GOODRICH CORP
Form 10-K
February 15, 2011

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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, 2010

Or

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

Commission file number 1-892

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 o

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 o 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 o

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 o

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. o

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

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

Indicate by check mark whether the registrant is a shell company filer (as defined in Rule 12b-2 of the Exchange Act). Yes o 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, 2010 was $8.3 billion.

The number of shares of common stock outstanding as of January 31, 2011 was 125,605,938 (excluding 14,000,000 shares held by a wholly owned subsidiary).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive proxy statement for the 2011 annual meeting of shareholders are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14).

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.

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 Goo
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.

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,

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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 3, 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.

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

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and services directly to our customers through an internal marketing and sales force and through sales subsidiaries and distributors in various countries.

In 2010, 2009 and 2008, direct and indirect sales to the United States (U.S.) government were approximately 25%, 22% and 17%, respectively, of consolidated sales. Indirect sales to the U.S. government include a portion of the direct and indirect sales to Boeing.

In 2010, 2009 and 2008, direct and indirect sales to Airbus were approximately 17%, 17% and 15%, respectively, of consolidated sales. In 2010, 2009 and 2008, direct and indirect sales to Boeing were approximately 15%, 16% and 14%, 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	Honeywell International Inc.; Messier-Bugatti (a subsidiary of SAFRAN); Meggitt Aircraft Braking Systems; Crane Co.; Triumph Group Inc.
Landing Gear	Large Commercial/Defense	Messier-Dowty (a subsidiary of SAFRAN), Liebherr-Holding GmbH; Héroux-Devtek Inc.; APPH Ltd; Sumitomo Precision; GE Aviation; Loud Engineering
Flight Control Actuation	Large Commercial/Defense	Parker Hannifin Corporation; United Technologies Corporation; Liebherr-Holding GmbH; Moog Inc.; Nabtesco Aerospace, Inc.; Woodward Governor Company; Eaton Aerospace Ltd.
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
Turbomachinery Products	Aero and Industrial Turbine Components	Blades Technology; Samsung; Alcoa Howmet (a subsidiary of Alcoa Inc.); PZL, LLC (a subsidiary of United Technologies Corporation); Honeywell Greer (a subsidiary of Honeywell International, Inc.); TECT Corporation

System	Primary Market Channels	Major Non-Captive Competitors(1)
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	Danaher Corp (Pacific Scientific, McCormick Selph, SDI); Scot, Inc. (a subsidiary of Chemring PLC.); Nammo Talley; Ensign Bickford
Aircraft Crew Seating	Large Commercial/Regional/ Business/Military	Ipeco Holdings Ltd; Sicma Aero Seat (a subsidiary of Zodiac S.A.); EADS Sogerma Services (a subsidiary of EADS European Aeronautical Defense and Space Co.); B/E Aerospace, Inc.; C&D Aerospace Group; BAE Systems
Ejection Seats	Defense	Martin-Baker Aircraft Co. Limited
Lighting	Large Commercial/Regional/ Business/Defense	Page Aerospace Limited; LSI Luminescent Systems Inc.; Honeywell Inc. (Grimes Inc.); Diehl Luftfahrt Elecktronik GmbH (DLE); Zodiac; Luminator; B/E Aerospace; Astronics; Finmeccanica
Cargo Systems	Large Commercial	Telair International (a subsidiary of Teleflex Incorporated); Ancra International LLC, AAR Manufacturing Group, Inc.
Cabin Systems	Business	Zodiac S.A.; B/E Aerospace; Ipeco Holdings Ltd.; Fisher
Electronic Systems		
Sensors	Large Commercial/Regional/ Business/Defense	Honeywell International Inc.; Thales, S.A.; Auxitrol (a subsidiary of Esterline Technologies Corporation)
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)
Intelligence, Surveillance and Reconnaissance Systems	Defense/Space	BAE Systems, plc; ITT Industries, Inc.; L-3 Communications Holdings, Inc.; Honeywell International Inc.
Power Systems	Large Commercial/Regional/ Business/Defense	Honeywell International Inc.; Smiths Group plc (a subsidiary of General Electric); Hamilton Sunstrand (a subsidiary of United Technologies Corporation)

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System	Primary Market Channels	Major Non-Captive Competitors(1)
Engine Controls	Large Commercial Aftermarket/Regional/ Business/Defense/Helicopter	United Technologies Corporation; BAE Systems plc; Honeywell International Inc.; Argo-Tech Corporation, Woodward Governor Company; Hispano-Suiza (a subsidiary of SAFRAN)

(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, 2010 was approximately:

	Firm Backlog	Unobligated Backlog	Total Backlog	Firm Backlog Expected to be Filled in 2011
	(Dollars in millions)			
Commercial and General Aviation	$ 2,817	$ 10,872	$ 13,689	$ 2,249
Defense and Space	2,006	916	2,922	1,429
	$ 4,823	$ 11,788	$ 16,611	$ 3,678

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 $4.5 billion at December 31, 2009.

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.

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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 2010, 2009 and 2008 were approximately $247 million, $239 million and $284 million, respectively. These amounts are net of approximately $85 million, $101 million and $133 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^{tm} PW 1000G.

Human Resources

As of December 31, 2010, we employed approximately 25,600 people, of which approximately 16,300 were employed in the U.S. and approximately 9,300 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 2013. Approximately 20% of our

global labor force is covered by collective bargaining arrangements and approximately 8% of our global labor force is covered by collective bargaining arrangements that will expire within one year. There were no material work stoppages during 2010.

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 3, 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 and A350 XWB, the Boeing 787 and 747-8, 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.

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,

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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 2010, 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 2010, approximately 17% 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 32% of our sales for the year 2010 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 25% of our sales for 2010. 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

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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.

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

Our production facilities 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, 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.

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.

We expect to continue to make acquisitions, which could involve certain risks and uncertainties.

Over the last three years, we have completed seven acquisitions as part of our growth strategy and in an effort to enhance shareholder value. We expect to continue to make acquisitions in the future. There are risks and uncertainties related to acquisitions, including: integration

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difficulties; unrealized sales expectations from the acquired business; unrealized synergies and cost savings; unknown or underestimated liabilities; and potential loss of key management employees of the acquired business. Any of these risks or uncertainties could result in an acquisition having 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	Cleveland, Ohio	Leased	486,000
	Wolverhampton, England	Owned	429,000
	Troy, Ohio	Owned	415,000
	Oakville, Canada	Owned	390,000
	Vernon, France	Owned	273,000
	Tullahoma, Tennessee	Owned	260,000
	Miami, Florida	Owned	200,000
Nacelles and Interior Systems	Chula Vista, California	Owned	1,791,000
	Riverside, California	Owned	1,196,000
	Singapore, Singapore	Owned/Leased	817,000
	Foley, Alabama	Owned	427,000
	Bangalore, India	Leased	351,000
	Mexicali, Mexico	Owned	350,000
	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
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
	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.

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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*

General

There are various pending or threatened claims, lawsuits and administrative proceedings against us or our subsidiaries, arising from 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 as incurred.

Environmental

We are subject to environmental laws and regulations which may require us to 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.

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.

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Our consolidated balance sheet included an accrued liability for environmental remediation obligations of $67.7 million and $66.1 million at December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, $14.6 million and $11.3 million, respectively, of the accrued liability for environmental remediation were included as accrued expenses. At December 31, 2010 and 2009, $27.3 million and $25.3 million, respectively, was associated with ongoing operations and $40.4 million and $40.8 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 and 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 was provided by certain insurance carriers 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. A portion of these settlements was recorded as income for reimbursement of past claim payments under the settled insurance policies and a portion was recorded as a deferred settlement credit for future claim payments.

At December 31, 2010 and 2009, the deferred settlement credit was $48.6 million and $45 million, respectively, for which $5.7 million and $6.1 million, respectively, was reported in accrued expenses and $42.9 million and $38.9 million, respectively, was reported in other non-current liabilities. 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.

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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 2005 and 2006

During 2009, the IRS issued a Revenue Agent s Report 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. If the IRS were to prevail, we believe the amount of the estimated tax liability is fully reserved. We cannot predict the timing or ultimate outcome of a final resolution of the remaining unresolved issues.

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.

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. The U.S. Tax Court is in the process of evaluating the terms of the settlement agreement and processing the litigants request to dismiss the matter. If the U.S. Tax Court accepts the settlement agreement, we expect to recognize a tax benefit of approximately $20 million in 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, we reached a

comprehensive settlement with the California

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Franchise Tax Board on all issues for tax years 1985 through 2001. We recognized a tax benefit of approximately $23 million in the fourth quarter of 2010.

Executive Officers of the Registrant

Marshall O. Larsen, age 62, Chairman, President and Chief Executive Officer

Mr. Larsen joined the Company in 1977 as an Operations Analyst. In 1981, he became Director of Planning and Analysis and subsequently Director of Product Marketing. In 1986, he became Assistant to the President and later served as General Manager of several divisions of the Company s aerospace business. He was elected a Vice President of the Company and named a Group Vice President of Goodrich Aerospace in 1994 and was elected an Executive Vice President of the Company and President and Chief Operating Officer of Goodrich Aerospace in 1995. He was elected President and Chief Operating Officer and a director of the Company in February 2002, Chief Executive Officer in April 2003 and Chairman in October 2003. Mr. Larsen is a director of Becton, Dickinson & Co. and Lowe s Companies, Inc. He received a B.S. in engineering from the U.S. Military Academy and an M.S. in industrial management from the Krannert Graduate School of Management at Purdue University.

John J. Carmola, age 55, Vice President and Segment President, Actuation and Landing Systems

Mr. Carmola joined the Company in 1996 as President of the Landing Gear Division. He served in that position until 2000, when he was appointed President of the Engine Systems Division. Later in 2000, Mr. Carmola was elected a Vice President of the Company and Group President, Engine and Safety Systems. In 2002, he was elected Vice President and Group President, Electronic Systems. He was elected Vice President and Segment President, Engine Systems, in 2003, Vice President and Segment President, Airframe Systems, in 2005, and Vice President and Segment President, Actuation and Landing Systems in 2007. Prior to joining the Company, Mr. Carmola served in various management positions with General Electric Company. Mr. Carmola received a B.S. in mechanical and aerospace engineering from the University of Rochester and an M.B.A. with concentration in finance from Xavier University.

Cynthia M. Egnotovich, age 53, Vice President and Segment President, Nacelles and Interior Systems

Ms. Egnotovich joined the Company in 1986 and served in various positions with the Ice Protection Systems Division, including Controller from 1993 to 1996, Director of Operations from 1996 to 1998 and Vice President and General Manager from 1998 to 2000. Ms. Egnotovich was appointed as Vice President and General Manager of Commercial Wheels and Brakes in 2000. She was elected a Vice President of the Company and Group President, Engine and Safety Systems in 2002. In 2003, she was elected Vice President and Segment President, Electronic Systems. Ms. Egnotovich was elected Vice President and Segment President, Engine Systems in 2005. In 2007, she was elected Vice President and Segment President, Nacelles and Interior Systems. Ms. Egnotovich is a director of The Manitowoc Company, Inc. Ms. Egnotovich received a B.B.A. in accounting from Kent State University and a B.S. in biology from Immaculata College.

Curtis C. Reusser, Age 50, Vice President and Segment President, Electronic Systems

Mr. Reusser joined the Company in 1988 when it acquired TRAMCO. He held roles of increasing responsibility in Goodrich s Maintenance, Repair and Overhaul operations before being appointed General Manager of Goodrich MRO Europe, based in the UK, in 1996. He joined the Aerostructures Division in 1999 and held various Vice President and general management positions. He served as President of the Aerostructures Division from 2002 to 2007. Mr. Reusser was elected Vice President and Segment President, Electronic Systems effective January 1, 2008.

Effective January 1, 2009, he was also elected a Director of Aero Engine Controls, a joint venture of Goodrich and Rolls-Royce plc. Before joining Goodrich, Mr. Reusser worked in engineering and business development for the Convair and Space Systems divisions of General Dynamics. Mr. Reusser graduated with a B.S. in Mechanical/Industrial Engineering from the University of Washington in 1983.

Gerald T. Witowski, age 63, Executive Vice President, Operational Excellence and Technology

Mr. Witowski joined the Company in 1978 as a Marketing Engineer in the Sensor Systems business. He was promoted to Vice President of Marketing and Sales in 1988 and was named Vice President and General Manager for the Commercial Transport Business Unit of Sensor Systems as well as the head of Goodrich s Test System Business Unit in New Century, Kansas in 1997. In January 2001, he was named President and General Manager of Sensor Systems. He was elected Vice President and Segment President, Electronic Systems in March 2006 and to his current position in January 2008. Effective January 1, 2009, he was also elected a Director of Aero Engine Controls, a joint venture of Goodrich and Rolls-Royce plc. Prior to joining Goodrich, Mr. Witowski spent 10 years on active duty in the U.S. Navy where he was a commissioned officer and pilot. Mr. Witowski received a B.S. in Naval Science from the U.S. Naval Academy and an M.A. in Management and Human Relations from Webster University.

Terrence G. Linnert, age 64, Executive Vice President, Administration and General Counsel

Mr. Linnert joined the Company in 1997 as Senior Vice President and General Counsel. In 1999, he was elected to the additional positions of Senior Vice President, Human Resources and Administration, and Secretary. He was elected Executive Vice President, Human Resources and Administration, General Counsel in 2002 and Executive Vice President, Administration and General Counsel in February 2005. Effective January 1, 2009, he was also elected a Director of Aero Engine Controls, a joint venture of Goodrich and Rolls-Royce plc. Prior to joining Goodrich, Mr. Linnert was Senior Vice President of Corporate Administration, Chief Financial Officer and General Counsel of Centerior Energy Corporation. Mr Linnert received a B.S. in electrical engineering from the University of Notre Dame and a J.D. from the Cleveland-Marshall School of Law at Cleveland State University.

Scott E. Kuechle, age 51, Executive Vice President and Chief Financial Officer

Mr. Kuechle joined the Company in 1983 as a Financial Analyst in the Company s former Tire Division. He has held several subsequent management positions, including Manager of Planning and Analysis in the Tire Division, Manager of Analysis in Corporate Analysis and Control as well as Director of Planning and Control for the Company s former Water Systems and Services Group. He was promoted to Director of Finance and Banking in 1994 and elected Vice President and Treasurer in 1998. Mr. Kuechle was elected Vice President and Controller in September 2004, Senior Vice President and Chief Financial Officer in August 2005 and Executive Vice President and Chief Financial Officer in January 2008. Mr. Kuechle received a B.B.A. in economics from the University of Wisconsin Eau Claire and an M.S.I.A. in finance from Carnegie-Mellon University.

Jennifer Pollino, age 46, Senior Vice President, Human Resources

Ms. Pollino joined the Company in 1992 as an Accounting Manager at Aircraft Evacuation Systems and since that time has served in a variety of positions, including Controller of Aircraft Evacuation Systems from 1995 to 1998, Vice President, Finance of Safety Systems from 1999 to 2000, Vice President and General Manager of Aircraft Seating Products from 2000 to 2001, President and General Manager of Turbomachinery Products from 2001 to 2002 and President and General Manager of Aircraft Wheels and Brakes from 2002 to 2005. She was elected as Senior Vice President, Human Resources in February 2005. Prior to joining Goodrich, Ms. Pollino served as a Field Accounting Officer for the Resolution Trust Corporation from 1990 to 1992, as

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Controller of Lincoln Savings and Loan Association from 1987 to 1990 and as an Auditor for Peat Marwick Main & Co. from 1986 to 1987. Ms. Pollino received a B.B.A. in accounting from the University of Notre Dame.

Scott A. Cottrill, age 45, Vice President and Controller

Mr. Cottrill joined the Company in 1998 as Director External Reporting. He later served as Director Accounting and Financial Reporting from 1999 to 2002 and as Vice President, Internal Audit from 2002 to 2005. Mr. Cottrill was elected as Vice President and Controller effective October 2005. Prior to joining the Company, Mr. Cottrill served as a Senior Manager with PricewaterhouseCoopers LLP. Mr. Cottrill received a B.S. in accounting from The Pennsylvania State University and is a Certified Public Accountant and a Certified Internal Auditor.

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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
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
2009			
First	$ 41.67	$ 29.95	$ .25
Second	55.34	35.69	.25
Third	57.98	47.36	.25
Fourth	65.93	51.97	.27

As of December 31, 2010, there were 7,066 holders of record of our common stock.

Our debt agreements contain various restrictive covenants that, among other restrictions, place limitations on the payment of cash dividends and our ability to repurchase our capital stock. Under the most restrictive of these agreements, $1,866.6 million of income retained in the business and additional capital was free from such limitations at December 31, 2010.

The following table summarizes our purchases of our common stock for the quarter ended December 31, 2010:

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 2010	43,033	$ 81.79	40,000	
November 2010	1,059,389	$ 83.92	1,059,104	

December 2010	2,526	$ 86.79			
Total	1,104,948	$ 83.85	1,099,104	$	563 million

(1) The category includes 5,844 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 initially announced on October 24, 2006. On February 19, 2008, the Company announced that its Board of Directors had increased the dollar amount that could be used to purchase shares under the Program from $300 million to $600 million. On February 15, 2011, the Board approved an additional increase to $1.1 billion in total. Unless terminated earlier by resolution of the Company s

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Board, 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.

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

Selected Financial Data(1)

	2010(2)	2009	2008(3)	2007(4)	2006(5)
	(Dollars in millions, except per share amounts)				
Statement of Income Data					
Sales	$ 6,966.9	$ 6,685.6	$ 7,061.7	$ 6,392.2	$ 5,719.1
Income from continuing operations	584.4	576.3	691.6	516.5	491.6
Balance Sheet Data					
Total assets	$ 9,271.6	$ 8,741.4	$ 7,482.9	$ 7,534.0	$ 6,901.2
Long-term debt and capital lease obligations	2,352.8	2,008.1	1,410.4	1,562.9	1,721.7
Per Share of Common Stock					
Income from continuing operations, Diluted	$ 4.50	$ 4.43	$ 5.29	$ 3.86	$ 3.76
Net income, diluted	4.51	4.70	5.35	3.75	3.79
Cash dividends declared	1.10	1.02	0.925	0.825	0.80

(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 discontinued operations.

(2) 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 net loss in connection with the redemption of our senior notes due in 2012, (see Note 4, Other Income (Expense) Net , to the consolidated financial statements) and a $23 million tax benefit related to a California Tax Board settlement (see Note 15, Contingencies , to our consolidated financial statements).

(3) In 2008, we recognized a net gain of approximately $13 million in connection with the formation of a joint venture with Rolls-Royce Group plc. See Note 4, Other Income (Expense) Net , to our consolidated financial statements.

(4) 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 operating income of $18.5 million.

(5) Effective January 1, 2006, we began accelerating the recognition of share-based compensation expense for individuals who are either retirement eligible on the grant date or will become retirement eligible in advance of the normal vesting date. The incentive compensation cost recognized during 2006 related to this provision was approximately $22 million. During 2006, we recorded a benefit of approximately $147 million, or $1.15 per

diluted share, primarily related to the Rohr and Coltec tax settlements.

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.

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 and 747-8 and the Airbus A350 XWB, and engine types such as the Pratt and Whitney PurePower^{tm} 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 2011 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.

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

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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 2011 as compared to 2010 due in large part to the expected global economic recovery. ASM are expected to increase approximately 4% to 6% in 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 recovery.

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.

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, organically and through acquisitions, over the long-term due to:

- Awards for key products on important new and expected programs, including the Airbus A350 XWB, the Boeing 787 and 747-8, 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 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;

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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 high growth areas in the defense and space market channel, such as helicopter products and systems, intelligence, surveillance and reconnaissance products and precision guidance systems for munitions.

Year Ended December 31, 2010 Sales Content by Market Channel

During 2010, approximately 96% 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	10%
Regional, Business and General Aviation Airplane OE	6%
Total Large Commercial, Regional, Business and General Aviation Airplane OE	33%
Large Commercial Airplane Aftermarket	25%
Regional, Business and General Aviation Airplane Aftermarket	6%
Total Large Commercial, Regional, Business and General Aviation Airplane Aftermarket	31%
Total Defense and Space	32%
Other	4%
Total	100%

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

	2010	2009	Favorable/ (Unfavorable) $ Change	Favorable/ (Unfavorable) % 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 3, Business Segment Information to our consolidated financial statements.

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 10, 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)		
	Before 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)

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.

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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.

Results of Operations Year Ended December 31, 2009 as Compared to the Year Ended December 31, 2008

	2009	2008	Favorable/ (Unfavorable) $ Change	Favorable/ (Unfavorable) % Change
	(Dollars in millions, except diluted EPS)			
Sales	$ 6,685.6	$ 7,061.7	$ (376.1)	(5.3)
Segment operating income(1)	$ 1,058.6	$ 1,216.3	$ (157.7)	(13.0)
Corporate general and administrative costs	(129.4)	(115.4)	(14.0)	(12.1)
Total operating income	929.2	1,100.9	(171.7)	(15.6)
Net interest expense	(119.9)	(106.7)	(13.2)	(12.4)
Other income (expense) net	(25.2)	(9.6)	(15.6)	(162.5)
Income from continuing operations before income taxes	784.1	984.6	(200.5)	(20.4)
Income tax expense	(207.8)	(293.0)	85.2	29.1
Income from continuing operations	576.3	691.6	(115.3)	(16.7)
Income from discontinued operations	34.5	7.6	26.9	353.9
Consolidated net income	610.8	699.2	(88.4)	(12.6)
Net income attributable to noncontrolling interests	(13.5)	(18.0)	4.5	25.0
Net income attributable to Goodrich	$ 597.3	$ 681.2	$ (83.9)	(12.3)
Effective tax rate	26.5%	29.8%		
Diluted EPS:				
Continuing operations	$ 4.43	$ 5.29	$ (0.86)	(16.3)
Net income attributable to Goodrich	$ 4.70	$ 5.35	$ (0.65)	(12.1)

(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 3, Business Segment Information to our consolidated financial statements.

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Sales

The sales decrease in 2009 as compared to 2008 was driven by changes in our major market channels as follows:

Large commercial, regional, business and general aviation airplane aftermarket sales decreased by approximately $392 million, or 16%; and

Regional, business and general aviation airplane original equipment sales decreased by approximately $190 million, or 31%; partially offset by

Defense and space sales of both original equipment and aftermarket products and services increased by approximately $187 million, or 10%; and

Large commercial airplane original equipment sales increased by approximately $53 million, or 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 unfavorable foreign exchange and higher share-based compensation, as discussed below, partially offset by reductions in discretionary spending.

Net interest expense

Net interest expense increased primarily as a result of higher net borrowings partially offset by favorable interest rates.

Other income (expense) net

Other income (expense) net increased for 2009 as compared to 2008, primarily as a result of:

A net gain of approximately $13 million recognized in 2008 in connection with the formation of Aero Engine Controls, a joint venture (JV) with Rolls-Royce (see Note 4, Other Income (Expense) Net of our consolidated financial statements); and

Lower income of approximately $6 million from equity in affiliated companies; partially offset by

Lower legal and environmental expenses 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 2009 as compared to 2008 was also affected by the following items:

	Increase (Decrease)		
	Before Tax	After Tax	Diluted EPS
	(Dollars in millions, except diluted EPS)		
Lower effective tax rate	$	$ 25.5	$ 0.20
Higher pension and postretirement benefits expense	$ (102.0)	$ (63.9)	$ (0.51)
Changes in estimates on long-term contracts	$ (66.8)	$ (41.8)	$ (0.33)
Higher share-based compensation	$ (30.3)	$ (19.3)	$ (0.16)
Foreign exchange, including net monetary asset remeasurement	$ (22.3)	$ (13.9)	$ (0.10)
Higher restructuring costs	$ (19.5)	$ (12.2)	$ (0.10)

Lower effective tax rate

For 2009, we reported an effective tax rate of 26.5% as compared to 29.8% for 2008. The decrease in the effective tax rate was primarily due to reductions in estimated state tax obligations and foreign and domestic tax credits. See Note 13, Income Taxes to our consolidated financial statements.

Higher pension and postretirement benefits expense

The increase in pension and postretirement benefits expense was primarily due to the investment losses of our plan assets in 2008 partially offset by the effect of a higher discount rate.

Changes in estimates on long-term contracts

During 2009 and 2008, we revised estimates on certain of our long-term contracts, primarily in our aerostructures and aircraft wheels and brakes businesses, resulting in lower income of approximately $67 million compared to 2008. These revisions were primarily related to favorable cost and operational performance, changes in volume expectations and to some extent, sales pricing improvements on follow-on contracts.

Higher share-based compensation

The increase in share-based compensation was primarily due to the impact of the favorable change in our share price, which increased by 74%, for our performance units and Outside Director Phantom Share Plan, resulting in higher expense of approximately $30 million.

Foreign exchange

The net unfavorable foreign exchange was due to the following:

Approximately $89 million of lower net gains on cash flow hedges settled during 2009, partially offset by approximately $76 million of favorable foreign currency translation of net costs in currencies other than the U.S. Dollar; and

Approximately $54 million of decreased net transaction gains relating to re-measuring monetary assets/liabilities into the local functional currency, partially offset by

approximately $45 million of higher net gains on forward contracts we entered into to offset the impact of net monetary asset gains/losses.

Higher restructuring costs

The increase in restructuring costs was primarily due to severance costs during 2009.

Income from discontinued operations

Income from discontinued operations increased primarily due to the favorable resolution of an insurance claim related to a past environmental matter in 2009 partially offset by a gain on the sale of a previously discontinued business in 2008 that did not recur in 2009.

2011 OUTLOOK

We expect the following approximate results for the year ending December 31, 2011:

	2011 Outlook	**2010 Actual**
Sales	$7.7 billion to $7.8 billion	$7 billion
Diluted EPS Income From Continuing Operations Attributable to Goodrich	$5.30 to $5.45 per share	$4.50 per share
Diluted EPS Net Income Attributable to Goodrich	$5.30 to $5.45 per share	$4.51 per share
Capital Expenditures	$300 million to $350 million	$222.3 million
Operating Cash Flow minus Capital Expenditures	Exceed 85% of net income attributable to Goodrich	50% of net income attributable to Goodrich

Our 2011 sales and net income outlook does not include the impact of potential acquisitions, divestitures or restructuring activities. Our 2011 outlook includes, among other factors:

Lower worldwide pre-tax pension expense of approximately $74 million, or $0.37 per diluted share. The estimate for 2011 pension expense is based on a 2010 actual return on U.S. plan assets of 14% and a 2011 U.S. discount rate of 5.67%, both of which reflect conditions as of December 31, 2010. The lower 2011 pension expense is primarily 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 $300 million in incremental contributions that we made in 2010 and favorable returns on our plan assets. We also have reduced our expected long-term rate of return on U.S. plan assets to 8.25% as of January 1, 2011, compared to the prior assumption of 8.75%; and

A full-year effective tax rate of approximately 30% for 2011.

Sales

Our current market assumptions for each of our major market channels for the full year 2011 outlook compared to 2010 include the following:

Large commercial airplane original equipment sales are expected to increase approximately $279 million, or 15%. This outlook assumes all announced production rate increases are implemented and Boeing 787 and

747-8 deliveries are consistent with the latest schedule announced by Boeing;

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- Regional, business and general aviation airplane original equipment sales are expected to grow approximately $125 million, or 30%, including sales associated with the acquisition of DeCrane s cabin management assets which occurred in September 2010. Excluding the sales from the DeCrane acquisition, sales would be expected to increase approximately 6%;

- Large commercial, regional, business and general aviation airplane aftermarket sales are expected to increase approximately 7% to 9%; and

- Defense and space sales of both original equipment and aftermarket products and services are expected to increase approximately 7% to 9%.

Cash Flow

We expect net cash provided by operating activities, minus capital expenditures, to exceed 85% of net income. This outlook reflects ongoing investments to support the current schedule for the Boeing 787 and Airbus A350 XWB airplane programs, fixed assets and working capital to support announced production rate increases associated with the Boeing 737 and Airbus A320 airplanes, and competitive cost country manufacturing and productivity initiatives that are expected to enhance margins over the near and long term. We expect capital expenditures in 2011 to be approximately $300 million to $350 million. Worldwide pension plan contributions are expected to be approximately $100 million.

BUSINESS SEGMENT PERFORMANCE

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.

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, see Note 3, Business Segment Information to our consolidated financial statements.

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

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

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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

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 intelligence, surveillance and reconnaissance systems 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 intelligence, surveillance and reconnaissance business, which resulted in lower income of approximately $5 million.

Year Ended December 31, 2009 Compared with the Year Ended December 31, 2008

	Year Ended December 31, 2009	Year Ended December 31, 2008	$ Change	% Change	% Sales 2009	% Sales 2008
	(Dollars in millions)					
NET CUSTOMER SALES						
Actuation and Landing Systems	$ 2,524.3	$ 2,614.9	$ (90.6)	(3.5)		
Nacelles and Interior Systems	2,322.6	2,485.6	(163.0)	(6.6)		
Electronic Systems	1,838.7	1,961.2	(122.5)	(6.2)		
Total Sales	$ 6,685.6	$ 7,061.7	$ (376.1)	(5.3)		
SEGMENT OPERATING INCOME						
Actuation and Landing Systems	$ 266.9	$ 300.0	$ (33.1)	(11.0)	10.6	11.5
Nacelles and Interior Systems	515.3	647.5	(132.2)	(20.4)	22.2	26.1
Electronic Systems	276.4	268.8	7.6	2.8	15.0	13.7
Segment Operating Income	$ 1,058.6	$ 1,216.3	$ (157.7)	(13.0)	15.8	17.2

Actuation and Landing Systems: Actuation and Landing Systems segment sales for 2009 decreased from 2008 primarily due to the following:

Lower large commercial, regional, business and general aviation airplane aftermarket sales across all businesses of approximately $107 million;

Lower regional, business and general aviation airplane OE sales across all businesses of approximately $42 million; and

Lower non-aerospace sales of approximately $24 million, primarily in our engine components business; partially offset by

Higher defense and space OE and aftermarket sales across all businesses of approximately $45 million; and

Higher large commercial airplane OE sales of approximately $42 million, primarily in our landing gear and actuation systems businesses.

Actuation and Landing Systems segment operating income for 2009 decreased from 2008 primarily as a result of the following:

Lower sales volume and unfavorable product mix across most businesses resulting in lower income of approximately $55 million;

Higher pension and restructuring costs across most businesses, which resulted in lower income of approximately $39 million;

Lower income of approximately $30 million related to changes in estimates for certain long-term contracts in our wheels and brakes business that were more favorable in 2008; and

Unfavorable foreign exchange of approximately $9 million; partially offset by

Favorable pricing and reduced operating costs across most businesses, which resulted in higher income of approximately $100 million.

Nacelles and Interior Systems: Nacelles and Interior Systems segment sales for 2009 decreased from 2008 primarily due to the following:

Lower large commercial, regional, business and general aviation airplane aftermarket sales of approximately $192 million, primarily in our aerostructures and interiors businesses; and

Lower regional, business, and general aviation airplane OE sales of approximately $52 million, primarily in our aerostructures business; partially offset by

Higher large commercial airplane OE sales of approximately $66 million, primarily in our aerostructures and interiors businesses; and

Higher defense and space OE and aftermarket sales of approximately $21 million, primarily in our aerostructures and interiors businesses.

Nacelles and Interior Systems segment operating income for 2009 decreased from 2008 primarily due to the following:

Lower sales volume partially offset by favorable product mix, primarily in our interiors and aerostructures businesses, which resulted in lower income of approximately $144 million;

Higher pension and restructuring costs across most businesses, which resulted in lower income of approximately $55 million; and

Lower income of approximately $35 million related to changes in estimates for certain long-term contracts in our aerostructures business that were more favorable in 2008; partially offset by

Favorable pricing and reduced operating costs across all businesses, which resulted in higher income of approximately $95 million; and

Favorable foreign exchange of approximately $7 million.

Electronic Systems: Electronic Systems segment sales for 2009 decreased from 2008 primarily due to the following:

Lower engine controls sales of approximately $125 million which are no longer being reported by us. Sales in 2009 are recorded by the JV that was formed in the fourth quarter of 2008;

Lower large commercial, regional, business and general aviation airplane aftermarket sales primarily in our sensors and integrated systems and engine controls and electrical power businesses of approximately $75 million; and

Lower regional, business and general aviation airplane OE sales of approximately $76 million, primarily in our sensors and integrated systems and engine controls and electrical power businesses; partially offset by

Higher defense and space OE and aftermarket sales of approximately $146 million, primarily in our sensors and integrated systems and intelligence, surveillance and reconnaissance systems businesses, including sales of approximately $48 million associated with the acquisitions of Recon/Optical, Inc. (ROI) which occurred during the third quarter of 2008 and Cloud Cap Technology, Inc. (Cloud Cap) and AIS which occurred during 2009.

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Electronic Systems segment operating income for 2009 increased from 2008 primarily due to the following:

- The favorable effect of the JV on the segment s operating income of approximately $19 million. We recorded our portion of the JV s 2009 operating results in other income (expense) net; and

- Favorable pricing and reduced operating costs across most businesses, which resulted in higher income of approximately $53 million; partially offset by

- Lower sales volume, primarily in our sensors and integrated systems and engine controls and electrical power businesses, and unfavorable product mix, primarily in our sensors and integrated systems business, which resulted in lower income of approximately $42 million; and

- Higher pension and restructuring costs across most businesses, which resulted in lower income of approximately $23 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 $3,455 million or 50% of total sales, $3,387 million or 51% of total sales and $3,541 million or 50% of total sales for 2010, 2009 and 2008, 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, including our share repurchase program, 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.

The following events have affected our liquidity and capital resources during 2010:

- We paid dividends of $0.27 per share on January 4, April 1, July 1 and October 1 and a dividend of $0.29 per share on December 30;

- We repurchased 2.2 million shares for $166.9 million under our share repurchase program;

- We contributed approximately $444 million to our worldwide qualified and non-qualified pension plans;

On June 9, 2010, we acquired Crompton Technology Group, Ltd. (CTG), a leading designer and manufacturer of advanced carbon fiber composite products for the aerospace, defense, advanced vehicle and clean energy markets, for $51.7 million, net of cash acquired. CTG is reported in the Actuation and Landing Systems segment;

On September 13, 2010, we issued $600 million principal amount of 3.6% senior notes which mature on February 1, 2021. We used the net proceeds to fund the redemption of our senior notes discussed below and for other general corporate purposes including worldwide defined benefit pension plan contributions;

On September 22, 2010, we acquired the cabin management assets of DeCrane, a leading provider of seating, furniture, veneers and cabin management systems for the business jet market, for $281 million, net of cash acquired. DeCrane is reported in the Nacelles and Interior Systems segment; and

On October 12, 2010, we redeemed our $257,460,000 principal amount 7.625% senior notes due in 2012 and recognized a net loss on the redemption of approximately $35 million.

Cash

At December 31, 2010, we had cash and cash equivalents of $798.9 million, as compared to $811 million at December 31, 2009.

Credit Facilities

We have the following amounts available under our credit facilities:

$500 million committed global revolving credit facility that expires in May 2012, of which $437.5 million was available at December 31, 2010; and

$75 million of uncommitted domestic money market facilities, of which $52.3 million was available at December 31, 2010, and $151.4 million of uncommitted and committed foreign working capital facilities with various banks to meet short-term borrowing and documentary credit requirements, of which $147 million was available at December 31, 2010.

Long-Term Financing

At December 31, 2010, we had long-term debt and capital lease obligations, including current maturities, of $2,354.3 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 $183.5 million at December 31, 2010.

One of these arrangements allows us, rather than the lessor, to claim a deduction for tax depreciation on the asset and allows us to lease a corporate aircraft with a total commitment amount of $42.5 million. For accounting purposes, we were deemed to be the owner of the aircraft during the construction period and recorded an asset with an offsetting lease obligation of approximately $42 million. This lease will qualify for sales-leaseback treatment upon lease commencement in 2011 and will be priced at a spread over LIBOR.

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, 2010, our contracts had a notional amount of $2,286.5 million, fair value of a $30.6 million net asset and maturity dates ranging from January 2011 to December 2015. The amount of accumulated other comprehensive income that would be reclassified into earnings in the next 12 months is a loss of $2.4 million. During 2010, 2009 and 2008 we realized net losses of $32.2 million and $49.6 million and a net gain of $38.4 million, respectively, related to contracts that settled.
>
> ***Foreign Currency Contracts not Designated as Hedges:*** At December 31, 2010, our contracts had a notional amount of $14.9 million and a fair value of a $0.2 million net liability. During 2010, 2009 and 2008, we realized net losses of $26.2 million, net gains of $9.8 million and net losses of $34.8 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.

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Contractual Obligations and Other Commercial Commitments

The following table reflects our contractual obligations and commercial commitments as of December 31, 2010. 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	2011	2012-2013	2014-2015	Thereafter
			(Dollars in millions)		
Contractual Obligations Payments Due by Period					
Short-Term and Long-Term Debt	$ 2,343.7	$ 4.1	$	$	$ 2,339.6
Capital Lease Obligations	21.4	2.4	3.8	3.3	11.9
Operating Leases	183.5	43.4	60.1	33.4	46.6
Purchase Obligations(1)	811.2	750.3	54.2	5.9	0.8
Other Long-Term Obligations(2)	135.9	24.1	10.9	23.4	77.5
Total	$ 3,495.7	$ 824.3	$ 129.0	$ 66.0	$ 2,476.4
Other Commercial Commitments Amount of Commitments that Expire per Period					
Lines of Credit(3)	$	$	$	$	$
Standby Letters of Credit & Bank Guarantees	120.0	77.3	37.8	0.6	4.3
Guarantees	90.7	10.9	23.2	26.5	30.1
Standby Repurchase Obligations					
Other Commercial Commitments	30.0	8.2	6.9	4.6	10.3
Total	$ 240.7	$ 96.4	$ 67.9	$ 31.7	$ 44.7

(1) 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.

(2) Includes participation payments of approximately $73 million for aircraft component delivery programs, most of which is to be paid by 2019.

(3) As of December 31, 2010, we had in place a committed syndicated revolving credit facility which expires in May 2012 and permits borrowing up to a maximum of $500 million; $75 million of uncommitted domestic money market facilities; and $151.4 million of uncommitted and committed foreign working capital facilities. As of December 31, 2010, we had borrowing capacity under our committed syndicated revolving credit facility of $437.5 million.

The table excludes our pension and other postretirement benefits obligations. Worldwide pension contributions were $444.1 million and $237.5 million in 2010 and 2009, respectively. These contributions include both voluntary and required employer contributions, as well as pension benefits paid directly by us. Of these amounts, $392 million and

$182 million were contributed to the qualified U.S. pension plans in 2010 and 2009, respectively. We expect to make pension contributions of approximately $100 million to our worldwide pension plans during 2011. 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 $27.2 million and $34.3 million in 2010 and 2009, respectively. We expect to

make net payments of approximately $30 million during 2011. See Note 12, Pensions and Postretirement Benefits of our consolidated financial statements for a further discussion of our pension and postretirement other than pension plans.

The table also excludes our liability for unrecognized tax benefits of $147.1 million as of December 31, 2010, since we cannot predict with reasonable reliability the timing of cash settlements to the respective taxing authorities.

CASH FLOW

The following table summarizes our cash flow activity for 2010, 2009 and, 2008:

Net Cash Provided by (Used in):	Year Ended December 31, 2010	2009	2008
	(Dollars in millions)		
Operating activities of continuing operations	$ 514.3	$ 656.5	$ 786.6
Investing activities of continuing operations	$ (566.0)	$ (561.8)	$ (410.0)
Financing activities of continuing operations	$ 49.2	$ 304.6	$ (414.4)
Discontinued operations	$ (0.7)	$ 34.1	$ 13.1

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 completed the following acquisitions during 2010:

- CTG for $51.7 million, net of cash acquired; and
- The cabin management assets of DeCrane, for $281 million, net of cash acquired.

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.

The Company s share repurchase program was initially approved by the Board of Directors on October 24, 2006 and increased by the Board on February 19, 2008, for $600 million in total. On

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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, 2010, we have repurchased approximately 8.9 million shares for approximately $537 million at an average price of $60.54 per share.

Year Ended December 31, 2009 as Compared to December 31, 2008

Operating Activities of Continuing Operations

The decrease in net cash provided by operating activities for 2009 compared to 2008 is primarily due to the following:

- During 2008, we received $115 million from Rolls-Royce related to the formation of the JV; and
- Lower income from continuing operations and higher spending on non-product inventory partially offset by lower growth in working capital; partially offset by
- Lower net tax payments of approximately $73 million.

Investing Activities of Continuing Operations

Net cash used by investing activities for 2009 and 2008 included capital expenditures of $169 million and $284.7 million, respectively. We completed the following acquisitions during 2009:

- Cloud Cap for $29.2 million, net of cash acquired; and
- AIS for $362.2 million, net of cash acquired.

Financing Activities of Continuing Operations

The increase in net cash provided by financing activities for 2009 compared to 2008 consisted primarily of the following:

- $597 million in net proceeds from the issuance of senior notes; and
- Lower purchases of our common stock in connection with our share repurchase program of approximately $115 million.

Discontinued Operations

Net cash provided by discontinued operations for 2009 was primarily due to the resolution of an insurance claim related to a past environmental matter. Net cash provided by discontinued operations for 2008 primarily consisted of the finalization of the purchase price for ATS which was sold during 2007 and proceeds from the sale of a previously discontinued operation.

CONTINGENCIES

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.

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.

Our consolidated balance sheet included an accrued liability for environmental remediation obligations of $67.7 million and $66.1 million at December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, $14.6 million and $11.3 million, respectively, of the accrued liability for environmental remediation were included in accrued expenses. At December 31, 2010 and 2009, $27.3 million and $25.3 million, respectively, was associated with ongoing operations and $40.4 million and $40.8 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.

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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 historical primary and excess layers of pre-1986 insurance coverage for third party claims was provided by certain insurance carriers 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. A portion of these settlements was recorded as income for reimbursement of past claim payments under the settled insurance policies and a portion was recorded as a deferred settlement credit for future claim payments.

At December 31, 2010 and 2009, the deferred settlement credit was $48.6 million and $45 million, respectively, for which $5.7 million and $6.1 million, respectively, was reported in accrued expenses and $42.9 million and $38.9 million, respectively, was reported in other non-current liabilities. 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.

Guarantees

At December 31, 2010, we had letters of credit and bank guarantees of $120 million and residual value guarantees of lease obligations of $32 million. See Note 10, Financing Arrangements and Note 14, Supplemental Balance Sheet Information to our consolidated financial statements. At December 31, 2010, we were a guarantor on a revolving credit agreement totaling £30 million between the JV and a financial institution. In addition, we guarantee the JV s foreign exchange credit line with a notional amount of $167.3 million and a fair value asset of $1.3 million at December 31, 2010. We are indemnified by Rolls-Royce for 50% of the gains/losses resulting from the foreign exchange hedges.

Aerostructures Long-term Contracts

Our aerostructures business in the Nacelles and Interior Systems segment has several long-term contracts in the pre-production phase, including the Airbus A350 XWB and the Pratt and Whitney PurePower^{tm} PW1000G engine contracts, and in the early production phase, including

the Boeing 787. These contracts are accounted for in accordance with long-term construction contract accounting.

The pre-production phase includes design of the product to meet customer specifications as well as design of the processes to manufacture the product. Also involved in this phase is securing the supply of material and subcomponents produced by third party suppliers, generally accomplished through long-term supply agreements.

Contracts in the early production phase include excess-over-average inventories, which represent the excess of current manufactured cost over the estimated average manufactured cost during the life of the contract.

Cost estimates over the lives of contracts are affected by estimates of future cost reductions including learning curve efficiencies. Because these contracts cover manufacturing periods of up to 20 years or more, there is risk associated with the estimates of future costs made during the pre-production and early production phases. These estimates may be different from actual costs due to various factors, including the following:

- 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.

Additionally, total contract revenue is based on estimates of future units to be delivered to the customer, the ability to recover costs incurred for change orders and claims and sales price escalation, where applicable. There is a risk that there could be differences between the actual units delivered and the estimated total units to be delivered under the contract and differences in actual revenues compared to estimates. Changes in estimates could have a material impact on our results of operations and cash flows.

Provisions for estimated losses on uncompleted contracts are recorded in the period such losses are determined to the extent total estimated costs exceed total estimated contract revenues.

Aerostructures 787 Contract with Boeing

During 2004, our aerostructures business entered into a long-term contract with Boeing on the 787 program. Our latest outlook estimates original equipment sales in excess of $5 billion for this contract. Aftermarket sales associated with this program are not accounted for using the percentage-of-completion method of accounting.

The Boeing 787 program has experienced delays in its development schedule. Boeing requested changes and enhancements in the design of our product. Under the terms of our contract, we were entitled to equitable adjustments. In accordance with these provisions, we asserted adjustments that were material. During 2010, we finalized an

agreement with Boeing that resolved the assertions. The financial terms of the agreement were consistent with our outlook and did not have a material effect on our financial position, results of operations and/or cash flows.

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JSTARS Program

In 2002, Seven Q Seven, Ltd. (7Q7) was selected by Northrop Grumman Corporation to provide propulsion pods for the re-engine program for the JT3D engines used by the U.S. Air Force. We were selected by 7Q7 as a supplier for the inlet, thrust reverser, exhaust, EBU, strut systems and wing interface systems. As of December 31, 2010, we have approximately $21 million (net of advances of $11.3 million) of pre-production costs and inventory related to this program.

Future program funding remains uncertain and there can be no assurance of such funding. If the program were to be cancelled, we would recognize an impairment.

U.S. Health Care Reform Legislation

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Act of 2010 (the Act) were enacted. The primary focus of the Act is to significantly reform health care in the U.S. The financial impact on us that was recognized in 2010 was the elimination of a portion of the tax deduction available to companies that provide prescription drug coverage to retirees as discussed in Note 13, Income Taxes . In addition, we have included the potential impact of the excise tax in the valuation of our OPEB liability as of December 31, 2010. We continue to evaluate the various provisions of the Act.

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 2005 and 2006

During 2009, the IRS issued a Revenue Agent s Report 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. If the IRS were to prevail, we believe the amount of the estimated tax liability is fully reserved. We cannot predict the timing or ultimate outcome of a final resolution of the remaining unresolved issues.

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

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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.

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. The U.S. Tax Court is in the process of evaluating the terms of the settlement agreement and processing the litigants request to dismiss the matter. If the U.S. Tax Court accepts the settlement agreement, we expect to recognize a tax benefit of approximately $20 million in 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, we reached a comprehensive settlement with the California Franchise Tax Board on all issues for 1985 through 2001. We recognized a tax benefit of approximately $23 million in the fourth quarter of 2010.

NEW ACCOUNTING STANDARDS NOT YET ADOPTED

As of December 31, 2010, there were no new accounting standards applicable to us that have not yet been adopted.

CRITICAL ACCOUNTING POLICIES

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, and 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.

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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 8, 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.

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. We test goodwill for impairment by first comparing the book value of net assets to the fair value of the related reporting units. If the fair value is determined to be less than book value, a second step is performed to compute the amount of the impairment. In this process, a fair value for goodwill is estimated, based in part on the fair value of the operations, and is compared to its carrying value. The amount of the fair value below carrying value represents the amount of goodwill impairment. Based upon the assumptions as of our November 30, 2010 testing date, none of our reporting units were at risk of their book value of net assets exceeding their respective fair value.

We estimate the fair values of the reporting units using discounted cash flows. Forecasts of future cash flows are based on our best estimate of future sales and operating costs, based primarily on existing firm orders, expected future orders, contracts with suppliers, labor agreements and general market conditions. Changes in these forecasts could significantly change the amount of impairment recorded, if any impairment exists. The cash flow forecasts are adjusted by a long-term growth rate and a discount rate derived from our weighted-average cost of capital at the date of evaluation.

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 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, 2010 and 2009, the carrying amount of participation payments was $116.7 million and $117.4 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 2010, 2009 or 2008. See Note 14, 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, 2010 and 2009, the carrying amount of sales incentives was $55.6 million and $60.4 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 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 2010, 2009 or 2008. See Note 14, 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, 2010 and 2009, the carrying amount of flight certification costs was $42.8 million and $45 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 2010, 2009 or 2008. See Note 14, 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 5, Share-Based Compensation , to our consolidated financial statements.

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:

	Estimated 2011	**2010**	**2009**	**2008**
Risk-free interest rate %	2.2	2.9	1.8	3.3
Expected dividend yield %	1.3	1.6	2.6	1.3
Historical volatility factor %	35.6	35.0	33.3	31.2
Weighted-average expected life of the options (years)	5.6	5.7	5.6	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 is estimated to be $88.64 for 2011 and was $65.46, $38.39 and $69.48 per unit during 2010, 2009 and 2008, 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.

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 12, Pensions and Postretirement Benefits .

We generally amortize the actuarial gains and losses for our pension plans over the average future service period of the active participants. However, in 2011, we will amortize 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. Additionally, as of January 1, 2011 we reduced the expected long-term rate of return assumption for the U.S. and U.K. plan assets to 8.25%.

Sensitivity Analysis

The table below quantifies the approximate impact at December 31, 2010 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.

	.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	$ (121.2)	$ 125.6

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	$ 0.9	$ (0.8)
Increase (decrease) in accumulated postretirement benefit obligation		
Health care cost trend rate	$ 19.3	$ (17.3)

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 statements 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 and A380, the Boeing 787, 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 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 Boeing 787, the Airbus A380 and A350 XWB aircraft programs, and major military programs, including 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;

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- the extent to which we are successful in integrating and achieving expected operating synergies for recent and future acquisitions;
- 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;
- 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; and
- the impact of labor difficulties or work stoppages at our, a customer s or a supplier s facilities.

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 16, 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, 2010, a hypothetical 100 basis point unfavorable change in interest rates would increase annual interest expense by approximately $0.2 million. At December 31, 2010 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	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**	**Total**	**Fair Value**
					(Dollars in millions)			
Fixed Rate	$	$	$	$	$	$ 2,344.3	$ 2,344.3	$ 2,515.3
Average Interest Rate						5.7%	5.7%	
Variable Rate	$ 4.1					$ 16.5	$ 20.6	$ 20.6
Average Interest Rate	2.7%					1.0%	1.3%	
Capital Lease Obligations	$ 2.4	$ 2.0	$ 1.8	$ 1.7	$ 1.6	$ 11.9	$ 21.4	$ 14.7

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 2010. Approximately 7% of our revenues and approximately 19% 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 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, 2010 we had the following forward contracts:

Currency	Notional Amount (Dollars in millions)		Buy/Sell
Great Britain Pounds Sterling	$	912.6	Buy
Euros	$	723.8	Buy
Canadian Dollars	$	586.0	Buy
Polish Zlotys	$	64.1	Buy

These forward contracts mature on a monthly basis with maturity dates that range from January 2011 to December 2015.

At December 31, 2010, 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 $245 million. The fair value of these foreign currency forward contracts was an asset of $30.6 million at December 31, 2010. 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, 2010, our contracts had a notional amount of $14.9 million and a fair value of a $0.2 million net liability.

Item 8. ***Financial Statements***

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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, 2010. 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, 2010.

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 58.