions)	
Accrued expenses	$ 7.2	$ 5.7
Other non-current liabilities	36.3	42.9
Total	$ 43.5	$ 48.6

It is not practical to estimate when the remaining deferred settlement credits are expected to be recognized. The proceeds from such insurance settlements were reported as a component of net cash provided by operating activities in the period payments were received.

Liabilities of Divested Businesses

In connection with the divestitures of our tire, vinyl, engineered industrial products and other businesses, we have received contractual rights of indemnification from third parties for environmental, asbestos and other claims arising out of the divested businesses. Failure of these third parties to honor their indemnification obligations could have a material adverse effect on our results of operations and cash flows.

Tax

We are continuously undergoing examination by the U.S. Internal Revenue Service (IRS), as well as various state and foreign jurisdictions. The IRS and other taxing authorities routinely challenge certain deductions and credits reported by us on our income tax returns.

Tax Years 2007 and 2008

In January 2011, the IRS issued a Revenue Agent s Report (RAR) for the tax years 2007 and 2008. In February 2011, we submitted a protest to the Appeals Division of the IRS with respect to certain unresolved issues which involve the proper timing of deductions. Although it is reasonably possible that these matters could be resolved during the next 12 months, the timing or ultimate outcome is uncertain.

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Tax Years 2005 and 2006

During 2009, the IRS issued a RAR for the tax years 2005 and 2006. In July 2009, we submitted a protest to the Appeals Division of the IRS with respect to certain unresolved issues which involve the proper timing of deductions. Although it is reasonably possible that these matters could be resolved during the next 12 months, the timing or ultimate outcome is uncertain.

Tax Years 2000 to 2004

During 2007, we reached agreement with the IRS on substantially all of the issues raised with respect to the examination of taxable years 2000 to 2004. We submitted a protest to the Appeals Division of the IRS with respect to the remaining unresolved issues which involve the proper timing of certain deductions. We were unable to reach agreement with the IRS on the remaining issues. In December 2009, we filed a petition in the U.S. Tax Court and in March 2010 we also filed a complaint in the Federal District Court. On January 18, 2012, the District Court granted the government s motion for partial summary judgment in this matter. Final judgment in the District Court case cannot be entered until the remaining issues are resolved. It is our intent to appeal the ruling once final judgment is entered. We believe the amount of the estimated tax liability if the IRS were to ultimately prevail is fully reserved. We cannot predict the timing or ultimate outcome of a final resolution.

Tax Years Prior to 2000

The previous examination cycle included the consolidated income tax groups for the audit periods identified below:

Coltec Industries Inc. and Subsidiaries	December, 1997 July, 1999 (through date of acquisition)
Goodrich Corporation and Subsidiaries	1998 1999 (including Rohr, Inc. (Rohr) and Coltec)

We previously reached final settlement with the IRS on all but one of the issues raised in this examination cycle. We received statutory notices of deficiency dated June 14, 2007 related to the remaining unresolved issue which involves the proper timing of certain deductions. We filed a petition with the U.S. Tax Court in September 2007 to contest the notices of deficiency.

In December 2010, we reached a tentative agreement with the IRS to settle the remaining unresolved issue but due to the size of the potential refund, the agreement required approval by the Joint Committee on Taxation (JCT). In January 2011, the JCT approved the terms of the settlement agreement. In March 2011, the U.S. Tax Court accepted the terms of the settlement agreement and agreed to the litigants request to dismiss the matter. We recognized a tax benefit of approximately $21 million in the three months ended March 31, 2011.

Rohr was examined by the State of California for the tax years ended July 31, 1985, 1986 and 1987. The State of California disallowed certain expenses incurred by one of Rohr s subsidiaries in connection with the lease of certain tangible property. California s Franchise Tax Board held that the deductions associated with the leased equipment were non-business deductions. In addition, California audited our amended tax returns filed to reflect the changes resulting from the settlement of the U.S. Tax Court for Rohr s tax years 1986 to 1997. California issued an assessment based on numerous issues including proper timing of deductions and allowance of tax credits. In October 2010, a comprehensive settlement was reached with the California Tax Board addressing all issues for tax years 1985 through 2001. We recognized a tax benefit of approximately $23 million in the three months ended December 31, 2010.

Item 4. ***Mine Safety Disclosures***

Not applicable.

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PART II

Item 5. ***Market for Registrant s Common Equity and Related Stockholder Matters***

Our common stock (symbol GR) is listed on the New York Stock Exchange. The following table sets forth on a per share basis, the high and low sale prices for our common stock for the periods indicated as reported on the New York Stock Exchange composite transactions reporting system, and the cash dividends declared on our common stock for these periods.

Quarter	High	Low	Dividend
2011			
First	$ 94.12	$ 79.71	$ .29
Second	96.12	83.21	.29
Third	122.33	80.07	.29
Fourth	123.79	119.00	.29
2010			
First	$ 72.80	$ 60.10	$ .27
Second	77.89	63.17	.27
Third	75.77	64.44	.27
Fourth	88.60	72.93	.29

As of December 31, 2011, there were 6,592 holders of record of our common stock.

The following table summarizes our purchases of our common stock for the quarter ended December 31, 2011:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased(1)	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(2)(3)
October 2011	566	$ 120.41		
November 2011				
December 2011				
Total	566	$ 120.41		$ 479 million

(1) The category includes 566 shares delivered to us by employees to pay withholding taxes due upon vesting of a restricted stock unit award and to pay the exercise price of employee stock options.

(2) This balance represents the number of shares that were repurchased under the Company s repurchase program (the Program). The Program was approved by the Board of Directors for $1.1 billion in total. Unless terminated earlier by resolution of the Company s Board of

Directors, the Program will expire when the Company has purchased all shares authorized for repurchase. The Program does not obligate the Company to repurchase any particular amount of common stock, and may be suspended or discontinued at any time without notice.

(3) This balance represents the value of shares that can be repurchased under the Program.

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Item 6. ***Selected Financial Data***

Selected Financial Data

	2011(2)	2010(3)	2009	2008(4)	2007(1)(5)
	(Dollars in millions, except per share amounts)				
Statement of Income Data					
Sales	$ 8,074.9	$ 6,966.9	$ 6,685.6	$ 7,061.7	$ 6,392.2
Income from continuing operations	818.5	584.4	576.3	691.6	516.5
Balance Sheet Data					
Total assets	$ 10,713.7	$ 9,271.6	$ 8,741.4	$ 7,482.9	$ 7,534.0
Long-term debt and capital lease obligations	2,374.4	2,352.8	2,008.1	1,410.4	1,562.9
Per Share of Common Stock					
Income from continuing operations,					
Diluted	$ 6.33	$ 4.50	$ 4.43	$ 5.29	$ 3.86
Net income, diluted	6.33	4.51	4.70	5.35	3.75
Cash dividends declared	1.16	1.10	1.02	0.925	0.825

(1) Except as otherwise indicated, the historical amounts presented above have been reclassified to present our former ATS business (sold on November 15, 2007) as a discontinued operation.

(2) In 2011, we acquired Microtecnica S.r.l. and incurred $8.4 million of acquisition-related pre-tax costs. Additionally, we incurred $20.1 million of pre-tax costs related to a facility closure in our landing gear business (see Note 4 Business Segment Information, to our consolidated financial statements). Additional share based compensation expense of approximately $18 million and transaction-related costs of approximately $18 million related to the Merger Agreement entered into with UTC were included in pre-tax income subsequent to the date of the Merger Agreement (see Note 1, Goodrich Merger Agreement with United Technologies Corporation , to our consolidated financial statements).

(3) In 2010, we recognized an income tax charge of $10 million due to the enactment of health care reform legislation in the U.S., a $34.9 million pre-tax net loss in connection with the redemption of our senior notes due in 2012, (see Note 5, Other Income (Expense) Net , to our consolidated financial statements) and a $23 million tax benefit related to a California Tax Board settlement (see Note 16, Contingencies , to our consolidated financial statements).

(4) In 2008, we recognized a pre-tax net gain of approximately $13 million in connection with the formation of a joint venture with Rolls-Royce Group plc.

(5) On December 27, 2007, we settled a claim with Northrop Grumman Corporation related to the Airbus A380 actuation systems development program resulting in a receipt of cash and an increase in pre-tax operating income of $18.5 million.

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Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations.***

YOU SHOULD READ THE FOLLOWING DISCUSSION AND ANALYSIS IN CONJUNCTION WITH OUR AUDITED CONSOLIDATED FINANCIAL STATEMENTS INCLUDED ELSEWHERE IN THIS DOCUMENT.

THIS MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CONTAINS FORWARD-LOOKING STATEMENTS. SEE FORWARD-LOOKING INFORMATION IS SUBJECT TO RISK AND UNCERTAINTY FOR A DISCUSSION OF CERTAIN OF THE UNCERTAINTIES, RISKS AND ASSUMPTIONS ASSOCIATED WITH THESE STATEMENTS.

UNLESS OTHERWISE NOTED HEREIN, DISCLOSURES PERTAIN ONLY TO OUR CONTINUING OPERATIONS.

OVERVIEW

We are one of the largest worldwide suppliers of aerospace components, systems and services to the commercial and general aviation airplane markets. We are also a leading supplier of systems and products to the global defense and space markets. Our business is conducted globally with manufacturing, service and sales undertaken in various locations throughout the world. Our products and services are principally sold to customers in North America, Europe and Asia.

On September 21, 2011 we entered into an Agreement and Plan of Merger (Merger Agreement) with United Technologies Corporation (UTC). The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, we will be acquired by UTC in a cash-for-stock transaction (Merger). We have agreed to various covenants in the Merger Agreement, including, among other things, to conduct our business in the ordinary course consistent with past practice during the period between the execution of the Merger Agreement and the time of the Merger. We expect the consummation of the Merger to occur in mid-2012; therefore, we have not provided sales, earnings and cash flow guidance for the full year 2012. See Note 1, Goodrich Merger Agreement with United Technologies Corporation to our consolidated financial statements.

Key Market Channels for Products and Services, Growth Drivers and Industry and our Highlights

We participate in three key market channels: commercial, regional, business and general aviation airplane original equipment (OE); commercial, regional, business and general aviation airplane aftermarket; and defense and space.

Commercial, Regional, Business and General Aviation Airplane OE

Commercial, regional, business and general aviation airplane OE includes sales of products and services for new airplanes produced by Airbus and Boeing, and regional, business and small airplane manufacturers.

The key growth drivers in this market channel include the number of orders for the manufacturers airplanes, which will be delivered to their customers over a period of several years, OE manufacturer production and delivery rates for in-service airplanes such as the Airbus A320 and Boeing 737NG, and introductions of new airplane models such as the Boeing 787, 747-8 and 737 MAX, the Airbus A350 XWB and A320neo, and engine types such as the Pratt and Whitney PurePower PW1000G.

We have significant sales content on most of the airplanes manufactured in this market channel. Over the last few years, we have benefited from the historically high production rates and deliveries of Airbus and Boeing airplanes and from our substantial content on many of the regional and general aviation airplanes. Boeing and Airbus have announced production rate increases for 2012 and beyond. However, production rates are always subject to change and may be affected by economic conditions which may influence customers willingness and/or ability to purchase new aircraft.

Commercial, Regional, Business and General Aviation Airplane Aftermarket

The commercial, regional, business and general aviation airplane aftermarket channel includes sales of products and services for existing commercial and general aviation airplanes, primarily to airlines and package carriers around the world.

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We have significant product content on most of the airplane models that are currently in service and we will benefit from having excellent positions on the newer, more fuel-efficient airplanes currently in service. The key growth drivers in this channel include worldwide passenger capacity growth measured by Available Seat Miles (ASM) and the size, type and utilization levels of the worldwide airplane fleet. Other important factors affecting growth in this market channel are the age and types of the airplanes in the fleet, fuel prices, airline maintenance practices, Gross Domestic Product (GDP) trends in countries and regions around the world and domestic and international air freight activity.

Capacity in the global airline system, as measured by ASM, is expected to grow in 2012 as compared to 2011. ASM expectations could be adversely affected if airlines choose to fly their in-service airplanes less frequently, or temporarily ground airplanes due to decreased demand, high fuel prices and other factors including weaker than expected global economic growth.

Defense and Space

Worldwide defense and space sales include sales to prime contractors such as Boeing, Northrop Grumman, Lockheed Martin, the U.S. Government and foreign companies and governments.

The key growth drivers in this channel include the level of defense spending by the U.S. and foreign governments, the number of new platform starts, the level of military flight operations, the level of upgrade, overhaul and maintenance activities associated with existing platforms and demand for optical surveillance and reconnaissance systems. Due to worldwide defense budget concerns, including in the U.S., we expect pressure on the level of spending over the next several years.

The market for our defense and space products is global and is not dependent on any single program, platform or customer. We anticipate fewer new fighter and transport aircraft platform starts over the next several years. We also anticipate that the introduction of the F-35 Lightning II and new helicopter platforms, along with upgrades on existing defense and space platforms, will provide long-term growth opportunities in this market channel. Additionally, we are participating in, and developing new products for, the expanding intelligence, surveillance and reconnaissance sector, which should further strengthen our position in this market channel.

Long-term Sustainable Growth

We believe we are well positioned to grow our sales over the long-term due to:

- Awards for key products on important new and expected programs, including the Airbus A350 XWB and A320neo, the Boeing 787, 747-8 and 737 MAX, the Pratt & Whitney PurePower® PW1000G engine and the Lockheed Martin F-35 Lightning II;
- The large installed base on commercial airplanes and our strong positions on newer, more fuel-efficient airplanes, which should fuel sustained long-term aftermarket strength;
- Balance in the commercial airplane market, with strong sales to Airbus, Boeing and the regional and business jet airplane manufacturers;
- Aging of the existing large commercial and regional airplane fleets, which should result in increased aftermarket support;
- Increased number of long-term agreements for product and service sales on new and existing commercial airplanes;
- Increased opportunities for aftermarket growth due to airline outsourcing;

Growth in global maintenance, repair and overhaul (MRO) opportunities for our systems and components, particularly in Europe, Asia and the Middle East, where we have expanded our capacity; and

Expansion of our product offerings in support of key areas in the defense and space market channel, such as helicopter products and systems, ISR products and precision guidance systems for munitions.

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Year Ended December 31, 2011 Sales Content by Market Channel

During 2011, approximately 95% of our sales were from our three key market channels described above. Following is a summary of the percentage of sales by market channel:

Airbus Commercial OE	17%
Boeing Commercial OE	11%
Regional, Business and General Aviation Airplane OE	7%
Total Large Commercial, Regional, Business and General Aviation Airplane OE	35%
Large Commercial Airplane Aftermarket	24%
Regional, Business and General Aviation Airplane Aftermarket	6%
Total Large Commercial, Regional, Business and General Aviation Airplane Aftermarket	30%
Total Defense and Space	30%
Other	5%
Total	100%

Results of Operations Year Ended December 31, 2011 as Compared to the Year Ended December 31, 2010

			Favorable/ (Unfavorable)	
	2011	**2010**	**$ Change**	**% Change**
	(Dollars in millions, except diluted EPS)			
Sales	$ 8,074.9	$ 6,966.9	$ 1,108.0	15.9
Segment operating income (1)	$ 1,493.9	$ 1,153.9	$ 340.0	29.5
Corporate general and administrative costs	(158.1)	(155.6)	(2.5)	(1.6)
Total operating income	**1,335.8**	**998.3**	**337.5**	**33.8**
Net interest expense	(137.8)	(136.3)	(1.5)	(1.1)
Other income (expense) net	(33.5)	(57.1)	23.6	41.3
Income from continuing operations before income taxes	1,164.5	804.9	359.6	44.7
Income tax expense	(346.0)	(220.5)	(125.5)	(56.9)
Income from continuing operations	818.5	584.4	234.1	40.1
Income from discontinued operations	0.3	2.2	(1.9)	(86.4)
Consolidated net income	818.8	586.6	232.2	39.6
Net income attributable to noncontrolling interests	(8.4)	(7.9)	(0.5)	(6.3)
Net income attributable to Goodrich	**$ 810.4**	**$ 578.7**	**$ 231.7**	**40.0**
Effective tax rate	29.7%	27.4%		

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	2011	2010	Favorable/ (Unfavorable) $ Change	% Change
	(Dollars in millions, except diluted EPS)			
Diluted EPS:				
Continuing operations	$ 6.33	$ 4.50	$ 1.83	40.7
Net income attributable to Goodrich	$ 6.33	$ 4.51	$ 1.82	40.4

(1) We measure each reporting segment s profit based upon operating income. Accordingly, we do not allocate net interest expense, other income (expense) net and income taxes to our reporting segments. The company-wide Enterprise Resource Planning (ERP) costs that were not directly associated with a specific business were not allocated to the segments. For a reconciliation of total segment operating income to total operating income, see Note 4, Business Segment Information to our consolidated financial statements.

Sales

The sales increase in 2011 as compared to 2010 was driven by changes in our major market channels as follows:

- Large commercial airplane original equipment sales increased by approximately $337 million, or 18%;
- Regional, business and general aviation airplane original equipment sales increased by approximately $179 million, or 42%, of which approximately 20% represented organic growth;
- Large commercial, regional, business and general aviation airplane aftermarket sales increased by approximately $318 million, or 15%, of which approximately 13% was organic growth; and
- Defense and space sales of both original equipment and aftermarket products and services increased by approximately $224 million, or 10%, of which approximately 6% represented organic growth.

Segment operating income

See discussion in the Business Segment Performance section.

Corporate general and administrative costs

Corporate general and administrative costs increased primarily due to higher incentive and share-based compensation expense and unfavorable foreign exchange, partially offset by reductions in discretionary spending.

Other income (expense) net

Other income (expense) net decreased for 2011 as compared to 2010, primarily as a result of:

- A 2010 net loss of $34.9 million related to the redemption of all our senior notes due in 2012 and higher income of approximately $8 million in 2011 from equity in affiliated companies; partially offset by

Merger related expenses of approximately $18 million in 2011.

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Income from continuing operations

In addition to the items described above, income from continuing operations during 2011 as compared to 2010 was also affected by the following items:

	Increase (Decrease)		
	Pre-Tax	After Tax	Diluted EPS
	(Dollars in millions, except diluted EPS)		
Lower pension and postretirement benefits expense	$ 78.1	$ 49.5	$ 0.39
Changes in estimates on long-term contracts	$ 10.1	$ 6.4	$ 0.05
Higher effective tax rate	$	$ (26.8)	$ (0.21)
Higher share-based compensation	$ (23.7)	$ (15.0)	$ (0.12)
Landing gear plant closure costs	$ (20.1)	$ (12.8)	$ (0.10)
Merger related expenses	$ (18.2)	$ (11.5)	$ (0.09)
Microtecnica acquisition-related costs	$ (8.4)	$ (8.4)	$ (0.07)

Lower pension and postretirement benefits expense

The decrease in pension and postretirement benefits expense was primarily due to the result of actuarial changes, including the change in the amortization period for gains and losses for our U.S. salaried plan; the benefit of $471 million in contributions that were made in 2010 and favorable returns on our plan assets in 2010, partially offset by unfavorable plan assumption changes.

Changes in estimates on long-term contracts

During 2011 and 2010, we updated our estimates on certain of our long-term contracts, primarily in our aerostructures and intelligence, surveillance and reconnaissance systems (ISR) businesses, which resulted in higher income of approximately $10 million in 2011 compared to 2010. Changes in estimates increased pre-tax income by $108.1 million and $98 million in 2011 and 2010, respectively. These changes were primarily related to favorable cost and operational performance, changes in volume expectations and sales pricing improvements and finalization of contract terms on current and/or follow-on contracts.

Higher effective tax rate

For 2011, we reported an effective tax rate of 29.7% as compared to 27.4% for 2010. The increase in the effective tax rate was primarily due to an increase in domestic income which was taxed at a higher effective tax rate. In 2011 and 2010, the effective tax rates were reduced by a tax settlement with the IRS for the remaining unresolved issues for tax years prior to 2000 and a comprehensive settlement with the California Tax Board addressing all issues for tax years 1985 to 2001, respectively. The 2010 effective tax rate included a $10 million charge due to the enactment of health care reform legislation in the U.S.

Higher share-based compensation

The increase in share-based compensation was primarily due to a higher grant date fair value for our restricted stock units and stock options and the favorable change in our share price during 2011 for awards paid in cash. The significant share price increase was primarily related to the Merger Agreement entered into by us with UTC. This increase in the share price resulted in approximately $18 million of additional compensation cost during 2011. The Merger Agreement prohibits us from granting new awards pursuant to employee share-based compensation plans after September 21, 2011 (except under certain conditions in the event the Merger is not consummated prior to August 31, 2012). See Note

1, Goodrich Merger Agreement with United Technologies Corporation and Note 6, Share-Based Compensation to our consolidated financial statements.

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Landing gear plant closure costs

During 2011, we incurred $20.1 million of costs related to the announced closure of a facility in our landing gear business due to declining program volumes. We will close the facility and incur substantially all of the costs by the end of 2012. See Note 4, Business Segment Information to our consolidated financial statements.

Merger related expenses

During 2011, we incurred $18.2 million of costs related to the announced Merger Agreement with UTC, primarily investment bank fees, legal costs and other filing fees and expenses. See Note 1, Goodrich Merger Agreement with United Technologies Corporation to our consolidated financial statements.

Microtecnica acquisition-related costs

During 2011, we acquired Microtecnica and incurred $8.4 million of acquisition-related costs, including foreign currency costs associated with pre-positioning cash to execute the acquisition.

Results of Operations Year Ended December 31, 2010 as Compared to the Year Ended December 31, 2009

			Favorable/ (Unfavorable)	
	2010	**2009**	**$ Change**	**% Change**
	(Dollars in millions, except diluted EPS)			
Sales	$ 6,966.9	$ 6,685.6	$ 281.3	4.2
Segment operating income(1)	$ 1,153.9	$ 1,058.6	$ 95.3	9.0
Corporate general and administrative costs	(155.6)	(129.4)	(26.2)	(20.2)
Total operating income	**998.3**	**929.2**	**69.1**	**7.4**
Net interest expense	(136.3)	(119.9)	(16.4)	(13.7)
Other income (expense) net	(57.1)	(25.2)	(31.9)	(126.6)
Income from continuing operations before income taxes	804.9	784.1	20.8	2.7
Income tax expense	(220.5)	(207.8)	(12.7)	(6.1)
Income from continuing operations	584.4	576.3	8.1	1.4
Income from discontinued operations	2.2	34.5	(32.3)	(93.6)
Consolidated net income	**586.6**	**610.8**	**(24.2)**	**(4.0)**
Net income attributable to noncontrolling interests	(7.9)	(13.5)	5.6	41.5
Net income attributable to Goodrich	**$ 578.7**	**$ 597.3**	**$ (18.6)**	**(3.1)**
Effective tax rate	27.4%	26.5%		
Diluted EPS:				
Continuing operations	$ 4.50	$ 4.43	$ 0.07	1.6
Net income attributable to Goodrich	$ 4.51	$ 4.70	$ (0.19)	(4.0)

(1) We measure each reporting segment s profit based upon operating income. Accordingly, we do not allocate net interest expense, other income (expense) net and income taxes to our reporting segments. The company-wide Enterprise Resource Planning (ERP) costs that were not directly associated with a specific business were not allocated to the segments. For a reconciliation of total segment operating income to total operating income, see Note 4, Business Segment Information to our consolidated financial statements.

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Sales

The sales increase in 2010 as compared to 2009 was driven by changes in our major market channels as follows:

- Large commercial airplane original equipment sales increased by approximately $65 million, or 4%;
- Regional, business and general aviation airplane original equipment sales increased by approximately $7 million, or 2%, including sales associated with the recent acquisition of the cabin management assets of DeCrane Holdings Co. (DeCrane). Excluding DeCrane, sales in this market channel decreased approximately 5%; and
- Defense and space sales of both original equipment and aftermarket products and services increased by approximately $220 million, or 11%; partially offset by
- Large commercial, regional, business and general aviation airplane aftermarket sales decreased by approximately $6 million, or 0.3%.

Segment operating income

See discussion in the Business Segment Performance section.

Corporate general and administrative costs

Corporate general and administrative costs increased primarily due to higher incentive and share-based compensation expense, higher medical costs and unfavorable foreign exchange, partially offset by reductions in discretionary spending.

Net interest expense

Net interest expense increased primarily as a result of higher debt levels in 2010 as compared to 2009.

Other income (expense) net

Other income (expense) net increased for 2010 as compared to 2009, primarily as a result of:

- A net loss of $34.9 million related to the redemption of all our senior notes due in 2012. See Note 11, Financing Arrangements , to our consolidated financial statements; partially offset by
- Lower retiree health care, legal and environmental costs related to previously owned businesses of approximately $5 million.

Income from continuing operations

In addition to the items described above, income from continuing operations during 2010 as compared to 2009 was also affected by the following items:

	Increase (Decrease)		
	Pre-Tax	After Tax	Diluted EPS

	(Dollars in millions, except diluted EPS)		
Changes in estimates on long-term contracts	$ 52.9	$ 33.0	$ 0.26
Lower pension and postretirement benefits expense	$ 19.3	$ 12.2	$ 0.11
Foreign exchange, including net monetary asset remeasurement	$ 7.1	$ 4.5	$ 0.04
Higher share-based compensation	$ (14.7)	$ (9.2)	$ (0.06)

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Changes in estimates on long-term contracts

During 2010 and 2009, we updated our estimates on certain of our long-term contracts, primarily in our aerostructures and aircraft wheels and brakes businesses, which resulted in higher income of approximately $53 million compared to 2009. These changes were primarily related to favorable cost and operational performance, changes in volume expectations and sales pricing improvements and finalization of contract terms on current and/or follow-on contracts.

Lower pension and postretirement benefits expense

The decrease in pension and postretirement benefits expense was primarily due to the timing of plan contributions in 2010, favorable actuarial experience and the favorable return on our plan assets in 2009, partially offset by a lower discount rate for our U.S. plans.

Foreign exchange

The net favorable foreign exchange was primarily due to the following:

Approximately $17 million of lower net losses on cash flow hedges settled during 2010; partially offset by

Approximately $9 million of unfavorable foreign currency translation of net costs in currencies other than the U.S. Dollar.

Higher share-based compensation

The increase in share-based compensation was primarily due to the higher grant date fair value for our restricted stock units and stock options.

BUSINESS SEGMENT PERFORMANCE

We measure each reporting segment s profit based upon operating income. Accordingly, we do not allocate net interest expense, other income (expense) net and income taxes to the reporting segments. The company-wide ERP costs that were not directly associated with a specific business were not allocated to the segments. The accounting policies of the reportable segments are the same as those for our consolidated financial statements. For a reconciliation of total segment operating income to total operating income and a description of our three business segments, see Note 4, Business Segment Information to our consolidated financial statements.

Year Ended December 31, 2011 Compared with the Year Ended December 31, 2010

	Year Ended December 31, 2011	2010	$ Change	% Change	% Sales 2011	2010
	(Dollars in millions)					
NET CUSTOMER SALES						
Actuation and Landing Systems	$ 2,945.3	$ 2,491.5	$ 453.8	18.2		
Nacelles and Interior Systems	2,796.7	2,339.5	457.2	19.5		
Electronic Systems	2,332.9	2,135.9	197.0	9.2		
Total Sales	$ 8,074.9	$ 6,966.9	$ 1,108.0	15.9		
SEGMENT OPERATING INCOME						
Actuation and Landing Systems	$ 373.4	$ 273.1	$ 100.3	36.7	12.7	11.0
Nacelles and Interior Systems	729.7	555.9	173.8	31.3	26.1	23.8
Electronic Systems	390.8	324.9	65.9	20.3	16.8	15.2
Segment Operating Income	$ 1,493.9	$ 1,153.9	$ 340.0	29.5	18.5	16.6

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Actuation and Landing Systems: Actuation and Landing Systems segment sales for 2011 increased from 2010 primarily due to the following:

- Higher large commercial airplane OE sales of approximately $156 million primarily in our landing gear and actuation systems businesses;
- Higher large commercial, regional, business and general aviation airplane aftermarket sales of approximately $115 million, primarily in our wheels and brakes and actuation systems businesses;
- Higher defense and space OE and aftermarket sales of approximately $86 million, primarily in our actuation systems business, including sales associated with the Microtecnica acquisition;
- Higher regional, business and general aviation airplane OE sales of approximately $36 million across all businesses, including sales associated with the Microtecnica acquisition; and
- Higher other aerospace and non-aerospace sales of approximately $61 million, primarily in our actuation systems and engine components businesses.

Actuation and Landing Systems segment operating income for 2011 increased from 2010 primarily as a result of the following:

- Higher sales volume and favorable product mix across all businesses which resulted in higher income of approximately $115 million;
- Favorable pricing partially offset by higher operating costs, across all businesses, which resulted in higher income of approximately $11 million; and
- Favorable foreign exchange of approximately $9 million; partially offset by
- Costs of approximately $20 million associated with the decision to close a facility in our landing gear business;
- Lower income of approximately $9 million related to changes in estimates for certain long-term contracts in our wheels and brakes business that were more favorable in 2010; and
- Costs related to the acquisition of Microtecnica of approximately $8 million.

Nacelles and Interior Systems: Nacelles and Interior Systems segment sales for 2011 increased from 2010 primarily due to the following:

- Higher large commercial OE sales of approximately $160 million, primarily in our aerostructures business;

- Higher large commercial, regional, business and general aviation airplane aftermarket sales of approximately $133 million, primarily in our aerostructures and interiors businesses;

- Higher regional, business, and general aviation airplane OE sales of approximately $124 million, primarily in our aerostructures and interiors businesses, including sales associated with the DeCrane and Winslow Marine Products Corporation (Winslow) acquisitions; and

- Higher defense and space OE and aftermarket sales of approximately $41 million, primarily in our interiors business.

Nacelles and Interior Systems segment operating income for 2011 increased from 2010 primarily due to the following:

- Higher sales volume and favorable product mix, primarily in our aerostructures and interiors business, which resulted in higher income of approximately $127 million, primarily in our aerostructures and interiors businesses;

- Favorable pricing and lower operating costs, primarily in our aerostructures business, which resulted in higher income of approximately $42 million; and

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Higher income of approximately $7 million related to changes in estimates for certain long-term contracts in our aerostructures business that were more favorable in 2011.

Electronic Systems: Electronic Systems segment sales for 2011 increased from 2010 primarily due to the following:

Higher defense and space OE and aftermarket sales of approximately $97 million, primarily in our sensors and integrated systems and ISR businesses;

Higher large commercial, regional, business and general aviation airplane aftermarket sales of approximately $70 million primarily in our sensors and integrated systems and engine controls and electrical power businesses;

Higher large commercial airplane OE sales of approximately $21 million, primarily in our sensors and integrated systems business and engine controls and electrical power businesses; and

Higher regional business and general aviation airplane OE sales of approximately $19 million, primarily in our sensors and integrated systems business and engine controls and electrical power businesses; partially offset by

Lower other aerospace and non-aerospace sales of approximately $10 million primarily in our sensors and integrated systems business.

Electronic Systems segment operating income for 2011 increased from 2010 primarily due to the following:

Higher sales volume and favorable product mix across most businesses which resulted in higher income of approximately $67 million; and

Higher income of approximately $11 million related to changes in estimates for certain long-term contracts in our ISR business, consisting of favorable changes in estimates of approximately $10 million in the year ended December 31, 2011 compared to a charge of approximately $1 million in the year ended December 31, 2010; partially offset by

Higher operating costs across all businesses partially offset by favorable pricing in our sensors and integrated systems and engine controls and electrical power systems businesses, which resulted in lower income of approximately $13 million.

Year Ended December 31, 2010 Compared with the Year Ended December 31, 2009

	Year Ended December 31,		$	%	% Sales	
	2010	2009	Change	Change	2010	2009
	(Dollars in millions)					
NET CUSTOMER SALES						
Actuation and Landing Systems	$ 2,491.5	$ 2,524.3	$ (32.8)	(1.3)		
Nacelles and Interior Systems	2,339.5	2,322.6	16.9	0.1		
Electronic Systems	2,135.9	1,838.7	297.2	16.2		
Total Sales	$ 6,966.9	$ 6,685.6	$ 281.3	4.2		

SEGMENT OPERATING INCOME						
Actuation and Landing Systems	$ 273.1	$ 266.9	$ 6.2	2.3	11.0	10.6
Nacelles and Interior Systems	555.9	515.3	40.6	7.9	23.8	22.2
Electronic Systems	324.9	276.4	48.5	17.5	15.2	15.0
Segment Operating Income	$ 1,153.9	$ 1,058.6	$ 95.3	9.0	16.6	15.8

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Actuation and Landing Systems: Actuation and Landing Systems segment sales for 2010 decreased from 2009 primarily due to the following:

- Lower regional, business and general aviation airplane OE sales of approximately $34 million across all businesses;
- Lower non-aerospace sales of approximately $26 million, primarily in our engine components business; and
- Lower defense OE and aftermarket sales of approximately $21 million, primarily in our landing gear and actuation systems businesses; partially offset by
- Higher large commercial, regional, business and general aviation airplane aftermarket sales of approximately $37 million, primarily in our wheels and brakes business partially offset by lower sales in our landing gear business; and
- Higher large commercial airplane OE sales of approximately $12 million primarily in our landing gear business partially offset by lower sales in our actuation systems business.

Actuation and Landing Systems segment operating income for 2010 increased from 2009 primarily as a result of the following:

- Higher income of approximately $23 million due to reduced operating costs and favorable pricing primarily in our wheels and brakes business;
- Favorable foreign exchange of approximately $8 million; and
- Higher income of approximately $5 million related to changes in estimates for certain long-term contracts in our wheels and brakes business that were more favorable in 2010; partially offset by
- Lower income from unfavorable product mix and lower sales volume of approximately $25 million, primarily in our landing gear business, partially offset by income from higher sales volume in our wheels and brakes business.

Nacelles and Interior Systems: Nacelles and Interior Systems segment sales for 2010 increased from 2009 primarily due to the following:

- Higher large commercial OE sales of approximately $49 million, primarily in our aerostructures business; and
- Higher regional, business, and general aviation airplane OE sales of approximately $34 million, primarily in our aerostructures and interiors businesses, including sales associated with the acquisition of DeCrane s cabin management assets which occurred in September 2010; partially offset by
- Lower large commercial, regional, business and general aviation airplane aftermarket sales of approximately $58 million, primarily in our aerostructures business; and

Lower defense and space OE and aftermarket sales of approximately $10 million, primarily in our interiors business.

Nacelles and Interior Systems segment operating income for 2010 increased from 2009 primarily due to the following:

Higher income of approximately $53 million related to changes in estimates for certain long-term contracts, which were primarily related to favorable cost and operational performance, changes in volume expectations, favorable pricing and finalization of contract terms on current and/or follow-on contracts; and

Reduced operating costs across all businesses which resulted in higher income of approximately $24 million; partially offset by

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- Unfavorable product mix from lower aftermarket volume, primarily in our aerostructures business, which resulted in lower income of approximately $33 million; and
- Unfavorable foreign exchange of approximately $4 million.

Electronic Systems: Electronic Systems segment sales for 2010 increased from 2009 primarily due to the following:

- Higher defense and space OE and aftermarket sales of approximately $252 million, primarily in our sensors and integrated systems and ISR businesses, including sales associated with the acquisition of AIS Global Holdings LLC (AIS) which occurred in December 2009;
- Higher other aerospace and non-aerospace sales of approximately $19 million in our sensors and integrated systems business;
- Higher large commercial, regional, business and general aviation airplane aftermarket sales of approximately $15 million primarily in our sensors and integrated systems and engine controls and electrical power businesses;
- Higher regional business and general aviation airplane OE sales of approximately $7 million, primarily in our engine controls and electrical power business; and
- Higher large commercial airplane OE sales of approximately $4 million, primarily in our sensors and integrated systems business.

Electronic Systems segment operating income for 2010 increased from 2009 primarily due to the following:

- Higher sales volume in all of our businesses, partially offset by unfavorable product mix, which resulted in higher income of approximately $49 million; and
- Favorable pricing and reduced operating costs across most businesses, which resulted in higher income of approximately $6 million; partially offset by
- Restructuring costs in 2010 in our ISR business, which resulted in lower income of approximately $5 million.

INTERNATIONAL OPERATIONS

We are engaged in business worldwide. Our significant international manufacturing and service facilities are located in Australia, Canada, China, England, France, Germany, India, Indonesia, Northern Ireland, Mexico, Poland, Scotland, Singapore and the United Arab Emirates. We market our products and services through sales subsidiaries and distributors in various countries. We also have international joint venture agreements.

Currency fluctuations, tariffs and similar import limitations, price controls and labor regulations can affect our foreign operations, including foreign affiliates. Other potential limitations on our foreign operations include expropriation, nationalization, restrictions on foreign investments, or their transfers, and additional political and economic risks. In addition, the transfer of funds from foreign operations could be impaired by the inability to exchange the local currency to the U.S. dollar or other restrictive regulations that foreign governments could enact.

Sales to non-U.S. customers were $4,073 million or 50% of total sales, $3,455 million or 50% of total sales and $3,387 million or 51% of total sales for 2011, 2010 and 2009, respectively.

LIQUIDITY AND CAPITAL RESOURCES

We currently expect to fund expenditures for capital requirements and other liquidity needs from a combination of cash, internally generated funds and financing arrangements. We believe our internal liquidity, together with access to external capital resources, will be sufficient to satisfy existing plans and commitments, and also provide adequate financial flexibility due to our strong balance sheet, lack of any large near-term funding requirements and a strong banking group with a committed credit facility.

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The following events have affected our liquidity and capital resources during 2011:

- We repurchased 1 million shares for $84 million under our share repurchase program;
- We contributed approximately $119 million to our worldwide pension and postretirement benefit plans through December 31, 2011;
- We paid a quarterly dividend of $0.29 per share on April 1, July 1 and October 3;
- On May 12, 2011, we completed the acquisition of Microtecnica, a leading provider of flight control actuation systems for helicopter, regional and business aircraft, missile actuation, and aircraft thermal and environmental control systems, for $457.1 million, net of cash acquired. Microtecnica is reported in the Actuation and Landing Systems segment;
- On May 20, 2011, we entered into a new five-year unsecured committed syndicated revolving credit facility, which permits borrowings up to a maximum of $700 million. In connection with entering into the new facility, we terminated our $500 million unsecured committed syndicated revolving credit facility that otherwise would have expired in May 2012. The new credit facility expires in May 2016;
- On September 30, 2011, we acquired Winslow for $49.5 million in cash, net of cash acquired. Winslow is reported in the Nacelles and Interior Systems segment; and
- On October 27, 2011, we renewed our registration statement that allows us to issue debt securities, series preferred stock, common stock, stock purchase contracts and stock purchase units.

Cash

We had cash and cash equivalents of $987 million and $798.9 million at December 31, 2011 and 2010, respectively, of which $253.6 million and $189 million, respectively, was held at non U.S. locations. We would need to accrue and pay taxes if certain amounts held at non U.S. locations were repatriated. We currently do not intend to repatriate these funds.

Credit Facilities

We have the following amounts available under our credit facilities:

- $700 million committed global revolving credit facility that expires in May 2016, of which $650.7 million was available at December 31, 2011; and
- $75 million of uncommitted domestic money market facilities, of which $37.4 million was available at December 31, 2011, and $154.8 million of uncommitted and committed foreign working capital facilities with various banks to meet short-term borrowing and documentary credit requirements, of which $129.5 million was available at December 31, 2011.

Long-Term Financing

At December 31, 2011, we had long-term debt and capital lease obligations, including current maturities, of $2,376 million, with maturities ranging from 2012 to 2046. There are no material maturities of long-term debt or capital lease obligations occurring until 2016. We also maintain a shelf registration statement that allows us to issue debt securities, series preferred stock, common stock, stock purchase contracts and stock purchase units.

Off-Balance Sheet Arrangements

Lease Commitments

We lease certain of our office and manufacturing facilities, machinery and equipment and corporate aircraft under various committed lease arrangements provided by financial institutions. Future minimum lease payments under operating leases were $218.9 million at December 31, 2011.

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Derivatives

We utilize certain derivative financial instruments to enhance our ability to manage risk, including foreign currency and interest rate exposures that exist as part of ongoing business operations as follows:

Foreign Currency Contracts Designated as Cash Flow Hedges: At December 31, 2011, our contracts had a notional amount of $1,933.7 million, fair value of a $6.5 million net liability and maturity dates ranging from January 2012 to December 2016. The amount of accumulated other comprehensive income that would be reclassified into earnings in the next 12 months is a loss of $0.2 million. During 2011, 2010 and 2009 we realized a net gain of $11.5 million and net losses of $32.2 million and $49.6 million, respectively, related to contracts that settled.

Foreign Currency Contracts not Designated as Hedges: At December 31, 2011, we had no contracts outstanding. During 2011, 2010 and 2009, we realized net losses of $17 million, $26.2 million and net gains of $9.8 million, respectively, for contracts entered into and settled during those periods.

Estimates of the fair value of our derivative financial instruments represent our best estimates based on our valuation models, which incorporate industry data and trends and relevant market rates and transactions. Counterparties to these financial instruments expose us to credit loss in the event of nonperformance; however, we do not expect any of the counterparties to fail to meet their obligations. Counterparties, in most cases, are large commercial banks that also provide us with our committed credit facilities. To manage this credit risk, we select counterparties based on credit ratings, limit our exposure to any single counterparty and monitor our market position with each counterparty.

Contractual Obligations and Other Commercial Commitments

The following table reflects our contractual obligations and commercial commitments as of December 31, 2011. Commercial commitments include lines of credit, guarantees and other potential cash outflows resulting from a contingent event that requires performance by us pursuant to a funding commitment.

	Total	2012	2013-2014	2015-2016	Thereafter
			(Dollars in millions)		
Contractual Obligations Payments Due by Period					
Short-Term and Long-Term Debt(1)	$ 2,377.3	$ 25.0	$	$ 306.5	$ 2,045.8
Capital Lease Obligations	33.2	2.1	4.9	5.8	20.4
Operating Leases	218.9	50.4	71.3	42.1	55.1
Purchase Obligations(2)	960.4	890.5	67.4	2.2	0.3
Other Long-Term Obligations(3)	164.3	10.1	30.0	59.1	65.1
Total	$ 3,754.1	$ 978.1	$ 173.6	$ 415.7	$ 2,186.7
Other Commercial Commitments					
Amount of Commitments that Expire per Period					
Lines of Credit	$	$	$	$	$
Standby Letters of Credit & Bank Guarantees	117.6	78.0	29.5	1.8	8.3
Guarantees	87.8	12.4	19.8	25.4	30.2
Standby Repurchase Obligations					
Other Commercial Commitments	9.6	7.2	2.4		
Total	$ 215.0	$ 97.6	$ 51.7	$ 27.2	$ 38.5

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(1) As of December 31, 2011, we had in place a committed syndicated revolving credit facility which expires in May 2016 and permits borrowing up to a maximum of $700 million; $75 million of uncommitted domestic money market facilities; and $154.8 million of uncommitted and committed foreign working capital facilities. As of December 31, 2011, we had borrowing capacity under our committed syndicated revolving credit facility of $650.7 million.

(2) Purchase obligations include an estimated amount of agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased, minimum or variable price provisions and the approximate timing of the purchase.

(3) Includes participation payments of approximately $131 million for aircraft component delivery programs, most of which is to be paid by 2019.

The table excludes our pension and other postretirement benefits obligations. Worldwide pension contributions were $91.4 million and $444.1 million in 2011 and 2010, respectively. These contributions include both voluntary and required employer contributions, as well as pension benefits paid directly by us. Of these amounts, $30.3 million and $392 million were contributed to the qualified U.S. pension plans in 2011 and 2010, respectively. We expect to make pension contributions of approximately $150 million to $200 million to our worldwide pension plans during 2012. Our postretirement benefits other than pensions are not required to be funded in advance, so benefit payments, including medical costs and life insurance, are paid as they are incurred. We made postretirement benefit payments other than pension, net of the Medicare Part D subsidy, of $27.5 million and $27.2 million in 2011 and 2010, respectively. We expect to make net payments of approximately $28 million during 2012. See Note 13, Pensions and Postretirement Benefits of our consolidated financial statements for a further discussion of our pension and postretirement other than pension plans.

Since we cannot predict with reasonable reliability the timing of cash settlements to the respective taxing authorities, the table also excludes our liability for unrecognized tax benefits of $162.7 million as of December 31, 2011.

CASH FLOW

The following table summarizes our cash flow activity for 2011, 2010 and, 2009:

	Year Ended December 31, (Dollars in millions)		
Net Cash Provided by (Used in):	**2011**	**2010**	**2009**
Operating activities of continuing operations	$ 1,180.0	$ 514.3	$ 656.5
Investing activities of continuing operations	$ (821.0)	$ (566.0)	$ (561.8)
Financing activities of continuing operations	$ (164.3)	$ 49.2	$ 304.6
Discontinued operations	$ (0.4)	$ (0.7)	$ 34.1

Year Ended December 31, 2011 as Compared to December 31, 2010

Operating Activities of Continuing Operations

The increase in net cash provided by operating activities in 2011 primarily consisted of higher cash flow from operations and lower pension contributions. Pension and postretirement benefit contributions were $119.4 million and $471.3 million for 2011 and 2010, respectively.

Investing Activities of Continuing Operations

Net cash used by investing activities for 2011 and 2010 included capital expenditures of $317.5 million and $222.3 million, respectively. In addition, we paid cash in 2011, net of cash acquired, of $457.1 million for Microtecnica and $49.5 for Winslow. We paid cash in 2010, net of cash acquired, of $51.7 million for Crompton Technology Group, Ltd. (CTG) and $281 million for the cabin management assets of DeCrane.

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We expect capital expenditures in 2012 to be approximately $400 million which reflect ongoing investments to support the current delivery rates for in-service airplanes, introductions of new airplane models and engine types, facility expansions and competitive cost country manufacturing and productivity initiatives.

Financing Activities of Continuing Operations

The increase in net cash used in financing activities for 2011 was primarily due to lower net proceeds from the issuance and repayments of long-term debt, partially offset by lower purchases of our common stock in connection with our share repurchase program and lower dividend payments as the dividend declared in the fourth quarter of 2010 was paid on December 30, 2010.

Our share repurchase program was initially approved by the Board of Directors on October 24, 2006 and increased by the Board on February 19, 2008, to $600 million in total. On February 15, 2011, the Board approved an additional increase to $1.1 billion in total. The primary purpose of the program is to reduce dilution to existing shareholders from our share-based compensation plans. Repurchases under the program may be made through open market or privately negotiated transactions at times and in such amounts as we deem appropriate, subject to market conditions, regulatory requirements and other factors. Our share repurchase program does not obligate us to repurchase any particular amount of common stock and no time limit was set for completion of the program. The program may be suspended or discontinued at any time without notice. As of December 31, 2011, we have repurchased approximately 9.8 million shares for approximately $621 million at an average price of $63.16 per share.

Year Ended December 31, 2010 as Compared to December 31, 2009

Operating Activities of Continuing Operations

Net cash provided by operating activities was $142 million lower in 2010 as compared to 2009. Pension contributions were higher in 2010 as compared to 2009 by $203 million and income taxes paid were higher by approximately $104 million. These higher payments were partially offset by lower working capital requirements of approximately $139 million.

Investing Activities of Continuing Operations

Net cash used by investing activities for 2010 and 2009 included capital expenditures of $222 million and $169 million, respectively. In addition, we paid cash in 2010, net of cash acquired, of $57.1 million for CTG and $281 million for the cabin management assets of DeCrane. We paid cash in 2009, net of cash acquired, of $29.2 million for Cloud Cap Technology, Inc. and $362.2 million for AIS Global Holdings LLC.

Financing Activities of Continuing Operations

The decrease in net cash provided by financing activities for 2010 compared to 2009 was primarily due to:

- The redemption of our $257,460,000 principal amount 7.625% senior notes due in 2012. We paid a premium of $37.4 million in connection with the redemption;
- Higher purchases of our common stock of approximately $156 million in connection with our share repurchase program; and
- Higher dividends paid of approximately $48 million; partially offset by
- Higher proceeds from the issuance of our common stock of approximately $59 million, primarily from the exercise of stock options under our share-based compensation awards; and
- Higher net short term borrowings of approximately $36 million.

CONTINGENCIES

See Note 16, Contingencies, to our consolidated financial statements.

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NEW ACCOUNTING STANDARDS NOT YET ADOPTED

We do not expect the adoption of new accounting standards in 2012 to have a material impact on our financial condition or results of operations. See Note 3, New Accounting Standards , to our consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to customer programs and incentives, product returns, bad debts, inventories, investments, goodwill and intangible assets, income taxes, financing obligations, warranty obligations, excess component order cancellation costs, restructuring, long-term service contracts, share-based compensation, pensions and other postretirement benefits, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Contract Accounting-Percentage of Completion

We have sales under long-term contracts, many of which contain escalation clauses, requiring delivery of products over several years and frequently providing the buyer with option pricing on follow-on orders. Sales and profits on each contract are recognized in accordance with the percentage-of-completion method of accounting, primarily using the units-of-delivery method. We use the cumulative catch-up method in accounting for changes in estimates. Under the cumulative catch-up method, the impact of changes in estimates related to units shipped to date is recognized immediately when changes in estimated contract profitability are known. Amounts representing contract claims or change orders are considered in estimating revenues, costs and profits when they can be reliably estimated and realization is considered probable.

Estimates of revenue and cost for our contracts span a period of many years from the inception of the contracts to the date of actual shipments and are based on a substantial number of underlying assumptions. We believe that the underlying factors are sufficiently reliable to provide a reasonable estimate of the profit to be generated. However, due to the significant length of time over which revenue streams will be generated, the variability of the assumptions of the revenue and cost streams can be significant if the factors change. The factors include but are not limited to estimates of the following:

- Escalation of future sales prices under the contracts;
- Ability to recover costs incurred for change orders and claims;
- Costs, including material and labor costs and related escalation;
- Labor improvements due to the learning curve experience;
- Anticipated cost productivity improvements, including overhead absorption, related to new, or changes to, manufacturing methods and processes;

Supplier pricing, including escalation where applicable, potential supplier claims, the supplier s financial viability and the supplier s ability to perform;

The cost impact of product design changes that frequently occur during the flight test and certification phases of a program; and

Effect of foreign currency exchange fluctuations.

Inventory

Inventoried costs on long-term contracts include certain pre-production costs, consisting primarily of tooling and design costs and production costs, including applicable overhead. The costs attributed to units delivered under long-term commercial contracts are based on the estimated average cost of all units expected to be produced and are determined under the learning curve concept, which anticipates a predictable decrease in unit costs as tasks and production techniques become more efficient through repetition. During the early years of a contract, manufacturing costs per unit delivered are typically greater than the estimated average unit cost for the total contract. This excess manufacturing cost for units shipped results in an increase in inventory (referred to as excess-over-average) during the early years of a contract. See Note 9, Inventories , to our consolidated financial statements.

If in-process inventory plus estimated costs to complete a specific contract exceed the anticipated remaining sales value of such contract, such excess is charged to cost of sales in the period identified, thus reducing inventory to its estimated realizable value. Progress payments and advances are classified as a reduction of inventory when they represent non-refundable payments for work-in-process and cash received from government customers where the government has legal title to the work-in-process.

Unbilled Receivables

Our aerostructures business is party to a long-term supply arrangement whereby we receive cash payments for our performance over a period that extends beyond our performance period of the contract. The contract is accounted for using the percentage-of-completion method of contract accounting. Unbilled receivables include revenue recognized that will be realized from cash payments to be received beyond the period of performance. In estimating our revenues to be received under the contract, cash receipts that are expected to be received beyond the performance period are included at their present value as of the end of the performance period.

Product Maintenance Arrangements

We have entered into long-term product maintenance arrangements to provide specific products and services to customers for a specified amount per flight hour, brake landing and/or aircraft landings. Revenue is recognized as the service is performed and the costs are incurred. We have sufficient historical evidence that indicates that the costs of performing the service under the contract are incurred on other than a straight line basis.

Income Taxes

As of each reporting period, we estimate an effective income tax rate that is expected to be applicable for the full fiscal year. In addition, we establish reserves for uncertain tax positions and record interest (net of any applicable tax benefit) on potential tax contingencies as a component of our tax expense. The estimate of our effective income tax rate involves significant judgments regarding the application of complex tax regulations across many jurisdictions and estimates as to the amount and jurisdictional source of income expected to be earned during the full fiscal year. Further influencing this estimate are evolving interpretations of new and existing tax laws, rulings by taxing authorities and court decisions. Due to the subjective and complex nature of these underlying issues, our actual effective tax rate and related tax liabilities may differ from our initial estimates. Differences between our estimated and actual effective income tax rates and related liabilities are recorded in the period they become known. The resulting adjustment to our income tax expense could have a material effect on our results of operations in the period the adjustment is recorded.

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Goodwill and Identifiable Intangible Assets

Goodwill is not amortized but is tested for impairment annually, or when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist. Our annual testing date is November 30. Qualitative factors are assessed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of the reporting units is less than the net book value. Based upon the qualitative assessment as of our November 30, 2011 testing date, we determined that our goodwill was not impaired.

Impairments of identifiable intangible assets are recognized when events or changes in circumstances indicate that the carrying amount of the asset or related groups of assets may not be recoverable, and our estimate of undiscounted cash flows over the assets remaining useful lives is less than the carrying value of the assets. The determination of undiscounted cash flow is based on our segments long-term strategic plans. The revenue growth is based upon aircraft build projections from aircraft manufacturers and widely available external publications. The profit margin assumption is based upon the current cost structure and anticipated cost reductions. Changes to these assumptions could result in the recognition of impairment.

Other Assets

As with any investment, there are risks inherent in recovering the value of participation payments, sales incentives and flight certification costs. Such risks are consistent with the risks associated with acquiring a revenue-producing asset in which market conditions may change or the risks that arise when a manufacturer of a product on which a royalty is based has business difficulties and cannot produce the product. Such risks include but are not limited to the following:

- Changes in market conditions that may affect product sales under the program, including market acceptance and competition from others;

- Performance of subcontract suppliers and other production risks;

- Bankruptcy or other less significant financial difficulties of other program participants, including the aircraft manufacturer, the OEM and other program suppliers or the aircraft customer; and

- Availability of specialized raw materials in the marketplace.

Participation Payments

Certain of our businesses make cash payments under long-term contractual arrangements to OEM or system contractors in return for a secured position on an aircraft program. Participation payments are capitalized, when a contractual liability has been incurred, as other assets and amortized as a reduction to sales, as appropriate. At December 31, 2011 and 2010, the carrying amount of participation payments was $175.8 million and $116.7 million, respectively. The carrying amount of participation payments is evaluated for recovery at least annually or when other indicators of impairment exist, such as a change in the estimated number of units or a revision in the economics of the program. If such estimates change, amortization expense is adjusted and/or an impairment charge is recorded, as appropriate, for the effect of the revised estimates. No such impairment charges were recorded in 2011, 2010 or 2009. See Note 15, Supplemental Balance Sheet Information to our consolidated financial statements.

Sales Incentives

We offer sales incentives such as up-front cash payments, merchandise credits and/or free products to certain airline customers in connection with sales contracts. The cost of these incentives is recognized in the period incurred unless recovery of these costs is specifically guaranteed by the customer in the contract. If the contract contains such a guarantee, then the cost of the sales incentive is capitalized as other assets and amortized to cost of sales, or as a reduction to sales, as appropriate. At December 31, 2011 and 2010, the carrying amount of sales incentives was $62.7 million and $55.6 million, respectively. The carrying amount of sales incentives is evaluated for recovery when indicators of potential impairment exist. The carrying value of the sales incentives is also compared annually to the amount recoverable under

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the terms of the guarantee in the customer contract. If the amount of the carrying value of the sales incentives exceeds the amount recoverable in the contract, the carrying value is reduced. No significant impairment charges were recorded in 2011, 2010 or 2009. See Note 15, Supplemental Balance Sheet Information to our consolidated financial statements.

Flight Certification Costs

When a supply arrangement is secured, certain of our businesses may agree to supply hardware to an OEM to be used in flight certification testing and/or make cash payments to reimburse an OEM for costs incurred in testing the hardware. The flight certification testing is necessary to certify aircraft systems/components for the aircraft s airworthiness and allows the aircraft to be flown and thus sold in the country certifying the aircraft. Flight certification costs are capitalized in other assets and are amortized to cost of sales, or as a reduction to sales, as appropriate. At December 31, 2011 and 2010, the carrying amount of flight certification costs was $47 million and $42.8 million, respectively. The carrying amount of flight certification costs is evaluated for recovery when indicators of impairment exist or when the estimated number of units to be manufactured changes. No such impairment charges were recorded in 2011, 2010 or 2009. See Note 15, Supplemental Balance Sheet Information to our consolidated financial statements.

Service and Product Warranties

We provide service and warranty policies on certain of our products. We accrue liabilities under service and warranty policies based upon specific claims and a review of historical warranty and service claim experience. Adjustments are made to accruals as claim data and historical experience change. In addition, we incur discretionary costs to service our products in connection with product performance issues. Our service and product warranty reserves are based upon a variety of factors. Any significant change in these factors could have a material impact on our results of operations. Such factors include but are not limited to the following:

- The historical performance of our products and changes in performance of newer products;
- The mix and volumes of products being sold; and
- The impact of product changes.

Share-Based Compensation

We utilize the fair value method of accounting to account for share-based compensation awards. See Note 6, Share-Based Compensation , to our consolidated financial statements.

As described in Note 1, Goodrich Merger Agreement with United Technologies Corporation , to our consolidated financial statements, the Merger Agreement prohibits us from granting new awards pursuant to employee share-based compensation plans after September 21, 2011 (except under certain conditions in the event the Merger is not consummated prior to August 31, 2012).

Assumptions

Stock Options

We use the Black-Scholes-Merton formula to estimate the expected value that our employees will receive from the options based on a number of assumptions, such as interest rates, employee exercises, our stock price and expected dividend yield. Our weighted-average assumptions included:

	2011	2010	2009
Risk-free interest rate %	2.2	2.9	1.8
Expected dividend yield %	1.3	1.6	2.6

Historical volatility factor %	35.6	35.0	33.3
Weighted-average expected life of the options (years)	5.6	5.7	5.6

The expected life is a significant assumption as it determines the period for which the risk-free interest rate, historical volatility and expected dividend yield must be applied. The expected life is the period over which our employees are expected to hold their options. It is based on our historical experience with similar grants. The risk-free interest rate is based on the expected U.S. Treasury rate over the expected life. Historical volatility reflects movements in our stock price over the most recent historical period equivalent to the expected life. Expected dividend yield is based on the stated dividend rate as of the date of grant.

Restricted Stock Units

The fair value of the restricted stock units is determined based upon the average of the high and low grant date fair value. The weighted-average grant date fair value was $88.63, $65.46 and $38.39 per unit during 2011, 2010 and 2009, respectively.

Performance Units

The value of each award is determined based upon the average of the high and low price of our stock on the last day of each reporting period, as adjusted for a performance condition and a market condition. The performance condition is applied to 50% of the awards and is based upon our actual return on invested capital (ROIC) as compared to a target ROIC. The market condition is applied to 50% of the awards and is based on our relative total shareholder return (RTSR) as compared to the RTSR of a peer group of companies. Since the awards will be paid in cash, they are recorded as a liability award and are marked to market each reporting period. As such, assumptions are evaluated for each award on an ongoing basis.

Due to the significant increase in our share price, primarily due to the Merger Agreement entered into by us with UTC, we have updated our liability for these awards utilizing our best estimate of the expected amounts to be paid out under these awards.

Pension and Postretirement Benefits Other Than Pensions

We consult with an outside actuary as to the appropriateness for many of the assumptions used in determining the benefit obligations and the annual expense for our worldwide pension and postretirement benefits other than pensions. All significant assumptions are evaluated at least annually. Assumptions such as the rate of compensation increase, health care cost projections, the mortality rate assumption, and the long-term rate of return on plan assets are based upon our historical and benchmark data, as well as our outlook for the future. The U.S. and the U.K. discount rates are determined using a bond settlement approach based on a hypothetical portfolio of high quality corporate bonds whose coupon payments and maturity values are designed to match the projected benefit payment cash flows of the underlying pension and OPEB obligations. Only high quality AA-graded or better, non-callable corporate bonds are included in this bond portfolio. The discount rate for Canada resulted from benchmark plans with similar durations as the Canadian plans, plotted against the respective Canadian yield curves of AA-graded corporate bonds. The appropriate benchmarks by applicable country are used for pension plans other than those in the U.S., U.K. and Canada. See Note 13, Pensions and Postretirement Benefits to our consolidated financial statements.

We generally amortize the actuarial gains and losses for our pension plans over the average future service period of the active participants. Beginning in 2011, we amortized the actuarial gains and losses over the remaining life of the plan participants in our U.S. salaried plan since almost all of the plan participants in that plan are now inactive.

Sensitivity Analysis

The table below quantifies the approximate impact at December 31, 2011 of a one-quarter percentage point change in the assumed discount rate and expected long-term rate of return on plan assets for our pension plan cost and liability, holding all other assumptions constant. The discount rate assumption is selected each year based on market conditions in effect as of the disclosure date. The rate selected is used to measure liabilities as of the disclosure date and for calculating the following year s pension expense.

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	.25 Percentage Point Increase	.25 Percentage Point Decrease
	(Dollars in millions)	
Increase (decrease) in annual costs		
Discount rate	$ (8.8)	$ 9.9
Expected long-term rate of return	$ (8.3)	$ 8.3
Increase (decrease) in projected benefit obligation		
Discount rate	$ (145.6)	$ 151.0

The table below quantifies the impact of a one-percentage point change in the assumed health care cost trend rate on our annual cost and balance sheet liability for postretirement benefits other than pension obligations holding all other assumptions constant.

	One Percentage Point Increase	One Percentage Point Decrease
	(Dollars in millions)	
Increase (decrease) in total of service and interest cost components		
Health care cost trend rate	$ 0.8	$ (0.7)
Increase (decrease) in accumulated postretirement benefit obligation		
Health care cost trend rate	$ 17.7	$ (15.9)

FORWARD-LOOKING INFORMATION IS SUBJECT TO RISK AND UNCERTAINTY

Certain statements made in this document are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding our future plans, objectives and expected performance. Specifically, statements that are not historical facts, including statements accompanied by words such as believe, expect, anticipate, intend, should, estimate, or plan, are intended to identify forward-looking st and convey the uncertainty of future events or outcomes. We caution readers that any such forward-looking statements are based on assumptions that we believe are reasonable, but are subject to a wide range of risks, and actual results may differ materially.

Important factors that could cause actual results to differ from expected performance include, but are not limited to:

demand for and market acceptance of new and existing products, such as the Airbus A350 XWB, A320neo and A380, the Boeing 787 and 737 MAX, the EMBRAER 190, the Mitsubishi Regional Jet (MRJ), the Bombardier CSeries, the Dassault Falcon 7X and the Lockheed Martin F-35 Lightning II and the Northrop Grumman Joint STARS re-engining program;

our ability to maintain profitability on the aerostructures 787 OE contract with Boeing;

our ability to extend our commercial OE contracts beyond the initial contract periods;

cancellation or delays of orders or contracts by customers or with suppliers, including delays or cancellations associated with the Airbus A350 XWB, A320neo and A380, the Boeing 787 and 737 MAX, the EMBRAER 190, the Mitsubishi Regional Jet (MRJ), the Bombardier CSeries, the Dassault Falcon 7X and the Lockheed Martin F-35 Lightning II and the Northrop Grumman Joint STARS re-engining program;

our ability to obtain price adjustments pursuant to certain of our long-term contracts;

the financial viability of key suppliers and the ability of our suppliers to perform under existing contracts;

the extent to which we are successful in integrating and achieving expected operating synergies for recent and future acquisitions;

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performance issues with products currently in production or in use and successful development of products and advanced technologies;

the impact of bankruptcies and/or consolidations in the airline industry;

the health of the commercial aerospace industry, including the large commercial, regional, business and general aviation aircraft manufacturers;

global demand for aircraft spare parts and aftermarket services;

changing priorities or reductions in the defense budgets in the U.S. and other countries, U.S. foreign policy and the level of activity in military flight operations;

the possibility of restructuring and consolidation actions and the successful implementation of any announced actions;

threats and events associated with and efforts to combat terrorism;

the extent to which changes in regulations and/or assumptions result in changes to expenses relating to employee and retiree medical and pension benefits;

competitive product and pricing pressures;

our ability to recover under contractual rights of indemnification for environmental, asbestos and other claims arising out of the divestiture of our tire, vinyl, engineered industrial products and other businesses;

the effect of changes in accounting policies or legislation, including tax legislation;

cumulative catch-up adjustments or loss contract reserves on long-term contracts accounted for under the percentage of completion method of accounting;

domestic and foreign government spending, budgetary and trade policies;

economic and political changes in international markets where we compete, such as changes in currency exchange rates, interest rates, inflation, fuel prices, deflation, recession and other external factors over which we have no control;

the outcome of contingencies including completion of acquisitions, joint ventures, divestitures, tax audits, litigation and environmental remediation efforts;

- the impact of labor difficulties or work stoppages at our, a customer s or a supplier s facilities;

- uncertainties and business impacts associated with the proposed acquisition of the Company by United Technologies, including uncertainties relating to the anticipated timing of filings and approvals relating to the transaction, the expected timing of completion of the transaction and the ability to complete the transaction; and

- the potential impact of litigation relating to the proposed transaction with United Technologies.

We caution you not to place undue reliance on the forward-looking statements contained in this document, which speak only as of the date on which such statements are made. We undertake no obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date on which such statements were made or to reflect the occurrence of unanticipated events.

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Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

We are exposed to certain market risks as part of our ongoing business operations, including risks from changes in interest rates and foreign currency exchange rates, which could impact our financial condition, results of operations and cash flows. We manage our exposure to these and other market risks through regular operating and financing activities and through the use of derivative financial instruments. We use such derivative financial instruments as risk management tools and not for speculative investment purposes. See Note 17, Derivatives and Hedging Activities in our consolidated financial statements for a description of current developments involving our hedging activities.

We are exposed to interest rate risk as a result of our outstanding variable rate debt obligations. The table below provides information about our financial instruments that are sensitive to changes in interest rates. At December 31, 2011, a hypothetical 100 basis point unfavorable change in interest rates would increase annual interest expense by approximately $0.5 million. At December 31, 2011 we had no interest rate swaps outstanding.

The table represents principal cash flows and related weighted-average interest rates by expected (contractual) maturity dates.

Expected Maturity Dates

Debt	2012	2013	2014	2015	2016	Thereafter	Total	Fair Value
					(Dollars in millions)			
Fixed Rate	$	$	$	$	$ 290.7	$ 2,053.6	$ 2,344.3	$ 2,743.6
Average Interest Rate					6.3%	5.6%	5.7%	
Variable Rate	$ 25.0				$ 12.3	$ 16.5	$ 53.8	$ 53.8
Average Interest Rate	1.6%				2.6%	0.2%	1.4%	
Capital Lease Obligations	$ 2.1	$ 1.9	$ 3.0	$ 2.9	$ 2.9	$ 20.4	$ 33.2	$ 23.7

We are exposed to foreign currency risks that arise from normal business operations. These risks include transactions denominated in foreign currencies, the translation of monetary assets and liabilities denominated in currencies other than the relevant functional currency and translation of income and expense and balance sheet amounts of our foreign subsidiaries to the U.S. Dollar. Our objective is to minimize our exposure to transaction and income risks through our normal operating activities and, where appropriate, through foreign currency forward exchange contracts.

Foreign exchange negatively impacted our business segments financial results in 2011. Approximately 7% of our revenues and approximately 20% of our costs are denominated in currencies other than the U.S. Dollar. Approximately 95% of these net costs are in Great Britain Pounds Sterling, Euros, Canadian Dollars, Polish Zlotys and Indian Rupee. We hedge a portion of our exposure of U.S. Dollar sales on an ongoing basis.

As currency exchange rates fluctuate, translation of the income statements of our international businesses into U.S. Dollars will affect comparability of revenues and expenses between years.

We have entered into foreign exchange forward contracts to sell U.S. Dollars for Great Britain Pounds Sterling, Canadian Dollars, Euros, Indian Rupees and Polish Zlotys. These forward contracts are used to mitigate a portion of the potential volatility of earnings and cash flows arising from changes in currency exchange rates. As of December 31, 2011 we had the following forward contracts:

Currency	Notional Amount (Dollars in millions)	Buy/Sell
Great Britain Pounds Sterling	$ 693.8	Buy
Euros	$ 584.0	Buy
Canadian Dollars	$ 510.2	Buy
Indian Rupees	$ 80.2	Buy
Polish Zlotys	$ 65.5	Buy

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These forward contracts mature on a monthly basis with maturity dates that range from January 2012 to December 2016.

At December 31, 2011, a hypothetical 10 percent strengthening of the U.S. Dollar against other foreign currencies would decrease the value of the forward contracts described above by $213 million. The fair value of these foreign currency forward contracts was a liability of $6.5 million at December 31, 2011. Because we hedge only a portion of our exposure, a strengthening of the U.S. Dollar as described above would have a more than offsetting benefit to our financial results in future periods.

In addition to the foreign exchange cash flow hedges, we enter into foreign exchange forward contracts to manage foreign currency risk related to the translation of monetary assets and liabilities denominated in currencies other than the relevant functional currency. These forward contracts generally mature monthly and the notional amounts are adjusted periodically to reflect changes in net monetary asset balances. As of December 31, 2011, we had no forward contracts outstanding.

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Item 8. ***Financial Statements***

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

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MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Goodrich Corporation (Goodrich) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Goodrich s internal control system over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company s internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies or procedures may deteriorate.

Goodrich s management assessed the effectiveness of Goodrich s internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework. Based on management s assessment and those criteria, management believes that Goodrich maintained effective internal control over financial reporting as of December 31, 2011.

Goodrich s independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on the effectiveness of Goodrich s internal control over financial reporting. This report appears on page 47.

/s/ MARSHALL O. LARSEN

Marshall O. Larsen
Chairman, President and
Chief Executive Officer

/s/ SCOTT E. KUECHLE

SCOTT E. KUECHLE
Executive Vice President and
Chief Financial Officer

/s/ SCOTT A. COTTRILL

SCOTT A. COTTRILL
Vice President and Controller

(Principal Accounting Officer)
February 23, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Board of Directors of Goodrich Corporation

We have audited the accompanying consolidated balance sheets of Goodrich Corporation as of December 31, 2011 and 2010, and the related consolidated statements of income, cash flows, and equity for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Goodrich Corporation at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), Goodrich Corporation s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Charlotte, North Carolina

February 23, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Board of Directors of Goodrich Corporation

We have audited Goodrich Corporation s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Goodrich Corporation s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Goodrich Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Goodrich Corporation as of December 31, 2011 and 2010 and the related consolidated statements of income, cash flows and equity for each of the three years in the period ended December 31, 2011 of Goodrich Corporation and our report dated February 23, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Charlotte, North Carolina

February 23, 2012

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Consolidated Statement of Income for the Years Ended December 31, 2011, 2010 and 2009

CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31,		
	2011	**2010**	**2009**
	(Dollars in millions, except per share amounts)		
Sales	$ 8,074.9	$ 6,966.9	$ 6,685.6
Operating costs and expenses:			
Cost of sales	5,502.8	4,843.9	4,724.1
Selling and administrative costs	1,236.3	1,124.7	1,032.3
	6,739.1	5,968.6	5,756.4
Operating Income	1,335.8	998.3	929.2
Interest expense	(138.7)	(137.5)	(121.0)
Interest income	0.9	1.2	1.1
Other income (expense) net	(33.5)	(57.1)	(25.2)
Income from continuing operations before income taxes	1,164.5	804.9	784.1
Income tax expense	(346.0)	(220.5)	(207.8)
Income From Continuing Operations	818.5	584.4	576.3
Income from discontinued operations net of income taxes	0.3	2.2	34.5
Consolidated Net Income	818.8	586.6	610.8
Net income attributable to noncontrolling interests	(8.4)	(7.9)	(13.5)
Net Income Attributable to Goodrich	$ 810.4	$ 578.7	$ 597.3
Amounts attributable to Goodrich:			
Income from continuing operations	$ 810.1	$ 576.5	$ 562.8
Income from discontinued operations net of income taxes	0.3	2.2	34.5
Net Income Attributable to Goodrich	$ 810.4	$ 578.7	$ 597.3
Earnings per common share attributable to Goodrich:			
Basic Earnings Per Share			
Continuing operations	$ 6.39	$ 4.54	$ 4.47
Discontinued operations		0.02	0.28
Net Income Attributable to Goodrich	$ 6.39	$ 4.56	$ 4.75
Diluted Earnings Per Share			
Continuing operations	$ 6.33	$ 4.50	$ 4.43
Discontinued operations		0.01	0.27
Net Income Attributable to Goodrich	$ 6.33	$ 4.51	$ 4.70

See Notes to Consolidated Financial Statements

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Consolidated Balance Sheet as of December 31, 2011 and 2010

CONSOLIDATED BALANCE SHEET

	December 31, 2011	December 31, 2010
	(Dollars in millions, except share amounts)	
Current Assets		
Cash and cash equivalents	$ 987.0	$ 798.9
Accounts and notes receivable net	1,343.2	1,102.7
Inventories net	2,876.6	2,449.4
Deferred income taxes	197.8	158.3
Prepaid expenses and other assets	60.0	68.1
Income taxes receivable		93.7
Total Current Assets	5,464.6	4,671.1
Property, plant and equipment net	1,633.2	1,521.5
Goodwill	1,991.0	1,762.2
Identifiable intangible assets net	917.2	675.8
Deferred income taxes	36.4	16.4
Other assets	671.3	624.6
Total Assets	$ 10,713.7	$ 9,271.6
Current Liabilities		
Short-term debt	$ 25.0	$ 4.1
Accounts payable	768.8	514.0
Accrued expenses	1,211.1	1,041.8
Income taxes payable	45.8	2.9
Deferred income taxes	23.3	28.1
Current maturities of long-term debt and capital lease obligations	1.6	1.5
Total Current Liabilities	2,075.6	1,592.4
Long-term debt and capital lease obligations	2,374.4	2,352.8
Pension obligations	904.3	556.7
Postretirement benefits other than pensions	286.2	296.9
Long-term income taxes payable	174.0	150.7
Deferred income taxes	560.5	431.2
Other non-current liabilities	600.2	503.1
Shareholders Equity		
Common stock $5 par value		
Authorized 200,000,000 shares; issued 149,713,719 shares at December 31, 2011 and 148,213,331 shares at December 31, 2010 (excluding 14,000,000 shares held by a wholly owned subsidiary)	748.6	741.1
Additional paid-in capital	1,870.7	1,751.2
Income retained in the business	3,190.3	2,527.2
Accumulated other comprehensive income (loss)	(1,011.2)	(676.1)
Common stock held in treasury, at cost (24,422,527 shares at December 31, 2011 and 23,259,865 shares at December 31, 2010)	(1,098.3)	(996.5)
Total Shareholders Equity	3,700.1	3,346.9
Noncontrolling interests	38.4	40.9

Total Equity	3,738.5	3,387.8
Total Liabilities And Equity	$ 10,713.7	$ 9,271.6

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Consolidated Statement of Cash Flows for the Years Ended December 31, 2011, 2010 and 2009

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Operating Activities			
Consolidated net income	$ 818.8	$ 586.6	$ 610.8
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
(Income) loss from discontinued operations	(0.3)	(2.2)	(34.5)
Restructuring and consolidation:			
Expenses	29.6	7.3	21.6
Payments	(10.1)	(6.2)	(13.6)
Pension and postretirement benefits:			
Expenses	102.1	180.2	199.5
Contributions and benefit payments	(119.4)	(471.3)	(271.8)
Depreciation and amortization	310.1	280.1	249.3
Excess tax benefits related to share-based payment arrangements	(15.6)	(21.9)	(5.0)
Share-based compensation expense	105.1	81.4	66.7
Loss on extinguishment of debt		34.9	
Deferred income taxes	97.6	156.7	139.4
Change in assets and liabilities, net of effects of acquisitions and divestitures:			
Receivables	(197.0)	(15.8)	44.8
Inventories, net of pre-production and excess-over-average	(81.1)	(11.2)	(42.3)
Pre-production and excess-over-average inventories	(294.6)	(161.9)	(180.2)
Other current assets	7.2	(12.9)	5.5
Accounts payable	189.3	7.7	(142.7)
Accrued expenses	104.5	28.3	2.5
Income taxes payable/receivable	167.6	(75.9)	51.2
Other assets and liabilities	(33.8)	(69.6)	(44.7)
Net Cash Provided By Operating Activities	1,180.0	514.3	656.5
Investing Activities			
Purchases of property, plant and equipment	(317.5)	(222.3)	(169.0)
Proceeds from sale of property, plant and equipment	1.8	0.9	1.3
Net payments made for acquisitions, net of cash acquired	(503.3)	(342.6)	(392.1)
Investments in and advances to equity investees	(2.0)	(2.0)	(2.0)
Net Cash Used In Investing Activities	(821.0)	(566.0)	(561.8)
Financing Activities			
Increase (decrease) in short-term debt, net	(17.7)	0.9	(35.0)
Debt redemption premium		(37.4)	
Net proceeds from issuance of long-term debt	32.0	593.9	597.0
Repayments of long-term debt and capital lease obligations	(17.5)	(258.3)	(120.5)
Proceeds from issuance of common stock	47.0	94.4	35.3
Purchases of treasury stock	(101.8)	(179.5)	(23.8)
Dividends paid	(111.0)	(173.1)	(125.6)
Excess tax benefits related to share-based payment arrangements	15.6	21.9	5.0
Distributions to noncontrolling interests	(10.9)	(13.6)	(27.8)
Net Cash Provided By (Used In) Financing Activities	(164.3)	49.2	304.6
Discontinued Operations			
Net cash provided by (used in) operating activities	(0.4)	(0.7)	34.1
Net cash provided by (used in) investing activities			
Net cash provided by (used in) financing activities			

Net cash provided by (used in) discontinued operations	(0.4)	(0.7)	34.1
Effect of exchange rate changes on cash and cash equivalents	(6.2)	(8.9)	7.3
Net increase (decrease) in cash and cash equivalents	188.1	(12.1)	440.7
Cash and cash equivalents at beginning of period	798.9	811.0	370.3
Cash and cash equivalents at end of period	$ 987.0	$ 798.9	$ 811.0

See Notes to Consolidated Financial Statements

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Consolidated Statement of Equity for the Years Ended December 31, 2011, 2010 and 2009

CONSOLIDATED STATEMENT OF EQUITY

	Common Stock				Accumulated				
	Shares (In thousands)	Amount	Additional Paid-In Capital	Income Retained In The Business	Other Comprehensive Income (Loss) (Dollars in millions)	Treasury Stock	Total Shareholders Equity	Noncontrolling Interests	Total Equity
Balance December 31, 2008	143,611	$ 718.1	$ 1,525.3	$ 1,619.2	$ (978.1)	$ (793.2)	$ 2,091.3	$ 60.9	$ 2,152.2
Consolidated net income				597.3			597.3	13.5	610.8
Other comprehensive income (loss):									
Translation adjustments					119.2		119.2		119.2
Pension and OPEB liability adjustment					37.2		37.2		37.2
Unrealized gain (loss) on cash flow hedges					148.5		148.5		148.5
Total comprehensive income (loss)							902.2	13.5	915.7
Distributions to noncontrolling interests								(27.8)	(27.8)
Repurchase of common stock						(15.9)	(15.9)		(15.9)
Employee award programs	1,631	8.1	27.4			(7.9)	27.6		27.6
Share-based compensation			37.2				37.2		37.2
Tax benefit from employees share-based compensation programs			7.1				7.1		7.1
Dividends declared (per share $1.02)				(128.5)			(128.5)		(128.5)
Balance December 31, 2009	145,242	$ 726.2	$ 1,597.0	$ 2,088.0	$ (673.2)	$ (817.0)	$ 2,921.0	$ 46.6	$ 2,967.6
Consolidated net income				578.7			578.7	7.9	586.6
Other comprehensive income (loss):									
Translation adjustments					(31.2)		(31.2)		(31.2)
Pension and OPEB liability adjustment					36.8		36.8		36.8
Unrealized gain (loss) on cash flow hedges					(8.5)		(8.5)		(8.5)
Total comprehensive income (loss)							575.8	7.9	583.7
Distributions to noncontrolling interests								(13.6)	(13.6)
Repurchase of common stock						(166.9)	(166.9)		(166.9)
Employee award programs	2,971	14.9	79.7			(12.6)	82.0		82.0
Share-based compensation			51.2				51.2		51.2
Tax benefit from employees share-based compensation programs			23.3				23.3		23.3
Dividends declared (per share $1.10)				(139.5)			(139.5)		(139.5)
Balance December 31, 2010	148,213	$ 741.1	$ 1,751.2	$ 2,527.2	$ (676.1)	$ (996.5)	$ 3,346.9	$ 40.9	$ 3,387.8
Consolidated net income				810.4			810.4	8.4	818.8
Other comprehensive income (loss):									
Translation adjustments					(84.7)		(84.7)		(84.7)
Pension and OPEB liability adjustment					(227.1)		(227.1)		(227.1)
Unrealized gain (loss) on cash flow hedges					(23.3)		(23.3)		(23.3)

Total comprehensive income (loss)							475.3	8.4	483.7
Distributions to noncontrolling interests								(10.9)	(10.9)
Repurchase of common stock						(84.5)	(84.5)		(84.5)
Employee award programs	1,501	7.5	39.6			(17.3)	29.8		29.8
Share-based compensation			64.1				64.1		64.1
Tax benefit from employees share-based compensation programs			15.8				15.8		15.8
Dividends declared (per share $1.16)				(147.3)			(147.3)		(147.3)
Balance December 31, 2011	149,714	$ 748.6	$ 1,870.7	$ 3,190.3	$ (1,011.2)	$ (1,098.3)	$ 3,700.1	$ 38.4	$ 3,738.5

See Notes to Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Goodrich Merger Agreement with United Technologies Corporation

On September 21, 2011, Goodrich Corporation and its majority-owned subsidiaries (the Company or Goodrich) entered into an Agreement and Plan of Merger (Merger Agreement) with United Technologies Corporation (UTC). The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, the Company will be acquired by UTC in a cash-for-stock transaction (Merger). The Company has agreed to various covenants in the Merger Agreement, including, among other things:

- to conduct its business in the ordinary course consistent with past practice during the period between the execution of the Merger Agreement and the time of the Merger;
- to not grant new awards pursuant to employee share-based compensation plans after September 21, 2011 (except under certain conditions in the event the Merger is not consummated prior to August 31, 2012); and
- to not incur or assume any indebtedness other than under the Company s existing unsecured committed revolving credit facility.

At the time of the Merger, each outstanding share of the Company s common stock will be converted into the right to receive $127.50 in cash, without interest payable to the holder of such share. All outstanding share-based awards including stock options, restricted stock units and performance units, whether vested or unvested, will be cancelled in exchange for a cash payment in accordance with the Merger Agreement.

The consummation of the Merger is expected to occur in mid-2012 and is subject to the satisfaction or waiver of certain closing conditions, including (1) adoption of the Merger Agreement by the shareholders of the Company, for which the vote is currently scheduled for March 13, 2012, (2) expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and other consents and approvals required under applicable antitrust laws, (3) the absence of any law or order prohibiting the consummation of the Merger, (4) subject to certain exceptions, the accuracy of representations and warranties of the Company and UTC and (5) the performance or compliance by the Company and UTC with their respective covenants and agreements.

The Company incurred merger-related costs of $18.2 million for the year ended December 31, 2011. These costs are included in other income (expense) net in the Company s consolidated statement of income. In addition, the Company incurred higher share-based compensation costs of approximately $18 million as a result of the increase in its share price primarily related to the Merger Agreement. See Note 5, Other Income (Expense) Net and Note 6, Share-Based Compensation .

Note 2. Significant Accounting Policies

Basis of Presentation. The consolidated financial statements reflect the accounts of the Company. Investments in 20 to 50 percent-owned affiliates are accounted for using the equity method. Equity in earnings (losses) from these businesses is included in other income (expense) net. Intercompany accounts and transactions are eliminated.

Cash Equivalents. Cash equivalents consist of highly liquid investments with a maturity of three months or less at the time of purchase.

Allowance for Doubtful Accounts. The Company evaluates the collectability of trade receivables based on a combination of factors. The Company regularly analyzes significant customer accounts and, when the Company becomes aware of a specific customer s inability to meet its financial obligations to the Company, which may occur in the case of bankruptcy filings or deterioration in the customer s operating results or financial position, the Company records a specific reserve for bad debt to reduce the related receivable to the amount the Company reasonably believes is collectible. The Company also records reserves for bad debts for all other customers based on a variety of factors including the length of time the receivables are past due, the financial health of the customer, macroeconomic considerations and historical experience. If circumstances related to specific customers change, the Company s estimates of the recoverability of receivables could be further adjusted. See Note 15, Supplemental Balance Sheet Information .

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Inventories. Inventories are stated at the lower of cost or market. The costs of certain U.S. inventories were determined by the last-in, first-out (LIFO) cost method. Costs for the remaining inventories were determined by the first-in, first-out (FIFO) cost method. See Note 9, Inventories .

Inventoried costs on long-term contracts include certain pre-production costs, consisting primarily of tooling and engineering design and production costs, including applicable overhead. The costs attributed to units delivered under long-term commercial contracts are based on the estimated average cost of all units expected to be produced and are determined under the learning curve concept, which anticipates a predictable decrease in unit costs as tasks and production techniques become more efficient through repetition. This usually results in an increase in inventory (referred to as excess-over average) during the early years of a contract. If in-process inventory plus estimated costs to complete a specific contract exceed the anticipated remaining sales value of such contract, the excess is charged to cost of sales in the period identified.

In accordance with industry practice, costs in inventory include amounts relating to contracts with long production cycles, some of which are not expected to be realized within one year.

Property, Plant and Equipment. Property, plant and equipment, including amounts recorded under capital leases, are recorded at cost. Depreciation is computed principally using the straight-line method over the following estimated useful lives: buildings and improvements, 15 to 40 years; machinery and equipment, 5 to 15 years; and internal use software, 2 to 10 years. In the case of capitalized lease assets, depreciation is recognized over the lease term if shorter. Repairs and maintenance costs are expensed as incurred. See Note 15, Supplemental Balance Sheet Information .

Goodwill. Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired businesses. Intangible assets deemed to have indefinite lives and goodwill are not subject to amortization, but are reviewed for impairment annually, or more frequently, if indicators of potential impairment exist. See Note 10, Goodwill and Identifiable Intangible Assets .

Identifiable Intangible Assets. Identifiable intangible assets are recorded at cost or, when acquired as part of a business combination, at estimated fair value. These assets include patents, trademarks, licenses, technology, customer relationships and non-compete agreements. Identifiable intangible assets are generally amortized over their useful life utilizing the straight-line method or using undiscounted cash flows, a method that reflects the pattern in which the economic benefits of the intangible assets are consumed.

Impairments of identifiable intangible assets are recognized when events or changes in circumstances indicate that the carrying amount of the asset, or related groups of assets, may not be recoverable and the Company s estimate of undiscounted cash flows over the assets remaining useful lives is less than the carrying value of the assets. Measurement of the amount of impairment may be based upon an appraisal, market values of similar assets or estimated discounted future cash flows resulting from the use and ultimate disposition of the asset. See Note 10, Goodwill and Identifiable Intangible Assets .

Revenue and Income Recognition. For revenues not recognized under the long-term contract method of accounting or separately priced extended warranty or product maintenance contracts, the Company recognizes revenues from the sale of products at the point of passage of title, which is generally at the time of shipment. Revenues earned from providing maintenance service are recognized when the service is complete.

The Company has entered into long-term product maintenance arrangements to provide specific products and services to customers for a specified amount per flight hour, brake landing and/or aircraft landings. Revenue is recognized for these arrangements as the service is performed and the costs are incurred. The Company has sufficient historical evidence that indicates that the costs of performing the service under the contract are incurred on other than a straight-line basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For revenues recognized under the contract method of accounting, the Company recognizes sales and profits on each contract in accordance with the percentage-of-completion method, generally using units-of-delivery as the basis to measure progress towards completing the contract and recognizing revenue and profit. This method requires estimates that involve various assumptions and projections relative to the outcome of future events, including the quantity and timing of product deliveries. Projected revenues over the contract period may include estimates of recoveries asserted against the customer for delays, changes in specifications and designs or other unanticipated costs. Amounts related to contract claims or change orders are included in projected revenues when they can be reliably estimated and realization is considered probable. The contract method of accounting also involves the use of various estimating techniques to project costs at completion. Estimates include assumptions relative to future labor performance and rates, and projections relative to material and overhead costs. These assumptions involve various levels of expected performance improvements.

The Company updates its contract estimates periodically and reflects changes in estimates in the current period using the cumulative catch-up method. A significant portion of the Company s sales in its aerostructures business in the Nacelles and Interior Systems segment are long-term, fixed-priced contracts, many of which contain escalation clauses, requiring delivery of products over several years and frequently providing the buyer with option pricing on follow-on orders.

Consistent with industry practice, the Company classifies assets and liabilities, including unbilled receivables and deferred revenue related to contracts accounted for under the long-term contract method of accounting, as current. Included in accounts receivable at December 31, 2011 and 2010, were receivable amounts under contracts in progress of $271 million and $206.6 million, respectively, that represent amounts earned but not billable. These amounts become billable according to their contract terms, which usually consider the passage of time, achievement of milestones or completion of the project. Of the $271 million at December 31, 2011, $132.5 million is expected to be collected after December 31, 2012.

The Company had no receivable balances that had been billed but not paid by customers under retainage provisions in contracts. The Company also did not have any receivable balances, billed or unbilled, that represented claims or other disagreements with customers subject to uncertainty concerning their determination or ultimate realization.

The Company s aerostructures business is party to a long-term supply arrangement whereby it receives cash payments for its performance over a period that extends beyond the Company s performance period of the contract. The contract is accounted for using the percentage of completion method of contract accounting. Unbilled receivables include revenue recognized that will be realized from cash payments to be received beyond the period of performance. In estimating its revenues to be received under the contract, cash receipts that are expected to be received beyond the performance period are included at their present value as of the end of the performance period.

Income Taxes. Income tax expense for federal, foreign, state and local income taxes are calculated on reported financial reporting pre-tax income based on current tax law and include the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. The Company records interest (net of any applicable tax benefit) on potential tax contingencies as a component of its tax expense. The Company recognizes benefits associated with uncertain tax positions that are more likely than not of being realized upon settlement with a taxing authority. See Note 14, Income Taxes .

Rotable Assets. Rotable assets are components, which are held for the purpose of exchanging with a customer for used components in conjunction with an overhaul service transaction. Rotable assets are recorded as other assets and amortized over their estimated economic useful life or the related contract term, as appropriate. Because rotable assets are generally overhauled during each cycle, the overhaul cost is charged to cost of sales in the period of the overhaul. See Note 15, Supplemental Balance Sheet Information .

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Participation Payments. Certain businesses make cash payments under long-term contractual arrangements to original equipment manufacturers (OEM) or system contractors in return for a secured position on an aircraft program. Participation payments are capitalized as other assets when a contractual liability has been incurred, and are amortized as a reduction to sales, as appropriate. Participation payments are amortized over the estimated number of production units to be shipped over the program s production life which reflects the pattern in which the economic benefits of the participation payments are consumed. The carrying amount of participation payments is evaluated for recovery at least annually or when other indicators of impairment occur such as a change in the estimated number of units or the economics of the program. If such estimates change, amortization expense is adjusted and/or an impairment charge is recorded, as appropriate, for the effect of the revised estimates. No such impairment charges were recorded in 2011, 2010 or 2009. See Note 15, Supplemental Balance Sheet Information .

Sales Incentives. The Company offers sales incentives to certain airline customers in connection with sales contracts. These incentives may consist of up-front cash payments, merchandise credits and/or free products. The cost of these incentives is recognized as an expense in the period incurred unless recovery of these costs is specifically guaranteed by the customer in the contract. If the contract contains such a guarantee, then the cost of the sales incentive is capitalized as other assets and amortized to cost of sales, or as a reduction to sales, as appropriate, using the straight-line method over the remaining contract term. The carrying amount of sales incentives is evaluated for recovery when indicators of potential impairment exist. The carrying value of sales incentives is also compared annually to the amount recoverable under the terms of the guarantee in the customer contract. If the amount of the carrying value of the sales incentives exceeds the amount recoverable in the contract, the carrying value is reduced. No significant impairment charges were recorded in 2011, 2010 or 2009. See Note 15, Supplemental Balance Sheet Information .

Flight Certification Costs. When a supply arrangement is secured, certain businesses may agree to supply hardware to an OEM to be used in flight certification testing and/or make cash payments to reimburse an OEM for costs incurred in testing the hardware. The flight certification testing is necessary to certify aircraft systems/components for the aircraft s airworthiness and allows the aircraft to be flown and thus sold in the country certifying the aircraft. Flight certification costs are capitalized in other assets and are amortized to cost of sales, or as a reduction to sales, as appropriate, over the projected number of aircraft to be manufactured. The carrying amount of flight certification costs is evaluated for recovery when indicators of impairment exist. The carrying value of the asset and amortization expense is adjusted when the estimated number of units to be manufactured changes. No such impairment charges were recorded in 2011, 2010 or 2009. See Note 15, Supplemental Balance Sheet Information .

Entry Fee. The aerostructures business in the Company s Nacelles and Interior Systems segment made a cash payment to an OEM under a long-term contractual arrangement related to a new engine program. The payment is referred to as an entry fee and entitles the Company to a controlled access supply contract and to receive certain OE and aftermarket-based payments as specified in the contract. The entry fee is capitalized in other assets and is amortized over units of delivery as a reduction to sales. The carrying amount of the entry fee is evaluated for recovery at least annually or when other significant assumptions or economic conditions change. Recovery of an entry fee is assessed based on the expected cash flow from the program over the remaining program life as compared to the recorded amount of the entry fee. If the carrying value of the entry fee exceeds the cash flow to be generated from the program, a charge would be recorded to reduce the entry fee to its recoverable amount. No such impairment charge was recorded in 2011, 2010 or 2009. See Note 15, Supplemental Balance Sheet Information .

Shipping and Handling. Shipping and handling costs are recorded in cost of sales.

Financial Instruments. The Company s financial instruments include cash and cash equivalents, accounts and notes receivable, foreign currency forward contracts, accounts payable and debt. Because of their short maturity, the carrying amount of cash and cash equivalents, accounts and notes receivable,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

accounts payable and short-term bank debt approximates fair value. Fair value of long-term debt is based on quoted market prices or rates available to the Company for debt with similar terms and maturities. See Note 8, Fair Value Measurements .

Derivative financial instruments are carried on the consolidated balance sheet at fair value. The fair value of derivatives and other forward contracts is based on quoted market prices. See Note 17, Derivatives and Hedging Activities .

Foreign Currency Translation. Assets and liabilities of subsidiaries that prepare financial statements in currencies other than the U.S. dollar 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 each reporting period. Translation adjustments are reported in accumulated other comprehensive income (loss) (AOCI) except when the functional currency is the U.S. Dollar. If the functional currency is the U.S. Dollar, translation adjustments are reported in cost of sales.

Share-Based Compensation. The Company utilizes the fair value method of accounting to account for share-based compensation awards. See Note 6, Share-Based Compensation .

Pension and Postretirement Benefits. The Company recognizes the funded status of the Company s pension plans and postretirement benefits plans other than pension (OPEB) on its consolidated balance sheet, with a corresponding adjustment to AOCI, net of tax. The measurement date used to determine the pension and OPEB obligations and assets for all plans was December 31. Plan assets have been valued at fair value. See Note 13, Pensions and Postretirement Benefits .

Research and Development. The Company performs research and development under company-funded programs for commercial products and under contracts with others. Research and development under contracts with others is performed on both military and commercial products. Company-funded research and development programs are expensed as incurred. Customer funding of the Company s research and development efforts is generally recorded as an offset to research and development expense. Total research and development expenditures in 2011, 2010 and 2009 were approximately $247 million, $247 million and $239 million, respectively. These amounts are net of approximately $119 million, $85 million and $101 million, respectively, which were funded by customers.

Reclassifications. Certain amounts in prior year financial statements have been reclassified to conform to the current year presentation.

Discontinued Operations. Net income from discontinued operations was $0.3 million, $2.2 million and $34.5 million (net of income taxes of $20.8 million in 2009) for the years ended 2011, 2010 and 2009, respectively. The income in 2009 related primarily to the resolution of litigation for an environmental matter at a divested business that had been previously reported as a discontinued operation and favorable resolution of other divestiture liabilities.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. During 2011, 2010 and 2009, the Company updated its estimates of revenues and costs on certain long-term contracts, primarily in its aerostructures and aircraft wheels and brakes businesses which increased income from continuing operations before income taxes during 2011, 2010 and 2009 by $108.1 million, ($68.6 million after tax or $0.54 per diluted share),$98 million ($61.3 million after tax or $0.49 per diluted share) and $45.1 million ($28.3 million after tax or $0.23 per diluted share), respectively. These changes were primarily related to favorable cost and operational performance, changes in volume expectations and sales pricing improvements and finalization of contract terms on current and/or follow-on contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Environmental Liabilities. The Company establishes environmental liabilities when it is probable that an obligation has been incurred and the Company has the ability to reasonably estimate the liability. The Company capitalizes environmental costs only if the costs are recoverable and (1) the costs extend the life, increase the capacity, or improve the safety or efficiency of property owned by the Company as compared with the condition of that property when originally constructed or acquired; (2) the costs mitigate or prevent environmental contamination that has yet to occur and that otherwise may result from future operations or activities and the costs improve the property compared with its condition when constructed or acquired; or (3) the costs are incurred in preparing the property for sale. All other environmental costs are expensed. See Note 16, Contingencies.

Toxic Tort. The Company establishes toxic tort liabilities, including asbestos, when it is probable that an obligation has been incurred and the Company has the ability to reasonably estimate the liability. The Company typically records a liability for toxic tort when legal actions are in advanced stages (proximity to trial or settlement). The Company expenses legal costs for toxic tort issues when incurred. See Note 16, Contingencies.

Service and Product Warranties. The Company provides service and warranty policies on certain of its products. The Company accrues liabilities under service and warranty policies based upon specific claims and a review of historical warranty and service claim experience. Adjustments are made to accruals as claim data and historical experience change. In addition, the Company incurs discretionary costs to service its products in connection with product performance issues, which are expensed as incurred. See Note 15, Supplemental Balance Sheet Information.

Deferred Settlement Credits. The Company reached agreements with certain of its insurance carriers that are in run-off, insolvent or are undergoing solvent schemes of arrangements to receive negotiated payments in exchange for loss of insurance coverage for third party claims against the Company. The portion of these negotiated payments related to past costs was recognized in income. The portion related to future claims is recorded as a deferred settlement credit and reported within accrued expenses and other non-current liabilities. The deferred settlement credits will partially offset future costs related to insurable claims. See Note 16, Contingencies.

Note 3. New Accounting Standards

New Accounting Standards Adopted in 2011

In September 2011, accounting guidance was issued that is included in Accounting Standards Codification (ASC) Topic 350, Intangibles Goodwill and Other. This guidance amends the requirements for goodwill impairment testing. The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then performing the two-step impairment test is unnecessary. The Company has adopted this new standard effective with its annual goodwill impairment testing for the year ending December 31, 2011. See Note 10, Goodwill and Identifiable Intangible Assets.

New Accounting Standards Not Yet Adopted

In May 2011, accounting guidance was issued that is included in Accounting Standards Codification (ASC) Topic 820, Fair Value Measurement. This guidance amends the requirements for measuring amounts at fair value and disclosing information about fair value measurements and is effective for the Company on January 1, 2012. Upon adoption, the Company does not expect this standard to have a material impact on its financial condition or results of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In June 2011, accounting guidance was issued that is included in ASC Topic 220, Comprehensive Income . This guidance eliminates the option to report other comprehensive income and its components in the statement of changes in equity. Companies can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. The Company will present items of net income and other comprehensive income in two separate, but consecutive, statements effective with its Form 10-Q for the three months ended March 31, 2012.

Note 4. Business Segment Information

The Company s business segments are as follows:

The Actuation and Landing Systems segment provides systems, components and related services pertaining to aircraft taxi, take-off, flight control, landing and stopping, and engine components, including fuel delivery systems and rotating assemblies.

The Nacelles and Interior Systems segment produces products and provides maintenance, repair and overhaul services associated with aircraft engines, including thrust reversers, cowlings, nozzles and their components, and aircraft interior products, including slides, seats, cargo and lighting systems.

The Electronic Systems segment produces a wide array of systems and components that provide flight performance measurements, flight management, fuel controls, electrical systems, control and safety data, reconnaissance and surveillance systems and precision guidance systems.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company measures each reporting segment s profit based upon operating income. Accordingly, the Company does not allocate net interest expense, other income (expense) net and income taxes to its reporting segments. The company-wide Enterprise Resource Planning (ERP) costs that are not directly associated with a specific business were not allocated to the segments. The accounting policies of the reportable segments are the same as those for the Company s consolidated financial statements.

	Year Ended December 31, 2011	2010	2009
		(Dollars in millions)	
Sales			
Actuation and Landing Systems	$ 2,945.3	$ 2,491.5	$ 2,524.3
Nacelles and Interior Systems	2,796.7	2,339.5	2,322.6
Electronic Systems	2,332.9	2,135.9	1,838.7
TOTAL SALES	$ 8,074.9	$ 6,966.9	$ 6,685.6
Intersegment Sales			
Actuation and Landing Systems	$ 39.4	$ 32.5	$ 26.3
Nacelles and Interior Systems	12.7	10.6	8.4
Electronic Systems	31.2	25.9	29.9
TOTAL INTERSEGMENT SALES	$ 83.3	$ 69.0	$ 64.6
Operating Income			
Actuation and Landing Systems(1)	$ 373.4	$ 273.1	$ 266.9
Nacelles and Interior Systems	729.7	555.9	515.3
Electronic Systems	390.8	324.9	276.4
	1,493.9	1,153.9	1,058.6
Corporate General and Administrative Expenses	(141.1)	(140.0)	(111.2)
ERP Costs	(17.0)	(15.6)	(18.2)
TOTAL OPERATING INCOME	$ 1,335.8	$ 998.3	$ 929.2
Capital Expenditures			
Actuation and Landing Systems	$ 137.8	$ 77.5	$ 57.5
Nacelles and Interior Systems	77.8	52.0	51.7
Electronic Systems	77.6	66.3	39.1
Corporate	24.3	26.5	20.7
TOTAL CAPITAL EXPENDITURES	$ 317.5	$ 222.3	$ 169.0
Depreciation and Amortization Expense			
Actuation and Landing Systems	$ 118.7	$ 100.8	$ 96.6
Nacelles and Interior Systems	88.9	81.9	80.8
Electronic Systems	76.0	73.4	53.0
Corporate	26.5	24.0	18.9

TOTAL DEPRECIATION AND AMORTIZATION	$ 310.1	$ 280.1	$ 249.3
Geographic Areas Sales			
United States	$ 4,001.6	$ 3,512.0	$ 3,298.7
Europe(2)	2,731.2	2,327.9	2,281.3
Canada	245.7	219.5	236.1
Asia Pacific	637.8	585.8	510.6
Other Foreign	458.6	321.7	358.9
TOTAL SALES	$ 8,074.9	$ 6,966.9	$ 6,685.6

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2011	December 31, 2010
	(Dollars in millions)	
Assets		
Actuation and Landing Systems	$ 3,023.9	$ 2,239.9
Nacelles and Interior Systems	3,927.0	3,437.8
Electronic Systems	2,422.4	2,336.4
Corporate(3)	1,340.4	1,257.5
TOTAL ASSETS	$ 10,713.7	$ 9,271.6
Property, Plant and Equipment-net		
United States	$ 963.5	$ 961.0
Europe	353.4	251.6
Canada	124.6	130.0
Asia Pacific	92.7	100.4
Other Foreign	99.0	78.5
TOTAL PROPERTY, PLANT AND EQUIPMENT-NET	$ 1,633.2	$ 1,521.5

(1) On May 12, 2011, the Company acquired Microtecnica S.r.l. (Microtecnica) and incurred $8.4 million of acquisition related costs which were reported in selling and administrative costs for 2011. This acquisition is reported within the Actuation and Landing Systems segment.

On June 7, 2011, the Board of Directors of the Company authorized a plan to close a facility in its landing gear business. Due to declining program volumes, the Company will close the facility and incur substantially all of the costs by the end of 2012. The Company anticipates that it will incur costs in connection with this closure of approximately $37 million, of which approximately $15 million is for personnel related expenses, including severance, pension charges, outplacement services and assistance with employment transitioning, and approximately $22 million primarily related to facility closure and other costs, including accelerated depreciation, equipment dismantle and relocation costs and lease termination costs. During 2011, the Company incurred $20.1 million of costs related to this closure of which $14.4 million was personnel related and $5.7 million was facility closure and other costs and $15.2 million of these costs were reported in cost of sales and $4.9 million were reported in selling and administrative costs.

(2) Sales to customers in France in 2011, 2010 and 2009 represented 48%, 49% and 50%, respectively, of European sales. Sales to customers in the United Kingdom in 2011, 2010 and 2009 represented 22%, 23% and 20%, respectively, of European sales. Sales were reported in the geographic areas based on the country to which the product was shipped.

(3) Corporate assets primarily include cash, assets related to income taxes, company-wide ERP assets and Rabbi Trust assets.

In 2011, 2010 and 2009, direct and indirect sales to Airbus S.A.S. (Airbus) were approximately 18%, 17% and 17% of consolidated sales, respectively.

In 2011, 2010 and 2009, direct and indirect sales to The Boeing Company (Boeing) were approximately 15%, 15% and 16%, respectively, of consolidated sales. Indirect sales to the U.S. Government include a portion of the direct and indirect sales to Boeing referred to in the following paragraph.

In 2011, 2010 and 2009, direct and indirect sales to the U.S. Government were approximately 23%, 25% and 22%, respectively, of consolidated sales. Indirect sales to the U.S. Government include a portion of the direct and indirect sales to Boeing referred to in the preceding paragraph.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company has five categories of substantially similar products that share common customers, similar technologies and similar end-use applications and share similar risks and growth opportunities. Product categories cross the Company s business segments and do not reflect the management structure of the Company. The Company s sales by these product categories are as follows:

	Year Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Engine Products & Services	$ 2,801.6	$ 2,444.0	$ 2,438.9
Landing System Products & Services	1,682.1	1,497.3	1,471.1
Electrical and Optical Products & Services	1,669.3	1,550.6	1,288.7
Airframe Products & Services	1,193.2	838.9	856.9
Safety Products & Services	583.0	505.0	509.9
Other Products & Services	145.7	131.1	120.1
Total Sales	$ 8,074.9	$ 6,966.9	$ 6,685.6

Note 5. Other Income (Expense) Net

Other Income (Expense) Net consisted of the following:

	Year Ended December 31,		
	2011	2010	2009
	(Dollars in millions)		
Merger related expenses(1)	$ (18.2)	$	$
Retiree health care expenses related to previously owned businesses	(9.5)	(10.5)	(12.3)
Debt redemption premium(2)		(37.4)	
Debt redemption terminated interest rate swaps and costs, net(2)		2.5	
Expenses related to previously owned businesses(3)	(9.7)	(6.3)	(9.1)
Equity in affiliated companies	4.1	(3.4)	(3.5)
Other net	(0.2)	(2.0)	(0.3)
Other income (expense) net	$ (33.5)	$ (57.1)	$ (25.2)

(1) Expenses related to the Merger Agreement. See Note 1, Goodrich Merger Agreement with United Technologies Corporation .

(2) The Company redeemed all of its outstanding senior notes due in 2012. See Note 11, Financing Arrangements .

(3) Primarily relates to environmental litigation costs.

Note 6. Share-Based Compensation

The compensation cost recorded for share-based compensation plans during 2011, 2010 and 2009 is presented below:

	Year Ended December 31,		
	2011	2010	2009
	(Dollars in millions, except per share amount)		
Compensation cost	$ 105.1	$ 81.4	$ 66.7
Compensation cost net of tax benefit	$ 68.5	$ 52.4	$ 43.2
Compensation cost per diluted share net of tax benefit	$ 0.54	$ 0.41	$ 0.35

The increase from 2010 to 2011 was primarily due to a higher grant date fair value for the restricted stock units and stock options and changes in the Company s share price for the Performance Units and Outside Director Phantom Share Plans. This significant increase in the Company s share price was primarily related to the Merger Agreement entered into by the Company with UTC which resulted in approximately $18 million of additional pre-tax compensation cost during 2011. See Note 1, Goodrich Merger Agreement with United Technologies Corporation . The increase from 2009 to 2010 was primarily due to a higher grant date fair value for the restricted stock units and stock options.

The total income tax benefit recognized for share-based compensation awards was $36.6 million, $29 million and $23.5 million for 2011, 2010 and 2009, respectively. There was no share-based compensation cost capitalized as part of inventory and fixed assets. As of December 31, 2011, total compensation cost related to nonvested share-based compensation awards not yet recognized was $70.7 million, which is expected to be recognized over a weighted-average period of 2.1 years.

The Company administers the Goodrich Equity Compensation Plan (the Plan) as part of its long-term incentive compensation program. The Plan, as approved by the Company s shareholders, permits the Company to issue stock options, performance units, restricted stock awards, restricted stock units and other equity-based compensation awards. Currently, the Plan which expires on April 18, 2021, makes 2,825,000 shares of common stock of the Company available for grant, together with shares of common stock available as of April 19, 2011 for future awards under the Company s 2001 Stock Option Plan and the Company s 1999 Stock Option Plan, and any shares of common stock representing outstanding 2001 Stock Option Plan and 1999 Stock Option Plan awards as of April 19, 2011 that are not issued or otherwise are returned to the Company after that date. The Company issues shares upon exercise of options or vesting of certain other share-based compensation awards. During 2011, the Company repurchased shares under the plan to the extent required to meet the minimum statutory tax withholding requirements.

As described in Note 1, Goodrich Merger Agreement with United Technologies Corporation , the Company is prohibited from granting new awards pursuant to employee share-based compensation plans that are described below after September 21, 2011 (except under certain conditions in the event the Merger is not consummated prior to August 31, 2012).

Stock Options

Generally, options granted on or after January 1, 2004 are exercisable at the rate of $33^1/_3$% after one year, $66^2/_3$% after two years and 100% after three years. A one-year service period is required, whereby individuals who are retirement eligible and retire during the grant year will have their awards prorated based on their length of service during the year. Therefore, expense is recorded ratably over the required service period. Options granted to employees who will become retirement eligible prior to the end of the vesting term are expensed over the period through which the employee will become retirement eligible or

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the required service period, whichever is longer. Compensation expense for options granted to employees who are not retirement eligible is recognized on a straight-line basis over three years. The term of each stock option cannot exceed 10 years from the date of grant. All options granted under the Plan have an exercise price that is not less than 100% of the market value of the stock on the date of grant, as determined pursuant to the plan. Dividends are not paid or earned on stock options.

The fair value of all other option awards is estimated on the date of grant using the Black-Scholes-Merton formula. The expected term of the options represents the estimated period of time until exercise and is based on historical experience of similar options. The Company does not issue traded options. Accordingly, the Company uses historical volatility instead of implied volatility. The historical volatility is calculated over a term commensurate with the expected term of the options. The risk-free rate during the option term is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield is based on the expected annual dividends during the term of the options divided by the fair value of the stock on the grant date. The fair value for options issued during 2011, 2010 and 2009 was based upon the following weighted-average assumptions:

	2011	2010	2009
Risk-free interest rate (%)	2.2	2.9	1.8
Expected dividend yield (%)	1.3	1.6	2.6
Historical volatility factor (%)	35.6	35.0	33.3
Weighted-average expected life of the options (years)	5.6	5.7	5.6

A summary of option activity during 2011 is presented below:

	Shares (In thousands)	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (In millions)
Outstanding at January 1, 2011	3,218.4	$ 51.48		
Granted	743.0	88.64		
Exercised	(720.9)	46.98		
Forfeited or expired	(33.3)	80.08		
Outstanding at December 31, 2011	3,207.2	$ 60.82	6.9 years	$ 201.6
Vested or expected to vest(1)	3,178.5	$ 60.64	6.9 years	$ 200.3
Exercisable at December 31, 2011	1,745.3	$ 51.78	5.7 years	$ 125.5

(1) Represents outstanding options reduced by expected forfeitures.

As of December 31, 2011, the compensation expense related to nonvested options not yet recognized was $8.4 million. The weighted-average grant date fair value of options granted was $28.35, $20.74 and $9.68 per option during 2011, 2010 and 2009, respectively.

During 2011, the amount of cash received from exercise of stock options was $33.5 million and the tax benefit realized from stock options exercised was $12.3 million. The total intrinsic value of options exercised during 2011, 2010 and 2009 was $36 million, $73 million and $21 million, respectively.

Restricted Stock Units

Generally, 50% of the Company s restricted stock units vest and are converted to stock at the end of the third year, an additional 25% at the end of the fourth year and the remaining 25% at the end of the fifth

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

year. In certain circumstances, the vesting term is a three or five-year cliff. A one-year service period is required, whereby individuals who are retirement eligible and retire during the grant year will have their awards prorated based on their length of service during the grant year. Therefore, expense is recorded ratably over the required service period. Restricted stock units granted to employees who will become retirement eligible prior to the end of the vesting term are expensed over the period through which the employee will become retirement eligible or the required service period, whichever is longer. Compensation expense for restricted stock units granted to employees who are not retirement eligible is recognized on a straight-line basis over the vesting period. Cash dividend equivalents are paid to participants and are recognized as a reduction in retained earnings.

The fair value of the restricted stock units is determined based upon the average of the high and low grant date fair value. The weighted-average grant date fair value during 2011, 2010 and 2009 was $88.63, $65.46 and $38.39 per unit, respectively.

A summary of restricted stock unit activity during 2011 is presented below:

	Shares (In thousands)	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2011	1,747.3	$ 54.87
Granted	548.2	88.63
Vested	(519.8)	57.07
Forfeited	(33.1)	71.34
Outstanding at December 31, 2011	1,742.6	$ 64.52
Vested or expected to vest(1)	1,669.6	$ 64.34

(1) Represents outstanding units reduced by expected forfeitures.

As of December 31, 2011, there was $35.4 million of total unrecognized compensation cost related to nonvested restricted stock units, which is expected to be recognized over a weighted-average period of 2.7 years. The total fair value of units vested during 2011, 2010 and 2009 was $29.7 million, $20.7 million and $17.3 million, respectively. The tax benefit realized from vested restricted stock units was $16.4 million during 2011.

Performance Units

Performance units are paid in cash and are recorded as a liability and are marked to market each period. As such, assumptions are revalued for each award on an ongoing basis. The value of each award is determined based upon the fair value of the Company s stock at the end of the three-year term, as adjusted for both a performance condition and a market condition.

The performance condition is applied to 50% of the awards and is based upon the Company s actual return on invested capital (ROIC) as compared to a target ROIC, which is approved by the Compensation Committee of the Board of Directors. At each reporting period the fair value represents the fair market value of the Company s stock as adjusted by expectations regarding the achievement of the ROIC target.

Changes in expectations are recognized as cumulative adjustments to compensation expense.

The market condition is applied to the other 50% of the awards and is based on the Company s relative total shareholder return (RTSR) as compared to the RTSR of a peer group of companies, which is approved by the Compensation Committee of the Board of Directors. Because the awards have a market condition,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

it must be considered in the calculation of the fair value. The fair value of each award was estimated each reporting period using a Monte Carlo Simulation approach in a risk-neutral framework based upon historical volatility, risk free rates and correlation matrix.

Subsequent to entering into the Merger Agreement, the Company has updated its liability for its performance units utilizing its best estimate of the expected amounts to be paid out under the performance unit plans.

The units vest over a three-year term. Participants who are eligible for retirement are entitled to the pro rata portion of the units earned through the date of retirement, death or disability. Units due to retirees are not paid out until the end of the original three-year term at the fair value calculated at the end of the term. Dividends accrue on performance units during the measurement period and are reinvested in additional performance units.

A summary of performance unit activity during 2011 is presented below:

	Units (In thousands)	Weighted-Average Fair Value	Weighted-Average Remaining Contractual Term	Aggregate Fair Value (In millions)
Outstanding at January 1, 2011	422.9	$ 131.71		
Units granted and dividends reinvested	148.6	104.03		
Converted and paid out	(140.5)	169.28		
Forfeited/canceled	(17.2)	120.91		
Outstanding at December 31, 2011	413.8	$ 178.88	1.0 year	$ 74.0

As of December 31, 2011, the total compensation cost related to nonvested performance units not yet recognized was $26.9 million. The weighted-average grant date fair value of units granted was $102.94, $75.88 and $42.64 per unit during 2011, 2010 and 2009, respectively. The total payments during 2011, 2010 and 2009 were $23.8 million, $18.5 million and $9.9 million, respectively.

Employee Stock Purchase Plan

The Company administers the Goodrich Corporation 2008 Global Employee Stock Purchase Plan. This plan is an umbrella plan under which sub-plans may be adopted for employees in different countries. Currently, there are two sub-plans; one for U.S. and Canadian employees and one for U.K. employees.

Under the U.S. and Canadian sub-plan, employees with two months of continuous service prior to an offering period are eligible to participate in the plan. Eligible employees may elect to become participants in the plan and may contribute up to $12,000 per year through payroll deductions to purchase stock purchase rights. Participants may, at any time prior to December, cancel their payroll deduction authorizations and have the cash balance in their stock purchase rights account refunded. The offering period begins on January 1, or July 1 for new employees, and ends on December 31 of each year. The stock purchase rights are used to purchase the common shares of the Company at the lesser of: (i) 85% of the fair market value of a share as of the grant date applicable to the participant or (ii) 85% of the fair market value of a share as of the last day of the offering period. The fair market value of a share is defined as the average of the closing price per share as reflected by composite transactions on the New York Stock Exchange throughout a period of ten trading days ending on the determination date. Dividends are not paid or earned on stock purchase rights.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair value of the stock purchase rights are calculated as follows: 15% of the fair value of a share of nonvested stock plus 85% of the fair value (call) of a one-year share option plus 15% of the fair value (put) of a one-year share option. The fair value of a one-year share option was estimated at the date of grant using the Black-Scholes-Merton formula and the following assumptions:

	2011	2010	2009
Risk-free interest rate (%)	0.3	0.5	0.4
Expected dividend yield (%)	1.3	1.6	2.6
Historical volatility factor (%)	33.9	34.2	31.2
Weighted-average expected life of the option (years)	1.0	1.0	1.0

During 2011, 2010 and 2009, the weighted-average grant date fair value of rights granted was $24.79, $18.28 and $10.20, respectively. The total intrinsic value of the stock purchase rights in 2011, 2010 and 2009 was $10.2 million, $7.8 million and $13.9 million, respectively. The annual employee contributions under the plan were $15.8 million, $13.2 million and $12.3 million during 2011, 2010 and 2009, respectively. The 2010 contributions were used to purchase stock during 2011.

In addition, the Company has a U.K. sub-plan for which employees with 90 days of continuous service prior to an invitation period are eligible to participate. Eligible employees that elect to become participants in the plan, can choose either a 3-year or a 5-year savings period, and may contribute up to £3,000 per year through payroll deductions to purchase stock purchase rights. Participants may, at any time prior to the end of the savings period, cancel their payroll deduction authorizations. For 2011, 2010 and 2009, the savings period began in April and will last for either three or five years depending on the savings period elected by the participant. Employee contributions in 2011, 2010 and 2009 were $4.9 million, $3.9 million and $2.4 million, respectively. The stock purchase rights are used to purchase common shares of the Company at 80% of the market value of a share as of the invitation date applicable to the participant. The market value of a share is defined as the average of the closing price per share as reflected by the New York Stock Exchange for the three trading days immediately preceding the invitation date. Dividends are not paid or earned on stock purchase rights.

Other Plans

Outside Director Phantom Share Plan

Each non-management Director receives an annual grant of phantom shares under the Outside Director Phantom Share Plan equal in value to $110,000. Phantom shares are paid in cash and are recorded as a liability and are marked to market each period. Dividend equivalents accrue on all phantom shares and are credited to a Director s account. All phantom shares fully vest on the date of grant. Following termination of service as a Director, the cash value of the phantom shares will be paid to each Director in a single lump sum or in five or ten annual installments. The value of each phantom share is determined on the relevant date as the fair market value of the common stock of the Company on such date.

The phantom shares outstanding are recorded at fair market value. At December 31, 2011, the intrinsic value was $16.9 million on approximately 137,000 phantom shares outstanding, reflecting a per share fair value of $123.67. At December 31, 2010, the intrinsic value was $14.9 million on approximately 170,000 phantom shares outstanding, reflecting a per share fair value of $87.89. At December 31, 2009, the intrinsic value was $11.3 million on approximately 174,000 phantom shares outstanding, reflecting a per share fair value of $64.78. Cash payments during 2011, 2010 and 2009 were $4.5 million, $1.6 million and $0.1 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Outside Director Deferral Plan

Non-management Directors may elect to defer all or a portion of annual retainer and meeting fees into a phantom share account under the Outside Director Deferral Plan. Amounts deferred into the phantom share account accrue dividend equivalents. The plan provides that amounts deferred into the phantom share account are paid out in shares of common stock of the Company following termination of service as Director in a single lump sum, or five or ten annual installments.

The shares outstanding under the plan are recorded at the grant date fair value, which is the fair value of the common stock of the Company on the date the deferred fees would ordinarily be paid in cash. At December 31, 2011, approximately 53,000 shares were outstanding. The weighted-average grant date fair value per share was $38.00, $35.72 and $34.63 during 2011, 2010 and 2009, respectively. During the year ended December 31, 2011, approximately 22,000 awards converted to shares under this plan.

Note 7. Earnings Per Share

The computation of basic and diluted earnings per share (EPS) for income from continuing operations is as follows:

	2011	2010	2009
	(In millions, except per share amounts)		
Numerator			
Numerator for basic and diluted earnings per share income from continuing operations attributable to Goodrich	$ 810.1	$ 576.5	$ 562.8
Percentage allocated to common shareholders(1)	98.6%	98.6%	98.6%
Numerator for basic and diluted earnings per share	$ 798.9	$ 568.5	$ 555.0
Denominator			
Denominator for basic earnings per share weighted-average shares	125.1	125.2	124.1
Effect of dilutive securities: Stock options, employee stock purchase plan and other deferred compensation shares	1.1	1.2	1.1
Denominator for diluted earnings per share adjusted weighted-average shares and assumed conversion	126.2	126.4	125.2
Per common share income from continuing operations			
Basic	$ 6.39	$ 4.54	$ 4.47
Diluted	$ 6.33	$ 4.50	$ 4.43

(1) Basic weighted-average common shares outstanding	125.1	125.2	124.1
Basic weighted-average common shares outstanding and unvested restricted share units expected to vest	126.9	127.0	125.8

Percentage allocated to common shareholders	98.6%	98.6%	98.6%

The Company s unvested restricted share units contain rights to receive nonforfeitable dividend equivalents, and thus, are participating securities requiring the two-class method of computing EPS. The calculation of EPS for common stock shown above excludes the income attributable to the unvested restricted share units from the numerator and excludes the dilutive impact of those units from the denominator.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At December 31, 2011, 2010 and 2009, the Company had 3,207,200, 3,218,400 and 4,591,800, respectively, of outstanding stock options. Stock options are included in the diluted EPS calculation using the treasury stock method, unless the effect of including the stock options would be anti-dilutive. There were no anti-dilutive stock options excluded from the EPS calculation at December 31, 2011. An insignificant amount of anti-dilutive stock options were excluded from the EPS calculation at December 31, 2010. At December 31, 2009, 0.9 million anti-dilutive stock options were excluded from the diluted EPS calculation.

Note 8. Fair Value Measurements

The Company defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The following three levels of inputs are used to measure fair value:

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

Level 2 observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company s financial assets and (liabilities) measured at fair value on a recurring basis were, in millions, as follows:

	Fair Value December 31, 2011	Level 1	Level 2	Level 3	Fair Value December 31, 2010	Level 1	Level 2	Level 3
				(Dollars in millions)				
Cash Equivalents(1)	$ 146.0	$ 146.0	$	$	$ 596.2	$ 596.2	$	$
Derivative Financial Instruments(2)								
Cash Flow Hedges	(6.5)		(6.5)		30.6		30.6	
Other Forward Contracts					(0.2)		(0.2)	
Rabbi Trust Assets(3)	56.6	56.6			55.3	55.3		
Long-term debt(4)	(2,772.4)		(2,772.4)		(2,531.8)		(2,531.8)	

(1) Because of their short maturities, the carrying value of these assets approximates fair value.

(2) See Note 17, Derivatives and Hedging Activities . The derivative financial instruments are valued using a market approach based on prices obtained from primary or secondary exchanges and using the Company s best estimates based on its valuation models, which incorporate industry data and trends and relevant market rates and transactions.

(3) Rabbi trust assets include mutual funds and cash equivalents for payment of certain non-qualified benefits for retired, terminated and active employees. The fair value of these assets was based on quoted market prices.

(4) The carrying amount of the Company s long-term debt was $2,352.3 million and $2,339.6 million at December 31, 2011 and 2010, respectively. The fair value of long-term debt is based on quoted market prices or on rates available to the Company for debt with similar terms and maturities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Inventories

Inventories consist of the following:

	December 31, 2011	December 31, 2010
	(Dollars in millions)	
Average or actual cost (which approximates current costs):		
Finished products	$ 220.8	$ 224.4
In-process	2,360.6	1,866.1
Raw materials and supplies	753.7	692.8
	3,335.1	2,783.3
Less:		
Reserve to reduce certain inventories to LIFO basis	(54.2)	(52.7)
Progress payments and advances	(404.3)	(281.2)
Total	$ 2,876.6	$ 2,449.4

Approximately 6% of the inventory costs were determined under the LIFO method of accounting at December 31, 2011 and 2010. All other inventory costs were determined under the FIFO method of accounting. LIFO reserve adjustments, recorded as costs of sales, were a $1.5 million loss, $1 million loss and $5 million gain for 2011, 2010 and 2009, respectively. The Company uses the LIFO method of valuing inventory for certain of the Company s legacy aerospace manufacturing businesses, primarily the aircraft wheels and brakes business unit in the Actuation and Landing Systems segment.

Progress payments and advances represent (1) non-refundable payments for work-in-process and (2) cash received from government customers where the government has legal title to the work-in-process.

At December 31, 2011 and 2010, the amount of inventory consigned to customers and suppliers was approximately $61 million and $65 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In-process inventories which include pre-production and excess-over-average inventory accounted for under long-term contract accounting and engineering costs with a guaranteed right of recovery, are summarized by platform as follows (dollars in millions, except quantities which are number of aircraft or number of engines if the engine is used on multiple aircraft platforms):

December 31, 2011

	Aircraft Order Status(1) (Unaudited)				Company Order Status (Unaudited)			In-Process Inventory		
	Delivered To Airlines	Unfilled Orders	Unfilled Options	Contract Quantity (2)	Delivered	Firm Unfilled Orders(3)	Year Complete(4)	Production	Pre-Production and Excess-Over-Average	Total
Aircraft Platforms number of aircraft										
787	3	857	232	2,818	29	29	2030	$ 257.9	$ 755.6	$ 1,013.5
A350 XWB		555	185	1,884			2030	7.1	303.8	310.9
7Q7				19	2		2018	0.1	27.1	27.2
Engine Type number of engines (engines are used on multiple aircraft platforms)										
CF34-10	954	394	766	1,316	1,052	190	2013	10.3	11.8	22.1
Trent 900	144	272	88	945	227	161	2025	32.7	17.3	50.0
PW 1000G MRJ		130	120	678			2029		113.9	113.9
PW 1000G C Series		266	238	2,476			2028	0.3	197.2	197.5
Other								115.1	80.3	195.4
Total in-process inventory related to long-term contracts under the contract accounting method of accounting								423.5	1,507.0	1,930.5
A380 engineering costs recoverable under long-term contractual arrangements								27.1	21.8	48.9
Other in-process inventory								348.3	32.9	381.2
Total								375.4	54.7	430.1
Balance at December 31, 2011								$ 798.9	$ 1,561.7	$ 2,360.6

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

	Aircraft Order Status(1) (Unaudited)				Company Order Status (Unaudited)			In-Process Inventory		
	Delivered To Airlines	**Unfilled Orders**	**Unfilled Options**	**Contract Quantity (2)**	**Delivered**	**Firm Unfilled Orders(3)**	**Year Complete(4)**	**Production**	**Pre-Production and Excess-Over-Average**	**Total**
Aircraft Platforms number of aircraft										
787		848	229	1,882	9	21	2023	$ 249.6	$ 579.2	$ 828.8
A350 XWB		573	183	1,884			2030	4.1	234.6	238.7
7Q7				19	1	1	2018	1.7	28.5	30.2
Engine Type number of engines (engines are used on multiple aircraft platforms)										
CF34-10	794	418	654	1,316	842	52	2013	7.4	24.7	32.1
Trent 900	88	224	60	945	154	217	2025	25.7	18.6	44.3
PW 1000G MRJ		30	20	678			2029		53.9	53.9
PW 1000G C Series		180	180	2,476			2028	0.1	104.7	104.8
Other								104.9	52.8	157.7
Total in-process inventory related to long-term contracts under the contract accounting method of accounting								393.5	1,097.0	1,490.5
A380 engineering costs recoverable under long-term contractual arrangements								16.8	28.9	45.7
Other in-process inventory								301.6	28.3	329.9
Total								318.4	57.2	375.6
Balance at December 31, 2010								$ 711.9	$ 1,154.2	$ 1,866.1

(1) Represents the aircraft order status as reported by independent sources of the related number of aircraft or the number of engines as noted.

(2) Represents the number of aircraft or the number of engines as noted used to obtain average unit cost.

(3) Represents the number of aircraft or the number of engines as noted for which the Company has firm unfilled orders.

(4) The year presented represents the year in which the final production units included in the contract quantity are expected to be delivered. The contract may continue in effect beyond this date.

Note 10. Goodwill and Identifiable Intangible Assets

The changes in the carrying amount of goodwill by segment were as follows:

	Balance December 31, 2010	Business Combinations	Foreign Currency Translation/ Other	Balance December 31, 2011
	(Dollars in millions)			
Actuation and Landing Systems(1)	$ 327.7	$ 214.3	$ (22.1)	$ 519.9
Nacelles and Interior Systems(2)	591.6	40.8	(2.9)	629.5
Electronic Systems	842.9		(1.3)	841.6
	$ 1,762.2	$ 255.1	$ (26.3)	$ 1,991.0

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) On May 12, 2011, the Company acquired Microtecnica for $457.1 million in cash, net of cash acquired. Based on the Company s purchase price allocation, $312.4 million was identifiable intangible assets primarily related to customer relationships, $214.3 million was goodwill and $105.8 million was net deferred tax liabilities primarily related to the intangible assets. The fair value of the intangible assets will be amortized over a weighted-average useful life of 27 years. Goodwill primarily represents the expected value from combining Microtecnica s expertise in flight controls with the Company s flight control actuation business. The goodwill related to the Microtecnica acquisition is not deductible for tax purposes.

(2) On September 22, 2010, the Company acquired the cabin management assets of DeCrane Holdings Co. In the three months ended March 31, 2011, the Company finalized the purchase price which resulted in a decrease in goodwill.

On September 30, 2011, the Company acquired Winslow Marine Products Corporation for $49.5 million in cash, net of cash acquired. Based on the Company s purchase price allocation, $13 million was identifiable intangible assets and $43.6 million was goodwill. The fair value of the intangible assets will be amortized over a weighted-average useful life of 15 years.

Identifiable intangible assets as of December 31, 2011 consisted of:

	Gross Amount	Accumulated Amortization	Net
		(Dollars in millions)	
Patents, trademarks and licenses	$ 150.7	$ (105.0)	$ 45.7
Customer relationships	834.5	(128.7)	705.8
Technology	209.0	(43.5)	165.5
Non-compete agreements	1.7	(1.5)	0.2
	$ 1,195.9	$ (278.7)	$ 917.2

Identifiable intangible assets as of December 31, 2010 consisted of:

	Gross Amount	Accumulated Amortization	Net
		(Dollars in millions)	
Patents, trademarks and licenses	$ 175.4	$ (120.3)	$ 55.1
Customer relationships	547.8	(95.7)	452.1
Technology	198.9	(30.7)	168.2
Non-compete agreements	1.7	(1.3)	0.4
	$ 923.8	$ (248.0)	$ 675.8

Amortization expense related to these intangible assets for 2011, 2010 and 2009 was $59.6 million, $46.4 million and $30.8 million, respectively. Amortization expense for these intangible assets is estimated to be approximately $59 million per year from 2012 to 2016. There were no indefinite lived identifiable intangible assets as of December 31, 2011.

Goodwill and identifiable intangible assets are tested for impairment annually or when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist. This testing for identifiable intangible assets requires comparison of carrying values to fair values, and when appropriate, the carrying value of impaired assets is reduced to fair value. There was no impairment of goodwill or identifiable intangible assets in 2011, 2010 or 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11. Financing Arrangements

In May 2011, the Company entered into a new five-year unsecured committed syndicated revolving credit facility, which permits borrowings up to a maximum of $700 million. In connection with entering into the new facility, the Company terminated its $500 million unsecured committed syndicated revolving credit facility that otherwise would have expired in May 2012. The new credit facility expires in May 2016. Interest rates under the new facility vary depending upon:

- The amount borrowed;
- The Company s public debt rating by Standard & Poor s, Moody s and Fitch; and
- At the Company s option, rates tied to the agent bank s prime rate or, for U.S. Dollar and Great Britain Pounds Sterling borrowings, the London Interbank Offered Rate and for Euro borrowings, the Euro Interbank Offered Rate.

At December 31, 2011, there were $12.3 million in borrowings and $37 million in letters of credit outstanding under the facility. At December 31, 2010, there were no borrowings and $62.5 million in letters of credit outstanding under the facility. In order to be eligible to borrow under the facility, the Company must be in compliance with a maximum leverage ratio covenant and other standard covenants. The Company is currently in compliance with all covenants. At December 31, 2011, the Company had borrowing capacity under this facility of $650.7 million, after reductions for borrowings and letters of credit outstanding under the facility.

At December 31, 2011, the Company also maintained $75 million of uncommitted U.S. working capital facilities and $154.8 million of uncommitted and committed foreign working capital facilities with various banks to meet short-term borrowing requirements. At December 31, 2011 and December 31, 2010, there were $25 million and $4.1 million, respectively, in borrowings and $37.9 million in letters of credit and bank guarantees outstanding under these facilities as of December 31, 2011. These credit facilities are provided by a small number of commercial banks that also provide the Company with committed credit through the syndicated revolving credit facility described above and with various cash management, trust and other services.

At December 31, 2011, the Company had letters of credit and bank guarantees of $117.6 million, inclusive of letters of credit outstanding under the Company s syndicated revolving credit facility, uncommitted U.S. working capital facilities and uncommitted and committed foreign working capital facilities, as discussed above.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Long-term Debt

At December 31, 2011 and 2010, long-term debt and capital lease obligations, excluding the current maturities, consisted of:

	December 31, 2011	December 31, 2010
	(Dollars in millions)	
Medium-term notes payable (interest rates from 6.8% to 8.7%)	$ 398.9	$ 398.9
6.29% senior notes, maturing in 2016	294.2	295.0
6.125% senior notes, maturing in 2019	298.3	298.1
4.875% senior notes, maturing in 2020	299.4	299.4
3.6% senior notes, maturing in 2021	598.9	598.8
6.80% senior notes, maturing in 2036	234.5	233.7
7.0% senior notes, maturing in 2038	199.2	199.2
Other debt, maturing through 2020 (interest rates from 0.3% to 4.5%)	28.9	16.5
	2,352.3	2,339.6
Capital lease obligations	22.1	13.2
Total	$ 2,374.4	$ 2,352.8

Aggregate maturities of long-term debt during the five years subsequent to December 31, 2011, exclusive of capital lease obligations, include $306.5 million in 2016.

The Company maintains a registration statement that allows the Company to issue debt securities, series preferred stock, common stock, stock purchase contracts and stock purchase units.

The Company has issued long-term debt securities in the public markets through a medium-term note program (MTN), which commenced in 1995. MTN notes outstanding at December 31, 2011, consisted entirely of fixed-rate non-callable debt securities. All MTN notes outstanding were issued between 1995 and 1998.

Debt Redemption

In 2010, the Company redeemed all of its outstanding $257,460,000 principal amount 7.625% senior notes due 2012. The Company recognized a net loss of $34.9 million, including a premium of $37.4 million and a net gain of $2.5 million for terminated interest rate swaps, net of the recognition of unamortized costs related to the notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12. Lease Commitments

The Company leases certain of its office and manufacturing facilities, machinery and equipment and corporate aircraft under various committed lease arrangements provided by financial institutions.

The future minimum lease payments from continuing operations, by year and in the aggregate, under capital leases and under noncancelable operating leases with initial or remaining noncancelable lease terms in excess of one year, consisted of the following at December 31, 2011:

	Capital Leases	Noncancelable Operating Leases
	(Dollars in millions)	
2012	$ 2.1	$ 50.4
2013	1.9	41.4
2014	3.0	29.9
2015	2.9	22.9
2016	2.9	19.2
Thereafter	20.4	55.1
Total minimum payments	33.2	$ 218.9
Amounts representing interest	(9.5)	
Present value of net minimum lease payments	23.7	
Current portion of capital lease obligations	(1.6)	
Long-term portion of capital lease obligations	$ 22.1	

Net rent expense for 2011, 2010 and 2009 was $57.6 million, $49.5 million and $46.2 million, respectively. These amounts are net of immaterial amounts of sublease rental income.

Note 13. Pensions and Postretirement Benefits

The Company has several defined benefit pension plans covering eligible employees. U.S. plans covering salaried and non-union hourly employees generally provide benefit payments using a formula that is based on an employee s compensation and length of service. Plans covering union employees generally provide benefit payments of stated amounts for each year of service. Plans outside of the U.S. generally provide benefit payments to eligible employees that relate to an employee s compensation and length of service. The Company also sponsors several unfunded defined benefit postretirement plans that provide certain health care and life insurance benefits to eligible employees in the U.S. and Canada. The health care plans are both contributory, with retiree contributions adjusted periodically, and non-contributory and can contain other cost-sharing features, such as deductibles and coinsurance. The life insurance plans are generally noncontributory.

Pension plans, defined contribution plans and postretirement benefits other than pensions include amounts related to divested and discontinued operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amounts Recognized in Accumulated Other Comprehensive Income (Loss)

Following are the amounts included in accumulated other comprehensive income (loss) as of December 31, 2011 and 2010 and the amounts arising during 2011 and 2010 for pensions and postretirement benefits other than pension. There are no transition obligations.

	Net Actuarial Loss	Prior Service Cost	Total Before Tax	Tax	After Tax
			(Dollars in millions)		
Amounts Recognized in Accumulated Other Comprehensive Income (Loss):					
Unrecognized (loss) at December 31, 2009	$ (1,371.1)	$ (21.4)	$ (1,392.5)	$ 524.2	$ (868.3)
Amount recognized in net periodic benefit cost	120.9	6.4	127.3		
Amount due to remeasurements	(59.8)	(3.2)	(63.0)		
Foreign currency gain / (loss)	1.8	(0.2)	1.6		
Unrecognized (loss) at December 31, 2010	$ (1,308.2)	$ (18.4)	$ (1,326.6)	$ 495.1	$ (831.5)
Amount recognized in net periodic benefit cost	62.2	5.3	67.5		
Amount due to remeasurements	(418.5)	(1.0)	(419.5)		
Amount due to settlement and curtailment	0.6	1.2	1.8		
Foreign currency gain / (loss)	1.0	0.1	1.1		
Unrecognized (loss) at December 31, 2011	$ (1,662.9)	$ (12.8)	$ (1,675.7)	$ 617.1	$ (1,058.6)

The before tax unrecognized loss at December 31, 2011 and 2010 includes $2.4 million and $1.2 million, respectively, for the Company s share of the accumulated other comprehensive loss from a Joint Venture (JV). This loss decreased our investment in the JV.

The amount of actuarial loss and prior service cost expected to be recognized in net periodic benefit cost during 2012 are approximately $92.8 million ($59.4 million after tax) and approximately $4.7 million ($3 million after tax), respectively.

Effective January 1, 2011, the Company determined that almost all of the participants of its U.S. salaried defined benefit pension plan were inactive and began amortizing deferred losses for this plan over the remaining life expectancy of the inactive participants. Amortization of deferred losses for all other defined benefit pension plans is generally recognized on a straight-line basis over the average future service period of active employees. Amortization of actuarial gains and losses is recognized using the corridor approach , which is the minimum amortization required. Under the corridor approach, the actuarial net gain or loss in excess of 10% of the greater of the projected benefit obligation or the market-related value of the assets is amortized on a straight-line basis over the amortization period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

PENSIONS

The following table sets forth the Company s defined benefit pension plans as of December 31, 2011 and 2010 and the amounts recorded in the consolidated balance sheet. Company contributions include amounts contributed directly to plan assets and indirectly as benefits are paid from the Company s assets. Benefit payments reflect the total benefits paid from the plan and the Company s assets. Information on the U.S. plans includes both the qualified and non-qualified plans.

	U.S. Plans		U.K. Plans		Other Plans	
	2011	2010	2011	2010	2011	2010
			(Dollars in millions)			
Change in Projected Benefit Obligations						
Projected benefit obligation at beginning of year	$ 3,091.4	$ 2,906.4	$ 705.4	$ 678.7	$ 149.8	$ 117.8
Service cost	49.1	46.3	17.1	15.6	7.4	4.9
Interest cost	171.2	168.5	42.0	39.0	8.4	7.1
Amendments	3.2	0.1			0.2	3.1
Actuarial (gains) losses	238.1	159.2	108.1	10.4	27.0	15.9
Participant contributions			0.3	0.3	2.4	2.5
Curtailments	0.1					
Settlements	(1.1)				(0.7)	
Special termination benefits	4.0		0.7	0.1		
Foreign currency translation			(4.8)	(22.6)	(4.1)	3.0
Other					0.5	
Benefits paid	(190.0)	(189.1)	(14.3)	(16.1)	(4.0)	(4.5)
Projected benefit obligation at end of year	$ 3,366.0	$ 3,091.4	$ 854.5	$ 705.4	$ 186.9	$ 149.8
Accumulated Benefit Obligation at the End of Year	$ 3,181.3	$ 2,942.9	$ 718.4	$ 589.8	$ 159.3	$ 120.7
Weighted Average Assumptions Used to Determine Benefit Obligations as of December 31						
Discount rate	5.03%	5.67%	5.00%	5.81%	4.38%	5.19%
Rate of compensation increase	4.10%	4.10%	3.75%	3.75%	3.43%	3.40%
Change in Plan Assets						
Fair value of plan assets at beginning of year	$ 2,574.9	$ 2,070.1	$ 702.4	$ 633.5	$ 98.6	$ 80.5
Actual return on plan assets	213.7	290.1	22.6	73.4	(2.9)	9.0
Settlements	(1.3)				(0.8)	
Participant contributions			0.3	0.3	2.4	2.5
Company contributions	44.0	403.8	34.4	32.8	13.0	7.5
Foreign currency translation			(2.8)	(21.5)	(2.1)	3.6
Other					0.3	
Benefits paid	(190.0)	(189.1)	(14.3)	(16.1)	(4.0)	(4.5)
Fair value of plan assets at end of year	$ 2,641.3	$ 2,574.9	$ 742.6	$ 702.4	$ 104.5	$ 98.6
Funded Status (Underfunded)	$ (724.7)	$ (516.5)	$ (111.9)	$ (3.0)	$ (82.4)	$ (51.2)
Amounts Recognized in the Balance Sheet Consist of:						
Prepaid pension	$	$	$	$	$ 0.4	$ 0.7
Accrued expenses current liability	(14.1)	(14.2)			(1.0)	(0.5)
Pension obligation non-current liability	(710.6)	(502.3)	(111.9)	(3.0)	(81.8)	(51.4)

Net asset (liability) recognized	$ (724.7)	$ (516.5)	$ (111.9)	$ (3.0)	$ (82.4)	$ (51.2)
Accumulated other comprehensive income (loss) before tax	$ (1,349.0)	$ (1,178.7)	$ (227.4)	$ (81.2)	$ (79.0)	$ (44.7)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Defined benefit plans with an accumulated benefit obligation exceeding the fair value of plan assets had the following obligations and plan assets at December 31, 2011 and 2010:

	U.S. Plans		U.K. Plans		Other Plans	
	2011	2010	2011	2010	2011	2010
	(Dollars in millions)					
Aggregate fair value of plan assets	$ 2,641.3	$ 2,574.9	$	$	$ 102.7	$ 9.2
Aggregate projected benefit obligation	$ 3,366.0	$ 3,091.4	$ 1.0	$ 0.1	$ 185.5	$ 37.8
Aggregate accumulated benefit obligations	$ 3,181.3	$ 2,942.9	$ 0.4	$ 0.1	$ 158.4	$ 33.9

Defined benefit plans with a projected benefit obligation exceeding the fair value of plan assets had the following obligations and plan assets at December 31, 2011and 2010:

	U.S. Plans		U.K. Plans		Other Plans	
	2011	2010	2011	2010	2011	2010
	(Dollars in millions)					
Aggregate fair value of plan assets	$ 2,641.3	$ 2,574.9	$ 742.6	$ 702.5	$ 103.4	$ 90.2
Aggregate projected benefit obligation	$ 3,366.0	$ 3,091.4	$ 854.5	$ 705.4	$ 186.2	$ 142.1
Aggregate accumulated benefit obligations	$ 3,181.3	$ 2,942.9	$ 718.4	$ 589.8	$ 158.8	$ 113.4

The components of net periodic benefit costs (income) and special termination benefit charges for 2011, 2010 and 2009 are as follows:

	U.S. Plans			U.K. Plans			Other Plans		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
	(Dollars in millions)								
Components of Net Periodic Benefit Cost (Income):									
Service cost	$ 49.1	$ 46.3	$ 42.9	$ 17.1	$ 15.6	$ 16.0	$ 7.4	$ 4.9	$ 3.9
Interest cost	171.2	168.5	171.9	42.0	39.0	37.2	8.4	7.1	6.6
Expected return on plan assets	(209.6)	(187.6)	(174.2)	(61.4)	(52.5)	(42.6)	(8.4)	(7.0)	(5.2)
Amortization of prior service cost	5.9	7.0	7.3	(0.6)	(0.6)	(0.6)	0.4	0.1	0.9
Amortization of actuarial (gain) loss	59.5	116.8	105.1	0.1	2.6	7.4	2.6	1.5	1.3
Gross periodic benefit cost (income)	76.1	151.0	153.0	(2.8)	4.1	17.4	10.4	6.6	7.5
Settlement (gain)/loss	0.4						0.3		(0.4)
Curtailment (gain)/loss	1.4								
Net benefit cost (income)	$ 77.9	$ 151.0	$ 153.0	$ (2.8)	$ 4.1	$ 17.4	$ 10.7	$ 6.6	$ 7.1
Special termination benefit charge	$ 4.0	$	$	$ 0.7	$ 0.1	$ 1.2	$	$	$

Weighted Average Assumptions Used to Determine Net Periodic Benefit Costs for

the Years Ended December 31									
Discount rate 1/1-6/6	5.67%	5.90%	6.47%	5.81%	5.88%	5.88%	5.20%	5.75%	6.17%
Discount rate 6/7-10/5	5.63%	5.90%	6.47%	5.81%	5.88%	5.88%	5.20%	5.75%	6.17%
Discount rate 10/6-12/31	5.63%	5.90%	6.47%	5.81%	5.88%	5.88%	5.17%	5.75%	6.17%
Expected long-term return on assets	8.25%	8.75%	8.75%	8.25%	8.50%	8.50%	8.08%	8.32%	8.12%
Rate of compensation increase	4.10%	4.10%	4.10%	3.75%	3.75%	3.75%	3.41%	3.38%	3.31%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Due to the approval of a plan to close a U.S. facility, pension assumptions were reevaluated on June 7, 2011 for the remeasurement of a U.S. Wage Plan covering certain union employees. See Note 4, Business Segment Information . The facility closure resulted in a curtailment loss of $1.4 million and a contractual termination benefit charge of $4 million. The special termination benefit charges in 2011, 2010 and 2009 relate primarily to reductions in force in several businesses in the U.K. Additionally, lump sum payments in a U.S. and a Canadian plan resulted in settlement losses of $0.4 million and $0.3 million, respectively, for 2011, while a change to a French pension plan resulted in a settlement gain of $0.4 million for 2009.

Expected Pension Benefit Payments

Pension benefit payments, which reflect expected future service, are estimated to be as follows:

Year	U.S. Plans	U.K. Plans	Other Plans
		(Dollars in millions)	
2012	$ 199.9	$ 11.6	$ 4.3
2013	208.4	13.3	4.9
2014	203.1	15.0	5.4
2015	206.8	16.9	6.8
2016	209.8	19.1	7.9
2017 to 2021	1,138.2	135.9	50.2

Asset Valuation

The assets of the Company s worldwide defined benefit plans (Global Plans) are measured at fair value (FV). FV and the FV measurement levels are explained in Note 8, Fair Value Measurements .

Derivatives

Derivatives are exchange-traded or over-the-counter and include currency, interest rate and commodity futures, forward currency contracts, swaps and options for equities, fixed income, commodities and currency, and derivatives of equity and fixed income securities. These instruments are valued using a market approach based on prices obtained from primary or secondary exchanges for exchange-traded derivatives or using proprietary pricing models which incorporate observable inputs including volatility, spot prices, swap curves and other market-corroborated inputs. Realized gains and losses and changes in FV of the derivatives are reflected currently. Derivatives are used to manage portions of the interest rate and currency exposures, to gain asset class exposure while maintaining liquidity and to exploit relative performance across asset classes or markets.

Derivatives in the fair value table are futures contracts held within the U.S. Plans to manage the interest rate exposure and derivatives of equity and fixed income securities used by the U.S. Plans to maintain asset class exposure to equities and fixed income while maintaining liquidity for benefit payments.

Derivatives are held by commingled funds in the Global Tactical Asset Allocation (GTAA) portfolio to gain currency and commodity exposures. Equity, fixed income and currency derivatives, including swaps and options, are used within the absolute return strategies to exploit relative performance across asset classes or markets. Commodity futures and swaps are used within the commodity strategies. These derivatives are shown within the commingled strategies to which they relate.

Derivatives are held within the commingled equity funds that invest in international equities to manage risk and enhance total return related to investments in securities denominated in currencies other than the Global Plans currencies. These derivative positions are settled daily and classified as other assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Commingled Funds (Applicable to Money Market, Equity, Fixed Income, Commodity, Securities Lending Collateral, Real Estate, Asset Allocation and Absolute Return Investments)

The commingled funds are institutional investment instruments valued at the FV of the ownership interests in the funds. The Net Asset Value (NAV) per unit which is provided by the fund administrator is the primary input into the valuation of the ownership interest. The NAV is based on the FV of the underlying assets owned by the fund, minus its liabilities, divided by the number of shares outstanding. Commingled investment funds generally are valued based upon the observability of the prices or inputs used to value the underlying portfolio instruments.

The underlying assets of the real estate commingled fund investments are valued using unobservable inputs from the investment manager and valuation techniques that include annual third party appraisals, comparable transactions, discounted cash flow valuations models and observable market data. Unobservable inputs include prices of sales of similar properties, estimates of rental income, discount rates, residual value estimates and estimates of reproduction or replacement costs. Liquidity for the real estate commingled funds is quarterly.

The underlying assets of the non-real estate commingled fund investments are money market, U.S. and non-U.S. equity, U.S. and non-U.S. fixed income, and commodity financial instruments or investments in commingled funds that invest in these underlying assets. These instruments are valued principally using a market approach based on quoted prices obtained from the primary or secondary exchanges on which they are traded. When market prices are not available, FV is based on indicative quotes from brokers and proprietary pricing models combined with observable market inputs, including unadjusted quotes in active markets or quoted prices for similar assets or other observable inputs including, but not limited to, transactions activity, interest rates, yield curves, spot prices, prepayment speeds and default rates. These funds generally have daily liquidity.

In addition to the NAV, consideration is given to any specific rights or obligations that pertain to investments in the commingled fund, which if deemed significant, may adjust the FV of the ownership interest and result in a lower, less observable FV hierarchy level. There are no significant specific rights or obligations pertaining to these commingled funds that require an adjustment to the FV.

Equity

Individual equity securities, including common stock, real estate investment trusts (REITS), preferred stock, rights and warrants, are valued using a market approach primarily based on quoted prices obtained from the primary or secondary U.S. and non-U.S. exchanges on which they are traded. Investments in exchange-traded securities are valued at the closing prices on the last trading day of the year.

Fixed Income

Fixed income securities, including U.S. treasuries and U.S. and non-U.S. government, corporate and asset- and mortgage-backed securities and commercial paper, are valued using a market approach primarily based on prices obtained from the primary or secondary exchanges on which they are traded. When market prices are not available, these instruments are valued using a market approach based on (1) market transactions for identical or comparable securities and various relationships between securities which are generally recognized by institutional traders, including consideration of yield or price of securities of comparable quality, coupon, maturity and type or (2) based on quotes from bankers, brokers, dealers or other qualified appraisers. FV is within a bid-ask spread and is considered to be the price at which the security would be exited. Certain securities may be valued using an income approach based on cash flows and observable inputs such as discount rates, industry research reports, the value of underlying assets or guarantees and issue structure.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Guaranteed Investment Contracts (GICs)

GICs are insurance contracts that guarantee the owner principal repayment and a fixed or floating interest rate for a pre-determined amount of time by investing in an underlying portfolio of securities. The fund is valued using a NAV. Please see above discussion in Commingled Funds.

The table below presents the classes and FV levels for the Global Plans assets as of December 31, 2011 and 2010.

	December 31, 2011				December 31, 2010			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
				(Dollars in millions)				
Investments at FV								
Derivatives	$ 8.5	$ 8.5	$	$	$ (4.0)	$ (4.0)	$	$
Short term investments								
Commingled money market funds	176.8		176.8		139.6		139.6	
Commingled collateral held under securities lending agreements	9.4		9.4		65.0		65.0	
Commingled fixed income funds	23.2		23.2		12.5		12.5	
Commercial paper and other					2.5		2.5	
Equity								
Common stock/REITs	956.7	956.7			1,262.1	1,262.1		
Common stock loaned	(9.7)	(9.7)			(49.5)	(49.5)		
Commingled equity funds	570.9		570.9		751.1		751.1	
Fixed Income								
U.S. treasuries	161.6	161.6			66.5	66.5		
Government, corporate and asset backed obligations	584.6		584.6		438.7		438.7	
U.S. government securities loaned					(1.2)	(1.2)		
Corporate obligations loaned								