

GOODRICH CORP
Form 10-Q
October 22, 2009

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 10-Q**

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

For the quarterly period ended September 30, 2009

OR

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

For the transition period from _____ to _____

Commission file number 1-892

GOODRICH CORPORATION

(Exact name of registrant as specified in its charter)

New York

(State of Incorporation)

34-0252680

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

**Four Coliseum Centre
2730 West Tyvola Road**

Charlotte, North Carolina

(Address of Principal Executive Offices)

28217

(Zip Code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

At September 30, 2009, there were 124,357,280 shares of common stock outstanding (excluding 14,000,000 shares held by a wholly owned subsidiary). There is only one class of common stock.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

<u>Item 1. Financial Statements</u>	3
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	29
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	63
<u>Item 4. Controls and Procedures</u>	63

PART II. OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	64
<u>Item 1A. Risk Factors</u>	64
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	64
<u>Item 6. Exhibits</u>	65
SIGNATURE	66
<u>EXHIBIT INDEX</u>	67

EX-10.1

EX-10.2

EX-10.3

EX-15

EX-31.1

EX-31.2

EX-32

EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have reviewed the condensed consolidated balance sheet of Goodrich Corporation as of September 30, 2009, and the related condensed consolidated statement of income for the three- and nine- month periods ended September 30, 2009 and 2008, and the condensed consolidated statement of cash flows for the nine-month period ended September 30, 2009 and 2008. These financial statements are the responsibility of the Company's management. We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Goodrich Corporation as of December 31, 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, not presented herein; and in our report dated February 16, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2008, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Charlotte, North Carolina
October 22, 2009

Table of Contents**CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	(Dollars in millions, except per share amounts)			
Sales	\$ 1,647.7	\$ 1,772.3	\$ 5,043.3	\$ 5,366.6
Operating costs and expenses:				
Cost of sales	1,169.2	1,214.9	3,553.2	3,715.2
Selling and administrative costs	249.6	260.6	752.0	791.6
	1,418.8	1,475.5	4,305.2	4,506.8
Operating Income	228.9	296.8	738.1	859.8
Interest expense	(30.7)	(26.7)	(90.2)	(85.2)
Interest income	0.3	1.4	1.0	5.1
Other income (expense) net	(7.9)	(5.6)	(18.7)	(18.4)
Income from continuing operations before income taxes	190.6	265.9	630.2	761.3
Income tax expense	(45.7)	(94.1)	(162.4)	(242.5)
Income From Continuing Operations	144.9	171.8	467.8	518.8
Income from discontinued operations net of income taxes	3.3	0.2	35.0	7.5
Consolidated Net Income	148.2	172.0	502.8	526.3
Net income attributable to noncontrolling interests	(2.8)	(4.0)	(10.5)	(13.8)
Net Income Attributable to Goodrich	\$ 145.4	\$ 168.0	\$ 492.3	\$ 512.5
Amounts attributable to Goodrich:				
Income from continuing operations	\$ 142.1	\$ 167.8	\$ 457.3	\$ 505.0
Income from discontinued operations net of income taxes	3.3	0.2	35.0	7.5
Net Income Attributable to Goodrich	\$ 145.4	\$ 168.0	\$ 492.3	\$ 512.5
Earnings per common share attributable to Goodrich:				
Basic Earnings Per Share				
Continuing operations	\$ 1.13	\$ 1.33	\$ 3.64	\$ 3.99
Discontinued operations	0.02		0.28	0.06
Net Income Attributable to Goodrich	\$ 1.15	\$ 1.33	\$ 3.92	\$ 4.05
Diluted Earnings Per Share				

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Continuing operations	\$ 1.12	\$ 1.32	\$ 3.61	\$ 3.95
Discontinued operations	0.02		0.27	0.06
Net Income Attributable to Goodrich	\$ 1.14	\$ 1.32	\$ 3.88	\$ 4.01
Dividends Declared Per Common Share	\$ 0.25	\$ 0.225	\$ 0.75	\$ 0.675

See Notes to Condensed Consolidated Financial Statements (Unaudited)

4

Table of Contents**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**

	September 30, 2009	December 31, 2008
	(Dollars in millions, except share amounts)	
Current Assets		
Cash and cash equivalents	\$ 789.6	\$ 370.3
Accounts and notes receivable, less allowances for doubtful receivables (\$16.9 at September 30, 2009 and \$17.2 at December 31, 2008)	1,127.8	1,048.9
Inventories net	2,181.9	1,974.7
Deferred income taxes	144.6	153.5
Prepaid expenses and other assets	63.9	47.2
Income taxes receivable	18.0	73.7
Total Current Assets	4,325.8	3,668.3
Property, plant and equipment net	1,390.8	1,391.4
Prepaid pension	0.7	0.6
Goodwill	1,423.1	1,390.2
Identifiable intangible assets net	411.6	402.8
Deferred income taxes	93.7	92.0
Other assets	627.7	537.6
Total Assets	\$ 8,273.4	\$ 7,482.9
Current Liabilities		
Short-term debt	\$ 36.7	\$ 37.7
Accounts payable	562.6	646.4
Accrued expenses	949.1	1,005.3
Income taxes payable	96.1	5.6
Deferred income taxes	25.0	25.0
Current maturities of long-term debt and capital lease obligations	0.5	121.3
Total Current Liabilities	1,670.0	1,841.3
Long-term debt and capital lease obligations	1,708.7	1,410.4
Pension obligations	884.6	973.9
Postretirement benefits other than pensions	275.8	309.4
Long-term income taxes payable	164.2	172.3
Deferred income taxes	131.3	62.3
Other non-current liabilities	495.2	561.1
Shareholders Equity		
Common stock \$5 par value		
Authorized 200,000,000 shares; issued 144,958,814 shares at September 30, 2009 and 143,611,254 shares at December 31, 2008 (excluding 14,000,000 shares held by a wholly owned subsidiary)	724.8	718.1
Additional paid-in capital	1,577.8	1,525.3

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Income retained in the business	2,017.1	1,619.2
Accumulated other comprehensive income (loss)	(638.8)	(978.1)
Common stock held in treasury, at cost (20,601,534 shares at September 30, 2009 and 20,410,556 shares at December 31, 2008)	(800.9)	(793.2)
Total Shareholders Equity	2,880.0	2,091.3
Noncontrolling interests	63.6	60.9
Total Equity	2,943.6	2,152.2
Total Liabilities And Equity	\$ 8,273.4	\$ 7,482.9

See Notes to Condensed Consolidated Financial Statements (Unaudited)

5

Table of Contents**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

	Nine Months Ended September 30, 2009 2008 (Dollars in millions)	
Operating Activities		
Consolidated net income	\$ 502.8	\$ 526.3
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Income from discontinued operations	(35.0)	(7.5)
Restructuring and consolidation:		
Expenses	15.6	1.3
Payments	(10.1)	(1.7)
Pension and postretirement benefits:		
Expenses	149.1	76.9
Contributions and benefit payments	(202.5)	(124.2)
Depreciation and amortization	185.1	192.0
Excess tax benefits related to share-based payment arrangements	(3.3)	(8.4)
Share-based compensation expense	45.1	25.5
Deferred income taxes	12.1	(9.0)
Change in assets and liabilities, net of effects of acquisitions and divestitures:		
Receivables	(44.1)	(149.1)
Inventories, net of pre-production and excess-over-average	(28.0)	(144.4)
Pre-production and excess-over-average inventories	(124.9)	(83.3)
Other current assets	1.0	(2.8)
Accounts payable	(99.8)	107.9
Accrued expenses	(53.9)	(55.5)
Income taxes payable/receivable	135.7	151.2
Other non-current assets and liabilities	(17.9)	(34.4)
Net Cash Provided By Operating Activities	427.0	460.8
Investing Activities		
Purchases of property, plant and equipment	(115.0)	(189.6)
Proceeds from sale of property, plant and equipment	1.3	2.8
Payments made for acquisitions, net of cash acquired	(29.9)	(131.8)
Investments in and advances to equity investees	(1.5)	
Net Cash Used In Investing Activities	(145.1)	(318.6)
Financing Activities		
Increase (decrease) in short-term debt, net	(1.5)	90.6
Proceeds (repayments) of long-term debt and capital lease obligations	177.4	(198.1)
Proceeds from issuance of common stock	26.4	24.2
Purchases of treasury stock	(7.8)	(138.3)
Dividends paid	(94.1)	(85.7)
Excess tax benefits related to share-based payment arrangements	3.3	8.4
Distributions to noncontrolling interests	(7.8)	(6.8)

Net Cash Provided By (Used In) Financing Activities	95.9	(305.7)
Discontinued Operations		
Net cash provided by (used in) operating activities	34.2	(2.6)
Net cash provided by (used in) investing activities		15.7
Net cash provided by (used in) financing activities		
Net cash provided by discontinued operations	34.2	13.1
Effect of exchange rate changes on cash and cash equivalents	7.3	(8.7)
Net increase (decrease) in cash and cash equivalents	419.3	(159.1)
Cash and cash equivalents at beginning of period	370.3	406.0
Cash and cash equivalents at end of period	\$ 789.6	\$ 246.9

See Notes to Condensed Consolidated Financial Statements (Unaudited)

6

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****Note 1. Basis of Interim Financial Statement Preparation and Use of Estimates**

The accompanying unaudited condensed consolidated financial statements of Goodrich Corporation and its subsidiaries have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. Unless indicated otherwise or the context requires, the terms we, our, us, Goodrich or Company refer to Goodrich Corporation and its subsidiaries. The Company believes that all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain amounts in prior year financial statements have been reclassified to conform to the current year presentation. Operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that may be achieved for the twelve months ending December 31, 2009. For further information, refer to the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

The preparation of financial statements requires management to make estimates and assumptions that affect amounts recognized. Estimates and assumptions are reviewed and updated regularly as new information becomes available. During the three and nine months ended September 30, 2009 and 2008, the Company changed its estimates of revenues and costs on certain long-term contracts primarily in its aerostructures and aircraft wheels and brakes businesses. The changes in estimates increased income from continuing operations before income taxes during the three months ended September 30, 2009 and 2008 by \$12.6 million and \$38.7 million, respectively (\$7.9 million and \$23.7 million after tax, respectively). The changes in estimates increased income from continuing operations before income taxes during the nine months ended September 30, 2009 and 2008 by \$26.1 million and \$87.4 million, respectively (\$16.3 million and \$53.6 million after tax, respectively). 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.

Note 2. New Accounting Standards**New Accounting Standards Adopted in 2009*****Accounting Standards Codification***

The Accounting Standards Codification (ASC) has become the source of authoritative U.S. generally accepted accounting principles (U.S. GAAP). The ASC only changes the referencing of financial accounting standards and does not change or alter existing U.S. GAAP.

Fair Value Measurements

The Company adopted a new accounting standard included in ASC 820, Fair Value Measurements and Disclosures, which delayed the effective date for disclosing all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis (at least annually). This standard did not have a material impact on the Company's financial condition and results of operations. See Note 9, Fair Value Measurements.

Table of Contents

The Company adopted a new accounting standard included in ASC 715, *Compensation-Retirement Benefits*, which requires additional disclosures about assets held in an employer's defined benefit pension or other postretirement plan. This standard requires annual disclosures about the Company's pension and other postretirement plan assets. The adoption will not affect the Company's financial condition or results of operations.

Two-class Method of Computing Earnings Per Share

The Company adopted a new accounting standard included in ASC 260, *Earnings Per Share*, whereby unvested share-based payment awards that contains rights to receive nonforfeitable dividends or dividend equivalents (whether paid or unpaid) are participating securities, and thus, should be included in the two-class method of computing earnings per share (EPS). The adoption of this standard did not have a material impact on the Company's disclosure of EPS. See Note 8, *Earnings Per Share*.

Disclosures about Derivative Instruments and Hedging Activities

The Company adopted a new accounting standard included in ASC 815, *Derivatives and Hedging* requiring entities to provide greater transparency through additional disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under U.S. GAAP, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. See Note 19, *Derivatives and Hedging Activities*.

Business Combinations and Noncontrolling Interests

The Company adopted a new accounting standard included in ASC 810, *Consolidation*. The Company changed the presentation of its noncontrolling (minority) interests. See Note 15, *Noncontrolling Interests*.

The Company adopted a new accounting standard included in ASC 805, *Business Combinations* which significantly changed the accounting for and reporting of business combination transactions. This standard was effective for the Company for business combination transactions for which the acquisition date was on or after January 1, 2009. See Note 11, *Goodwill*, for business combination transactions during the nine months ended September 30, 2009.

Subsequent Events

The Company adopted a new accounting standard included in ASC 855, *Subsequent Events* which requires an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity will be required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, this standard requires an entity to disclose the date through which subsequent events have been evaluated. The Company has evaluated subsequent events through the time of filing of these condensed consolidated financial statements.

Table of Contents**New Accounting Standards Not Yet Adopted**

In June 2009, new accounting guidance was issued that is expected to be included in ASC 810, Consolidation. This statement amends the consolidation guidance applicable to variable interest entities and is effective as of the beginning of the first annual reporting period that begins after November 15, 2009. Upon adoption, the Company does not expect this standard to have a material impact on its financial condition or results of operations.

Note 3. Business Segment Information

The Company's 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, and control and safety data, and reconnaissance and surveillance systems.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	(Dollars in millions)			
Sales:				
Actuation and Landing Systems	\$ 629.3	\$ 664.2	\$ 1,879.2	\$ 2,035.9
Nacelles and Interior Systems	561.8	596.5	1,789.2	1,882.1
Electronic Systems	456.6	511.6	1,374.9	1,448.6
	\$ 1,647.7	\$ 1,772.3	\$ 5,043.3	\$ 5,366.6
Intersegment sales:				
Actuation and Landing Systems	\$ 6.7	\$ 8.5	\$ 20.4	\$ 26.4
Nacelles and Interior Systems	2.6	1.9	6.6	11.3
Electronic Systems	8.1	6.6	24.0	19.3
	\$ 17.4	\$ 17.0	\$ 51.0	\$ 57.0
Operating income:				
Actuation and Landing Systems	\$ 59.7	\$ 80.0	\$ 198.6	\$ 238.6
Nacelles and Interior Systems	130.8	162.4	414.7	501.9
Electronic Systems	70.4	79.3	211.4	199.8
	260.9	321.7	824.7	940.3
Corporate general and administrative expenses	(28.0)	(21.1)	(75.2)	(67.8)
ERP implementation costs	(4.0)	(3.8)	(11.4)	(12.7)

Total operating income	\$ 228.9	\$ 296.8	\$ 738.1	\$ 859.8
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Table of Contents**Note 4. Restructuring**

The Company incurred \$7.8 million and \$0.7 million of restructuring costs for the three months ended September 30, 2009 and 2008, respectively. The restructuring costs for the nine months ended September 30, 2009 and 2008 were \$15.6 million and \$1.3 million, respectively. The restructuring actions were primarily related to severance costs. The goal of these programs was to reduce operating costs. Restructuring costs by segment were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Dollars in millions)			
Actuation and Landing Systems	\$ 1.5	\$	\$ 3.1	\$
Nacelles and Interior Systems	3.1	0.7	9.2	1.3
Electronic Systems	3.2		3.3	
	\$ 7.8	\$ 0.7	\$ 15.6	\$ 1.3

Restructuring costs by income statement account were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Dollars in millions)			
Cost of sales	\$ 4.6	\$ 0.6	\$ 9.8	\$ 1.0
Selling and administrative costs	3.2	0.1	5.8	0.3
	\$ 7.8	\$ 0.7	\$ 15.6	\$ 1.3

Note 5. Other Income (Expense) net

Other Income (Expense) net consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Dollars in millions)			
Retiree health care expenses related to previously owned businesses	\$ (3.0)	\$ (3.8)	\$ (9.1)	\$ (14.6)
Expenses related to previously owned businesses	(1.2)	(2.1)	(3.4)	(5.9)
Equity in affiliated companies	(4.3)	0.5	(6.3)	1.5
Other net	0.6	(0.2)	0.1	0.6
Other income (expense) net	\$ (7.9)	\$ (5.6)	\$ (18.7)	\$ (18.4)

Note 6. Share-Based Compensation

During the three and nine months ended September 30, 2009 and 2008, the Company expensed share-based compensation awards under the Goodrich Equity Compensation Plan and the Goodrich Corporation 2008 Global Employee Stock Purchase Plan for employees and under the Outside Director Deferral and Outside Director Phantom Share plans for non-employee directors. A detailed description of the awards under these plans is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

Table of Contents

The compensation cost recorded for share-based compensation plans during the three months ended September 30, 2009 and 2008 was \$13.5 million and \$9.8 million, respectively. The compensation cost recorded for share-based compensation plans during the nine months ended September 30, 2009 and 2008 was \$45.1 million and \$25.5 million, respectively. The increase in expense in 2009 was primarily due to the increase in share price for the Performance Units and the Outside Director Phantom Share plans.

Note 7. Discontinued Operations

Income from discontinued operations was \$3.3 million (net of income taxes of \$1.9 million) and \$35 million (net of income taxes of \$20.8 million) for the three and nine months ended September 30, 2009, respectively. The income in the nine month period related primarily to the resolution of litigation for an environmental matter at a divested business that had been previously reported as a discontinued operation and favorable resolution of other divestiture liabilities. See Note 17, Contingencies for a discussion of this matter.

Income from discontinued operations was \$0.2 million and \$7.5 million (net of income taxes of \$0.6 million) for the three and nine months ended September 30, 2008, respectively. The income during the nine months ended September 30, 2008 included a gain on the sale of a previously discontinued business.

Note 8. Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(In millions, except per share amounts)			
Numerator				
Numerator for basic and diluted earnings per common share income from continuing operations attributable to Goodrich	\$ 142.1	\$ 167.8	\$ 457.3	\$ 505.0
Percentage allocated to common shareholders (1)	98.6%	98.6%	98.6%	98.6%
Numerator for basic and diluted earnings per common share	\$ 140.0	\$ 165.5	\$ 450.8	\$ 497.9
Denominator				
Denominator for basic earnings per common share weighted-average shares	124.1	124.4	124.0	124.9
Effect of dilutive securities: Stock options, employee stock purchase plan and other deferred compensation shares	1.4	1.0	1.0	1.3
Denominator for diluted earnings per common share adjusted weighted-average shares and assumed conversion	125.5	125.4	125.0	126.2
Per common share income from continuing operations				
Basic	\$ 1.13	\$ 1.33	\$ 3.64	\$ 3.99
Diluted	\$ 1.12	\$ 1.32	\$ 3.61	\$ 3.95

(1) Basic weighted-average common shares outstanding	124.1	124.4	124.0	124.9
Basic weighted-average common shares outstanding and unvested restricted share units expected to vest	125.9	126.1	125.7	126.6
Percentage allocated to common shareholders	98.6%	98.6%	98.6%	98.6%

Table of Contents

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

At September 30, 2009 and 2008, the Company had 4.9 million and 4.6 million, respectively, of outstanding stock options. Stock options are included in the diluted earnings per share calculation using the treasury stock method, unless the effect of including the stock options would be anti-dilutive. For the nine months ended September 30, 2009 and 2008, 0.9 million anti-dilutive stock options were excluded from the diluted earnings per share calculation. During the nine months ended September 30, 2009 and 2008, the Company issued 1.3 million and 1.1 million, respectively, of shares of common stock pursuant to stock option exercises and other share-based compensation plans. The Company's share repurchase program was initially approved by the Board of Directors on October 24, 2006 and increased by the Board of Directors on February 19, 2008, for \$600 million in total. During the nine months ended September 30, 2009, there were no share repurchases. From inception of the program through September 30, 2009, the Company has repurchased 6.4 million shares for approximately \$354 million under its share repurchase program. During the nine months ended September 30, 2008, the Company repurchased 2.5 million shares.

Note 9. Fair Value Measurements

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

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

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

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

Table of Contents

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

	Fair Value September 30,			Fair Value December 31,			Level 3
	2009	Level 1	Level 2	Level 3 2008	Level 1	Level 2	
(Dollars in millions)							
Cash Equivalents (1)	\$ 517.3	\$517.3	\$	\$	\$ 291.5	\$291.5	\$
Derivative Financial Instruments (2)							
Cash Flow Hedges	47.3		47.3		(156.1)		(156.1)
Fair Value Hedges	1.0		1.0				
Other Forward Contracts	(2.6)		(2.6)				
Rabbi Trust Assets (3)	42.4	42.4			41.9	41.9	
Long-term debt (4)	(1,832.8)		(1,832.8)		(1,540.1)		(1,540.1)

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

(2) See Note 19, Derivatives and Hedging Activities. Estimates of the fair value of the derivative financial instruments represent the Company's best estimates based on its valuation models, which incorporate industry data and trends and

relevant market rates and transactions.

- (3) Rabbi trust assets include mutual funds and cash equivalents for payment of certain non-qualified benefits for retired, terminated and active employees. The fair value of these assets was based on quoted market prices.
- (4) The carrying amount of the Company's long-term debt was \$1,702.5 million and \$1,525.1 million at September 30, 2009 and December 31, 2008, respectively. The fair value of long-term debt is based on quoted market prices or on rates available to the Company for debt with similar terms and maturities.

Note 10. Inventories

Inventories consist of the following:

September 30, 2009	December 31, 2008
(Dollars in millions)	

FIFO or average cost (which approximates current costs):

Finished products	\$ 241.7	\$ 225.2
In-process	1,382.1	1,253.6
Raw materials and supplies	653.0	595.7
	2,276.8	2,074.5
Less:		
Reserve to reduce certain inventories to LIFO basis	(54.1)	(56.2)
Progress payments and advances	(40.8)	(43.6)
Total	\$ 2,181.9	\$ 1,974.7

In-process inventory included \$764.6 million and \$633.1 million at September 30, 2009 and December 31, 2008, respectively, for the following: (1) pre-production and excess-over-average inventory accounted for under long-term contract accounting; and (2) engineering costs guaranteed of recovery under long-term contractual arrangements. The September 30, 2009 balance of \$764.6 million included \$445.4 million related to the Boeing 787 and \$116.3 million related to the Airbus A350 XWB contracts.

Table of Contents

The Company uses the last-in, first-out (LIFO) method of valuing inventory for certain of the Company's legacy aerospace manufacturing businesses, primarily the aircraft wheels and brakes business unit in the Actuation and Landing Systems segment. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time.

Note 11. Goodwill

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

	Balance December 31, 2008	Business Combinations (Dollars in millions)	Foreign Currency Translation	Balance September 30, 2009
Actuation and Landing Systems	\$ 289.6	\$	\$ 12.4	\$ 302.0
Nacelles and Interior Systems	439.8		3.5	443.3
Electronic Systems	660.8	14.1(1)	2.9	677.8
	\$ 1,390.2	\$ 14.1	\$ 18.8	\$ 1,423.1

- (1) On May 1, 2009, the Company acquired Cloud Cap Technology, Inc. (Cloud Cap) for \$29.2 million in cash, including a working capital adjustment, net of cash acquired. Based upon an independent valuation, identifiable intangibles were \$13.6 million and will be amortized over a weighted-average useful life of 11 years.

Note 12. Financing Arrangements

The Company has a \$500 million committed global syndicated revolving credit facility, which expires in May 2012. Interest rates under this facility vary depending upon:

The amount borrowed;

The Company's public debt rating by Standard & Poor's, Moody's and Fitch; and

At the Company's option, rates tied to the agent bank's prime rate or, for U.S. Dollar and Great Britain Pounds Sterling borrowings, the London Interbank Offered Rate and for Euro Dollar borrowings, the Euro Interbank

Offered Rate.

At September 30, 2009, there were no borrowings and \$61.4 million in letters of credit outstanding under the facility. At December 31, 2008, there were no borrowings and \$35.6 million in letters of credit outstanding under the facility. The level of unused borrowing capacity varies from time to time depending, in part, upon the Company's compliance with financial and other covenants set forth in the related agreement, including the consolidated net worth requirement and maximum leverage ratio. The Company is currently in compliance with all such covenants. Under the most restrictive of these covenants, \$2,003.6 million of income retained in the business and additional paid-in capital was free from such limitations at September 30, 2009. At September 30, 2009, the Company had borrowing capacity under this facility of \$438.6 million, after reductions for borrowings and letters of credit outstanding under the facility.

Table of Contents

At September 30, 2009, the Company had letters of credit and bank guarantees of \$89.3 million, inclusive of \$61.4 million in letters of credit outstanding under the Company's syndicated revolving credit facility, as discussed above.

At September 30, 2009, the Company also maintained \$75 million of uncommitted domestic money market facilities and \$162.2 million of uncommitted and committed foreign working capital facilities with various banks to meet short-term borrowing requirements. At September 30, 2009 and December 31, 2008, there were \$36.7 million and \$37.7 million, respectively, in borrowings outstanding under these facilities. These credit facilities are provided by a small number of commercial banks that also provide the Company with committed credit through the syndicated revolving credit facility described above and with various cash management, trust and other services.

In February 2009, the Company issued \$300 million principal amount of 6.125% senior notes due 2019, which were issued below par. The discount will be amortized over the life of the senior notes. In addition, the Company deferred approximately \$2 million of transaction costs which will be amortized over the life of the 6.125% senior notes.

Long-term Debt Repayments

The Company used a portion of the proceeds from the issuance of the \$300 million senior notes to repay \$120 million for the 6.6% senior notes, which matured on May 15, 2009.

Lease Commitments

The Company leases certain of its office and manufacturing facilities as well as machinery and equipment, including corporate aircraft, under various committed lease arrangements provided by financial institutions. Future minimum lease payments under operating leases were \$165.1 million at September 30, 2009.

One of these arrangements allows the Company, rather than the lessor, to claim a deduction for tax depreciation on the asset and allows the Company to lease a corporate aircraft with a total commitment amount of \$43.8 million. This lease is priced at a spread over LIBOR. Lease payments under this arrangement are expected to commence in the first quarter of 2011.

Table of Contents**Note 13. Pensions and Postretirement Benefits Other Than Pensions**

The following table sets forth the components of net periodic benefit cost. The net periodic benefit cost for divested or discontinued operations retained by the Company are included in the amounts below:

	U.S. Plans Three Months Ended September 30,		U.K. Plans Three Months Ended September 30,		Other Plans Three Months Ended September 30,	
	2009	2008	2009	2008	2009	2008
	(Dollars in millions)					
Service cost	\$ 10.8	\$ 10.7	\$ 4.2	\$ 7.1	\$ 1.1	\$ 1.4
Interest cost	43.0	41.9	9.7	10.7	1.7	1.6
Expected return on plan assets	(43.6)	(50.0)	(11.2)	(16.2)	(1.3)	(1.7)
Amortization of prior service cost	1.8	1.4	(0.1)	(0.3)	0.2	
Amortization of actuarial loss	26.3	12.3	1.9		0.3	0.2
Net periodic benefit cost	38.3	16.3	4.5	1.3	2.0	1.5
Settlement (gain) loss		0.1				
Special termination benefit charge			1.0			
Total benefit cost	\$ 38.3	\$ 16.4	\$ 5.5	\$ 1.3	\$ 2.0	\$ 1.5

	U.S. Plans Nine Months Ended September 30,		U.K. Plans Nine Months Ended September 30,		Other Plans Nine Months Ended September 30,	
	2009	2008	2009	2008	2009	2008
	(Dollars in millions)					
Service cost	\$ 32.2	\$ 32.1	\$ 11.8	\$ 22.1	\$ 2.9	\$ 4.3
Interest cost	128.9	125.7	27.5	32.8	4.9	4.8
Expected return on plan assets	(130.7)	(150.1)	(31.5)	(50.1)	(3.8)	(5.2)
Amortization of prior service cost	5.5	4.2	(0.4)	(0.8)	0.6	0.1
Amortization of actuarial loss	78.9	36.7	5.4		0.9	0.7
Net periodic benefit cost	114.8	48.6	12.8	4.0	5.5	4.7
Settlement (gain) loss		0.1			(0.4)	
Special termination benefit charge			1.0			
Total benefit cost	\$ 114.8	\$ 48.7	\$ 13.8	\$ 4.0	\$ 5.1	\$ 4.7

The following table provides the weighted-average assumptions used to determine the net periodic benefit cost.

	U.S. Plans Three and Nine Months Ended September 30,	U.K. Plans Three and Nine Months Ended September 30,	Other Plans Three and Nine Months Ended September 30,
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	2009	2008	2009	2008	2009	2008
Discount rate	6.47%	6.30%	5.88%	5.50%	6.17%	5.28%
Expected long-term rate of return on assets	8.75%	9.00%	8.50%	8.50%	8.12%	8.24%
Rate of compensation increase	4.10%	4.10%	3.75%	3.75%	3.31%	3.38%

The special termination benefit charge for the three and nine months ended September 30, 2009 related primarily to reductions in force in one of the Company's U.K. businesses.

16

Table of Contents**Postretirement Benefits Other Than Pensions**

The following table sets forth the components of net periodic postretirement benefit cost. Other postretirement benefits (OPEB) related to the divested and discontinued operations retained by the Company are included in the amounts below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Dollars in millions)			
Service cost	\$ 0.4	\$ 0.3	\$ 1.1	\$ 1.2
Interest cost	4.8	5.5	14.5	16.5
Amortization of prior service cost	(0.1)		(0.2)	(0.1)
Amortization of actuarial (gain) loss		0.5		1.9
Net periodic benefit cost	\$ 5.1	\$ 6.3	\$ 15.4	\$ 19.5

The following table provides the assumptions used to determine the net periodic postretirement benefit cost.

	Three and Nine Months Ended September 30,	
	2009	2008
Discount rate	6.38%	6.12%
Healthcare trend rate	7.8% in 2009 to 5% in 2015	8.3% in 2008 to 5% in 2015

Note 14. Comprehensive Income (Loss)

Total comprehensive income (loss) consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Dollars in millions)			
Net income attributable to Goodrich	\$ 145.4	\$ 168.0	\$ 492.3	\$ 512.5
Other comprehensive income (loss):				
Unrealized foreign currency translation gains (losses) during period	33.0	(147.7)	117.0	(117.4)
Pension/OPEB liability adjustments during the period, net of tax for the three and nine months ended September 30, 2009 of \$(12.5) and \$10.0, respectively; net of tax for the three and nine months ended September 30, 2008 of \$(5.7) and \$(11.8), respectively	20.4	8.1	80.7	15.0
Gain (loss) on cash flow hedges, net of tax for the three and nine months ended September 30, 2009 of \$(18.4) and \$(72.9), respectively; net of tax for the three and nine months ended September 30, 2008 of \$49.4 and \$55.7, respectively	40.0	(91.7)	141.6	(103.7)
Less: Other comprehensive income (loss) attributable to noncontrolling interests				

Total comprehensive income (loss)	\$ 238.8	\$ (63.3)	\$ 831.6	\$ 306.4
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Accumulated other comprehensive income (loss) consisted of the following:

	September 30, 2009	December 31, 2008
	(Dollars in millions)	
Cumulative unrealized foreign currency translation gains	\$ 168.6	\$ 51.6
Pension/OPEB liability adjustments, net of deferred taxes of \$496.9 and \$486.9, respectively	(824.8)	(905.5)
Accumulated gains (losses) on cash flow hedges, net of deferred taxes of \$(7.1) and \$65.8, respectively	17.4	(124.2)
Total accumulated other comprehensive income (loss)	\$ (638.8)	\$ (978.1)

Table of Contents

No income taxes are provided on unrealized foreign currency translation gains as foreign earnings are considered permanently invested.

Note 15. Noncontrolling Interests

The changes in the Company's noncontrolling interests were as follows:

	Nine months ended September 30, 2009 2008	
	(Dollars in millions)	
Balance at January 1	\$ 60.9	\$ 52.5
Distributions to noncontrolling interests	(7.8)	(6.8)
Comprehensive income:		
Net income attributable to noncontrolling interests	10.5	13.8
Other comprehensive income, net of tax		
Comprehensive income	10.5	13.8
Balance at September 30	\$ 63.6	\$ 59.5

Note 16. Income Taxes

The Company's effective tax rate for the three months ended September 30, 2009 was 24%. Significant items that impacted the Company's effective tax rate as compared to the U.S. federal statutory rate of 35% included foreign and domestic tax credits which reduced the effective tax rate by approximately 8 percentage points, earnings in foreign jurisdictions taxed at rates different from the statutory U.S. federal rate which reduced the effective tax rate by approximately 4 percentage points and state income taxes (net of related tax benefit) which increased the effective tax rate by approximately 2 percentage points.

The Company's effective tax rate for the three months ended September 30, 2008 was 35.4%. Significant items that impacted the Company's effective tax rate as compared to the U.S. federal statutory rate of 35% included earnings in foreign jurisdictions taxed at rates different from the statutory U.S. federal rate which reduced the effective tax rate by approximately 3 percentage points and state income taxes (net of related tax benefit) which increased the effective tax rate by approximately 3 percentage points.

For the nine months ended September 30, 2009, the Company reported an effective tax rate of 25.8%, including domestic tax credits which reduced the effective tax rate by approximately 5 percentage points and benefits from an adjustment to state tax reserves which reduced the effective tax rate by approximately 2 percentage points.

For the nine months ended September 30, 2008, the Company reported an effective tax rate of 31.9%, including a benefit of approximately 3 percentage points for amended state returns primarily for additional research and development credits and changes in apportionment, and a benefit of approximately 3 percentage points related to amended returns following the settlement of a foreign tax audit.

Table of Contents

At September 30, 2009, the Company had a \$279.2 million liability recorded for unrecognized tax benefits, which included interest and penalties of \$145.6 million. The total amount of unrecognized benefits that, if recognized, would have affected the effective tax rate was \$204.7 million. At December 31, 2008, the Company had a \$289.4 million liability recorded for unrecognized tax benefits, which included interest and penalties of \$158.1 million. The total amount of unrecognized benefits that, if recognized, would have affected the effective tax rate was \$212.1 million. The Company reported interest and penalties related to unrecognized tax benefits in income tax expense.

Note 17. Contingencies

General

There are various pending or threatened claims, lawsuits and administrative proceedings against the Company or its 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, the Company believes 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 its consolidated financial position, results of operations or cash flows. Legal costs are expensed as incurred.

Environmental

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

Estimates of the Company's environmental liabilities are based on current facts, laws, regulations and technology. These estimates take into consideration the Company's prior experience and professional judgment of the Company's environmental specialists. Estimates of the Company's 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 the Company's accruals will be necessary to reflect new information. The amounts of any such adjustments could have a material adverse effect on the Company's results of operations or cash flows in a given period. Based on currently available information, however, the Company does not believe that future environmental costs in excess of those accrued with respect to sites for which the Company has been identified as a potentially responsible party are likely to have a material adverse effect on the Company's financial condition.

Table of Contents

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 the Company has recommended a remedy or has 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, and an assessment of the likelihood that such parties will fulfill their obligations at such sites.

The Company's condensed consolidated balance sheet included an accrued liability for environmental remediation obligations of \$62.8 million and \$62.3 million at September 30, 2009 and December 31, 2008, respectively. At September 30, 2009 and December 31, 2008, \$14.5 million and \$20.9 million, respectively, of the accrued liability for environmental remediation were included in current liabilities as accrued expenses. At September 30, 2009 and December 31, 2008, \$24.8 million and \$24 million, respectively, was associated with ongoing operations and \$38 million and \$38.3 million, respectively, was associated with previously owned businesses.

The Company expects that it will expend present accruals over many years, and will generally complete remediation in less than 30 years at sites for which it has been identified as a potentially responsible party. This period includes operation and monitoring costs that are generally incurred over 15 to 25 years. Recently, 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. The Company is currently evaluating the potential impact, if any, of complying with such regulations and legislation.

During the nine months ended September 30, 2009, a judgment in favor of the Company became final when the initial verdict was upheld on appeal. As a result of the favorable verdict, the Company received \$79.3 million from Commercial Union Insurance Company for reimbursement of environmental remediation costs, attorney fees and interest; however, the Company paid a portion of the insurance proceeds to a former subsidiary. See Note 7,

Discontinued Operations .

Asbestos

The Company and some of its 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 its facilities. A number of these cases involve maritime claims, which have been and are expected to continue to be administratively dismissed by the court. The Company believes that pending and reasonably anticipated future actions are not likely to have a material adverse effect on the Company's 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 the Company's results of operations and cash flows in a given period.

Table of Contents

Insurance Coverage

The Company maintains a comprehensive portfolio of insurance policies, including aviation products liability insurance which covers most of its products. The aviation products liability insurance provides first dollar coverage for defense and indemnity of third party claims.

A portion of the Company's 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. The Company has entered into settlement agreements with a number of these insurers pursuant to which the Company agreed to give up its rights with respect to certain insurance policies in exchange for negotiated payments. These settlements represent negotiated payments for the Company's loss of insurance coverage, as it no longer has 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 September 30, 2009 and December 31, 2008, the deferred settlement credit was \$45.7 million and \$49.4 million, respectively, for which \$6.2 million and \$6.4 million, respectively, was reported in accrued expenses and \$39.5 million and \$43 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

Asbestos

In May 2002, the Company completed the tax-free spin-off of its Engineered Industrial Products (EIP) segment, which at the time of the spin-off included EnPro Industries, Inc. (EnPro) and Coltec Industries Inc (Coltec). At that time, two subsidiaries of Coltec were defendants in a significant number of personal injury claims relating to alleged asbestos-containing products sold by those subsidiaries prior to the Company's ownership. It is possible that asbestos-related claims might be asserted against the Company on the theory that it has some responsibility for the asbestos-related liabilities of EnPro, Coltec or its subsidiaries. A limited number of asbestos-related claims have been asserted against the Company as successor to Coltec or one of its subsidiaries. The Company believes that it has substantial legal defenses against these and other such claims. In addition, the agreement between EnPro and the Company that was used to effectuate the spin-off provides the Company with an indemnification from EnPro covering, among other things, these liabilities. The Company believes that such claims would not have a material adverse effect on its financial condition, but could have a material adverse effect on its results of operations and cash flows in a particular period.

Other

In connection with the divestiture of the Company's tire, vinyl and other businesses, the Company has received contractual rights of indemnification from third parties for environmental 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 the Company's financial condition, results of operations and cash flows.

Table of Contents

Aerostructures Long-term Contracts

The Company's aerostructures business in the Nacelles and Interior Systems segment has several long-term contracts in the pre-production phase including the Boeing 787 and Airbus A350 XWB, and in the early production phase including the Airbus A380. 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 that are 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 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 related to new 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 sales price escalation compared to estimates. Changes in estimates could have a material impact on the Company's 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.

Table of Contents

Boeing 787 Contract

During 2004, the Company's aerostructures business entered into a long-term supply contract with Boeing on the 787 program. The Company's latest outlook projects approximately \$5 billion of original equipment sales for this program. 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 and Boeing has requested numerous changes in the design of the Company's product and scope of its work. Under the terms of the Company's contract, it is entitled to reimbursement of certain costs and equitable price adjustments under certain circumstances. Discussions with Boeing are ongoing.

If the Company is unable to reach a fair and equitable resolution with Boeing, if any key suppliers on the 787 program fail to comply with the material terms of their supply contracts, or if any of the actual costs or revenues differ from the estimates, it could have a material adverse effect on the Company's financial position, results of operations and/or cash flows in a given period.

During the third quarter 2009, the Company entered into an agreement to settle the previously disclosed arbitration with Alenia Aermacchi, S.p.A. (AAeM), a supplier of fan cowls used in the nacelles that the Company provides to Boeing on the 787 program. The material terms of the settlement agreement include: (a) termination of the underlying program contracts between AAeM and the Company and the orderly transfer of the 787 fan cowl program to another supplier; (b) the supply of a specified number of fan cowls during the transfer period; (c) installment payments to AAeM over an approximately two-year period, subject to AAeM's continued support for testing and certification and execution of the program transfer; and (d) termination of the arbitration with a mutual release of claims and covenant not to sue. The payments to be made to AAeM under the settlement agreement are not material to the Company's results of operations, financial condition or cash flows. As a result of the settlement with AAeM, the Company identified a preferred supplier for future fan cowl support and negotiated pricing on the 787 and several other programs, taking into account the supplier's position as a preferred supplier.

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. The Company was selected by 7Q7 as a supplier for the inlet, thrust reverser, exhaust, EBU, strut systems and wing interface systems. As of September 30, 2009, the Company has recorded \$23 million of pre-production costs related to this program.

Based on recent defense budget discussions, funding for the JSTARS program is uncertain. While the Company believes that program funding will continue, there can be no assurances of such. If the program were to be cancelled, the Company would need to write-off its pre-production costs.

Table of Contents

Tax
 The Company is continuously undergoing examination by the United States 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 the Company on its income tax returns. See Note 15 Income Taxes , for additional detail.

Tax Years 2005 to 2006

During 2009, the IRS completed field work with respect to its examination of the tax years 2005 and 2006 and issued a Revenue Agent’s Report. In July 2009, the Company submitted a protest to the Appeals Division of the IRS with respect to certain unresolved issues which involve the proper timing of deductions. The Company cannot predict the timing or ultimate outcome of these matters.

Tax Years 2000 to 2004

During 2007, the IRS and the Company reached agreement on substantially all of the issues raised with respect to the examination of taxable years 2000 to 2004. The Company 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. The Company and the IRS were unable to reach agreement on the remaining issues and in September 2009, the Company received a statutory notice of deficiency. The Company has 90 days from receipt of the notice to file a petition to the U.S. Tax Court or pay the tax and consider filing a lawsuit for a refund, which must be commenced within two years. If the IRS were to prevail, the Company believes the amount of the estimated tax liability is fully reserved. The Company 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)

The IRS and the Company previously reached final settlement on all but one of the issues raised in this examination cycle. The Company received statutory notices of deficiency dated June 14, 2007 related to the remaining unresolved issue which involves the proper timing of certain deductions. The Company filed a petition with the U.S. Tax Court in September 2007 to contest the notices of deficiency. If the IRS were to prevail, the Company believes the amount of the estimated tax liability is fully reserved. Although it is reasonably possible that this matter could be resolved during the next 12 months, the timing or ultimate outcome is uncertain.

Table of Contents

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. The additional tax associated with the Franchise Tax Board's position is \$4.5 million. The amount of accrued interest associated with the additional tax is approximately \$29 million at September 30, 2009. In addition, the State of California enacted an amnesty provision that imposes nondeductible penalty interest equal to 50% of the unpaid interest amounts relating to taxable years ended before 2003. The penalty interest is approximately \$14.5 million at September 30, 2009. The tax and interest amounts continue to be contested by Rohr. No payment has been made for the \$29 million of interest or \$14.5 million of penalty interest. In April 2009, the Superior Court of California issued a ruling, granting the Company's motion for summary judgment. In August 2009 the State of California appealed the ruling. Once the State's appeals have been exhausted and if the Superior Court's decision is not overturned, the Company will be entitled to a refund of the \$4.5 million of tax, together with interest from the date of payment.

Following settlement of the U.S. Tax Court for Rohr's tax years 1986 to 1997, California audited the Company's amended tax returns and issued an assessment based on numerous issues including proper timing of deductions and allowance of tax credits. The Company submitted a protest of the assessment to the California Franchise Tax Board in November 2008. The Company believes that it is adequately reserved for this contingency. The Company cannot predict the timing or ultimate outcome of this matter.

Note 18. Guarantees

The Company extends financial and product performance guarantees to third parties. At September 30, 2009, the following environmental remediation and other indemnifications and financial guarantees were outstanding, in millions:

	Maximum Potential Payment	Carrying Amount of Liability
Environmental remediation and other indemnifications (Note 17, Contingencies)	No limit	\$ 18.1
Guarantees of residual value on leases	\$27.3	\$ 2.1
Guarantees of JV debt and other financial instruments	\$24.0	\$

The Company has guarantees of residual values on certain lease obligations in which the Company is obligated to either purchase or remarket the assets at the end of the lease term.

The Company is guarantor on a revolving credit agreement totaling £20 million between Rolls-Royce Goodrich Engine Control Systems Limited (JV) and a financial institution. In addition, the Company guarantees the JV's foreign exchange credit line and is indemnified by Rolls-Royce for 50% of the amount.

Table of Contents**Service and Product Warranties**

The Company provides service and warranty policies on certain of its products. The Company accrues liabilities under service and warranty policies based upon specific claims and a review of historical warranty and service claim experience. Adjustments are made to accruals as claim data and historical experience change. In addition, the Company incurs discretionary costs to service its products in connection with product performance issues.

The changes in the carrying amount of service and product warranties for the nine months ended September 30, 2009, in millions, are as follows:

Balance at December 31, 2008	\$ 139.2
Net provisions for warranties issued during the period	33.6
Net provisions (return to earnings) for warranties existing at the beginning of the year	(0.8)
Payments	(37.4)
Foreign currency translation	5.2
Balance at September 30, 2009	\$ 139.8

The current and long-term portions of service and product warranties were as follows:

	September 30, 2009	December 31, 2008
	(Dollars in millions)	
Accrued expenses	\$ 66.9	\$ 66.4
Other non-current liabilities	72.9	72.8
Total	\$ 139.8	\$ 139.2

Note 19. Derivatives and Hedging Activities**Cash Flow Hedges**

The Company has subsidiaries that conduct a substantial portion of their business in Euros, Great Britain Pounds Sterling, Canadian Dollars and Polish Zlotys but have significant sales contracts that are denominated in U.S. Dollars. Periodically, the Company enters into forward contracts to exchange U.S. Dollars for Euros, Great Britain Pounds Sterling, Canadian Dollars and Polish Zlotys to hedge a portion of the Company's exposure from U.S. Dollar sales.

Table of Contents

The forward contracts described above are used to mitigate the potential volatility to earnings and cash flow arising from changes in currency exchange rates that impact the Company's U.S. Dollar sales for certain foreign operations. The forward contracts are accounted for as cash flow hedges and are recorded in the Company's condensed consolidated balance sheet at fair value, with the offset reflected in accumulated other comprehensive income (loss) (AOCI), net of deferred taxes. The gain or loss on the forward contracts is reported as a component of other comprehensive income (loss) (OCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The notional value of the forward contracts at September 30, 2009 and December 31, 2008 was \$1,892.8 million and \$1,897.2 million, respectively. At September 30, 2009 and December 31, 2008, the total fair value before taxes of the Company's forward contracts and the accounts in the condensed consolidated balance sheet in which the fair value amounts are included are shown below:

	September 30, 2009	December 31, 2008
	(Dollars in millions)	
Prepaid expenses and other assets	\$ 26.3	\$ 9.8
Other assets	72.8	6.2
Accrued expenses	27.6	70.0
Other non-current liabilities	24.2	102.1

The amounts recognized in OCI and reclassified from AOCI into earnings are shown below:

	Three Months Ended September 30, 2009		Nine Months Ended September 30, 2009	
	2008		2008	
	(Dollars in millions)			
Amount of gain/(loss) recognized in OCI, net of tax for the three and nine months ended September 30, 2009 of \$(18.4) and \$(72.9), respectively; net of tax for the three and nine months ended September 30, 2008 of \$49.4 and \$55.7, respectively	\$ 40.0	\$ (91.7)	\$ 141.6	\$ (103.7)
Amount of gain/(loss) reclassified from AOCI into earnings	\$ (7.8)	\$ 12.9	\$ (47.9)	\$ 54.2

As of September 30, 2009, the fair value of the Company's forward contracts of a \$47.3 million net asset and \$20.9 million of losses on previously matured hedges of intercompany sales and gains from forward contracts terminated prior to the original maturity dates, totaling \$26.4 million (net of deferred taxes of \$10.7 million), is recorded in AOCI and will be reflected in income as earnings are affected by the hedged items. As of September 30, 2009, the portion of the \$47.3 million that would be reclassified into earnings as an increase in sales to offset the effect of the hedged item in the next 12 months is a loss of \$1.3 million. These forward contracts mature on a monthly basis with maturity dates that range from October 2009 to December 2013. There was a de minimis amount of both ineffectiveness and hedge components excluded from the assessment of effectiveness during the three and nine months ended September 30, 2009 and 2008.

Table of Contents

Fair Value Hedges

The Company enters into interest rate swaps to increase the Company's exposure to variable interest rates. The settlement and maturity dates on each swap are the same as those on the referenced notes. The interest rate swaps are accounted for as fair value hedges and the carrying value of the notes are adjusted to reflect the fair values of the interest rate swaps. At September 30, 2009, the Company had an outstanding interest rate swap with a notional value of \$50 million and a fair value asset of \$1 million, which is recorded in other assets in the Company's condensed consolidated balance sheet, maturing on December 15, 2012. At December 31, 2008, the Company had no outstanding interest rate swaps.

For the three months ended September 30, 2009 and 2008, net gains of \$0.5 million and \$0.4 million (\$0.3 million and \$0.2 million, after tax, respectively) were recorded as a reduction to interest expense. For the nine months ended September 30, 2009 and 2008, net gains of \$1.9 million and \$0.9 million (\$1.2 million and \$0.6 million, after tax, respectively) were recorded as a reduction to interest expense. These amounts included previously terminated swaps which are amortized over the life of the underlying debt.

Other Forward Contracts

As a supplement to the foreign exchange cash flow hedging program, the Company enters into other forward contracts to manage its foreign currency risk related to the translation of monetary assets and liabilities denominated in currencies other than the relevant functional currency. These contracts generally mature monthly and the notional amounts are adjusted periodically to reflect changes in net monetary asset balances. Since these contracts are not designated as hedges, the gains or losses on these contracts are recorded in cost of sales. These contracts are utilized to mitigate the earnings impact of the translation of net monetary assets and liabilities. As of September 30, 2009, the Company had contracts outstanding with a notional value of \$36.3 million and a fair value liability of \$2.6 million. As of December 31, 2008, the Company had no such contracts outstanding.

During the three months ended September 30, 2009, the Company recorded a transaction loss on its monetary assets of \$11.5 million, which was partially offset by gains on the other forward contracts described above of \$2.9 million. During the three months ended September 30, 2008, the Company recorded a transaction gain on its monetary assets of \$26.7 million, which was partially offset by losses on the other forward contracts described above of \$18 million. During the nine months ended September 30, 2009, the Company recorded a transaction loss on its monetary assets of \$18.7 million, which was partially offset by gains on the other forward contracts described above of \$15.9 million. During the nine months ended September 30, 2008, the Company recorded a transaction gain on its monetary assets of \$14.9 million, which was partially offset by losses on the other forward contracts described above of \$9.7 million.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

YOU SHOULD READ THE FOLLOWING DISCUSSION AND ANALYSIS IN CONJUNCTION WITH OUR UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS INCLUDED IN ITEM 1 OF 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 their airplanes, which will be delivered to the manufacturers' 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 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 increased production rates and deliveries of Airbus and Boeing airplanes and from our substantial content on many of the regional and general aviation airplanes. Delivery of new commercial, regional, business, and general aviation aircraft in 2009 and beyond, however, may be negatively impacted by the current economic conditions which may influence customers' willingness and/or ability to purchase new aircraft.

Based on Boeing's revised schedule, announced on August 27, 2009, we continue to expect 787 deliveries to commence during 2010. Based on the information available to us, we do not expect the most recent delay to have a material impact on our results of operations and cash flows.

Table of Contents

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.

The key growth drivers in this channel include worldwide passenger capacity growth measured by Available Seat Miles (ASM) and the size, type and activity 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 ASMs, is expected to decrease in 2009 and grow slightly in 2010. 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 the downturn of the global economy.

While we have significant product content on most of the airplane models that are currently in service, we enjoy the benefit of having excellent positions on the newer, more fuel-efficient airplanes currently in service. Even though many airlines have announced that they will remove some of their older airplanes, such as Boeing MD-80 and 737 Classic airplanes, from their fleets, we do not expect these removals to have a significant impact on our results in 2009 or 2010.

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 rapidly expanding homeland security and intelligence, surveillance and reconnaissance sectors, which should further strengthen our position in this market channel.

Table of Contents**Long-term Sustainable Growth**

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

- Awards for key products on important new and expected programs, including the Airbus A350 XWB, the Boeing 787 and 747-8, the Pratt & Whitney PurePower PW1000G and the Lockheed Martin F-35 Lightning II;
- The large installed base of commercial airplanes and our strong positions on newer, more fuel-efficient airplanes, which should fuel sustained long-term aftermarket strength;
- Balance in the large commercial airplane market, with strong sales to both Airbus and Boeing;
- Aging of the existing large commercial and regional airplane fleets, which should result in increased aftermarket support;
- Increased number of long-term agreements for product and service sales on new and existing commercial airplanes;
- Increased opportunities for aftermarket growth due to airline outsourcing;
- Growth in global maintenance, repair and overhaul (MRO) opportunities for our systems and components, particularly in Europe, Asia and the Middle East, where we have expanded our capacity; and
- Expansion of our product offerings in support of high growth areas in the defense and space market channel, such as helicopter products and systems and intelligence, surveillance and reconnaissance products.

Third Quarter 2009 Sales Content by Market Channel

During the third quarter 2009, approximately 95% of our sales were from our three primary market channels described above. Following is a summary of the percentage of sales by market channel:

Airbus Commercial OE	16%
Boeing Commercial OE	11%
Regional, Business and General Aviation Airplane OE	5%
Total Commercial, Regional, Business and General Aviation Airplane OE	32%
Large Commercial Airplane Aftermarket	27%
Regional, Business and General Aviation Airplane Aftermarket	5%
Total Commercial, Regional, Business and General Aviation Airplane Aftermarket	32%
Total Defense and Space	31%
Other	5%
Total	100%

Table of Contents**Results of Operations Third Quarter 2009 as Compared to Third Quarter 2008**

	Third Quarter			%
	2009	2008	Change	Change
	(Dollars in millions, except diluted			
	EPS)			
Sales	\$ 1,647.7	\$ 1,772.3	\$ (124.6)	7.0
Segment operating income (1)	\$ 260.9	\$ 321.7	\$ (60.8)	18.9
Corporate general and administrative costs	(32.0)	(24.9)	(7.1)	28.5
Total operating income	228.9	296.8	(67.9)	22.9
Net interest expense	(30.4)	(25.3)	(5.1)	20.2
Other income (expense) net	(7.9)	(5.6)	(2.3)	41.1
Income from continuing operations before income taxes	190.6	265.9	(75.3)	28.3
Income tax expense	(45.7)	(94.1)	48.4	51.4
Income from continuing operations	144.9	171.8	(26.9)	15.7
Income from discontinued operations	3.3	0.2	3.1	1550.0
Consolidated net income	148.2	172.0	(23.8)	13.8
Net income attributable to noncontrolling interests	(2.8)	(4.0)	1.2	30.0
Net income attributable to Goodrich	\$ 145.4	\$ 168.0	\$ (22.6)	13.5
Effective tax rate	24.0%	35.4%		
Diluted EPS:				
Continuing operations	\$ 1.12	\$ 1.32	\$ (0.20)	15.2
Net income attributable to Goodrich	\$ 1.14	\$ 1.32	\$ (0.18)	13.6

(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) implementation 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 condensed consolidated financial statements.

Sales

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

Regional, business and general aviation airplane original equipment sales decreased by approximately \$69 million, or 45%; and

Large commercial, regional, business and general aviation airplane aftermarket sales decreased by approximately \$122 million, or 19%; partially offset by

Large commercial airplane original equipment sales increased by approximately \$37 million, or 9%; and

Defense and space sales of both original equipment and aftermarket products and services increased by approximately \$40 million, or 9%.

Table of Contents**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, as discussed below, and higher share-based compensation due to an increased share price, 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 primarily as a result of lower income from equity in affiliated companies of approximately \$5 million, primarily due to our share of the operating results of the engine controls joint venture (JV) with Rolls-Royce that was formed at the end of 2008. This increase was partially offset by lower expenses related to previously owned businesses of approximately \$2 million.

Income from continuing operations

In addition to the items described above, income from continuing operations during the third quarter 2009 as compared to the third quarter 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	\$	\$ 21.8	\$ 0.17
Higher pension expense	\$ (26.6)	\$ (16.8)	\$ (0.13)
Changes in estimates on long-term contracts	\$ (26.1)	\$ (15.8)	\$ (0.13)
Foreign exchange, including net monetary asset remeasurement	\$ (19.7)	\$ (12.1)	\$ (0.09)
Higher restructuring costs	\$ (7.1)	\$ (4.5)	\$ (0.04)

Lower effective tax rate

For the three months ending September 30, 2009, we reported an effective tax rate of 24%, as compared to 35.4% for the three months ending September 30, 2008. The decrease in effective tax rate was primarily attributable to foreign and domestic tax credits and earnings in foreign jurisdictions taxed at rates different from the statutory U.S. federal rate. See Note 16, Income Taxes to our condensed consolidated financial statements.

Table of Contents

Higher pension expense

The increase in pension 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 the three months ended September 30, 2009 and 2008, we revised estimates on certain of our long-term contracts, primarily in our aerostructures and aircraft wheels and brakes businesses, which resulted in before tax income of \$12.6 million and \$38.7 million, respectively. 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.

Foreign exchange

The net unfavorable foreign exchange was due to the following:

Approximately \$38 million of decreased net transaction gains relating to re-measuring monetary assets/liabilities into the local functional currency, partially offset by approximately \$21 million of higher net gains on forward contracts we entered into to offset the impact of net monetary asset gains/losses; and

Approximately \$21 million of lower net gains on cash flow hedges settled during 2009, partially offset by approximately \$18 million of favorable foreign currency translation of net costs in currencies other than the U.S. Dollar.

Higher restructuring costs

The increase in restructuring costs was primarily due to severance costs in the third quarter of 2009. See Note 4, Restructuring to our condensed consolidated financial statements.

Table of Contents**Results of Operations Nine Months Ended September 30, 2009 as Compared to Nine Months Ended September 30, 2008**

	Nine Months Ended September 30,		\$	%
	2009	2008	Change	Change
	(Dollars in millions, except diluted EPS)			
Sales	\$ 5,043.3	\$ 5,366.6	\$ (323.3)	6.0
Segment operating income (1)	\$ 824.7	\$ 940.3	\$ (115.6)	12.3
Corporate general and administrative costs	(86.6)	(80.5)	(6.1)	7.6
Total operating income	738.1	859.8	(121.7)	14.2
Net interest expense	(89.2)	(80.1)	(9.1)	11.4
Other income (expense) net	(18.7)	(18.4)	(0.3)	1.6
Income from continuing operations before income taxes	630.2	761.3	(131.1)	17.2
Income tax expense	(162.4)	(242.5)	80.1	33.0
Income from continuing operations	467.8	518.8	(51.0)	9.8
Income from discontinued operations	35.0	7.5	27.5	366.7
Consolidated net income	502.8	526.3	(23.5)	4.5
Net income attributable to noncontrolling interests	(10.5)	(13.8)	3.3	23.9
Net income attributable to Goodrich	\$ 492.3	\$ 512.5	\$ (20.2)	3.9
Effective tax rate	25.8%	31.9%		
Diluted EPS:				
Continuing operations	\$ 3.61	\$ 3.95	\$ (0.34)	8.6
Net income attributable to Goodrich	\$ 3.88	\$ 4.01	\$ (0.13)	3.2

(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) implementation 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 condensed consolidated financial statements.

Sales

The sales decrease in the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008 was driven by changes in our major market channels as follows:

Large commercial airplane original equipment sales decreased by approximately \$31 million, or 2%;

Regional, business and general aviation airplane original equipment sales decreased by approximately \$124 million, or 27%; and

Large commercial, regional, business and general aviation airplane aftermarket sales decreased by approximately \$276 million, or 14%; partially offset by

Defense and space sales of both original equipment and aftermarket products and services increased by approximately \$134 million, or 10%.

Table of Contents**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 slightly primarily as a result of lower expenses related to previously owned businesses of approximately \$8 million, offset by lower income from equity in affiliated companies of approximately \$8 million, primarily due to our share of the operating results of the JV that was formed at the end of 2008.

Income from continuing operations

In addition to the items described above, income from continuing operations during the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008 was also affected by the following items:

	Increase (Decrease)		
	Before	After	Diluted
	Tax	Tax	EPS
	(Dollars in millions, except diluted EPS)		
Lower effective tax rate	\$	\$ 38.3	\$ 0.31
Higher pension expense	\$ (76.3)	\$ (48.5)	\$ (0.39)
Changes in estimates on long-term contracts	\$ (61.3)	\$ (37.3)	\$ (0.29)
Higher share-based compensation	\$ (19.6)	\$ (12.6)	\$ (0.11)
Higher restructuring costs	\$ (14.3)	\$ (9.0)	\$ (0.07)
Foreign exchange, including net monetary asset remeasurement	\$ (13.6)	\$ (7.9)	\$ (0.06)

Lower effective tax rate

For the nine months ended September 30, 2009, we reported an effective tax rate of 25.8% as compared to 31.9% for the nine months ended September 30, 2008. The decrease in the effective tax rate was primarily due to foreign and domestic tax credits and benefits from an adjustment to state tax reserves. See Note 16, Income Taxes to our condensed consolidated financial statements.

Higher pension expense

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

Table of Contents***Changes in estimates on long-term contracts***

During the nine months ended September 30, 2009 and 2008, we revised estimates on certain of our long-term contracts, primarily in our aerostructures and aircraft wheels and brakes businesses, which resulted in before tax income of \$26.1 million and \$87.4 million, respectively. 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 increase in our share price.

Higher restructuring costs

The increase in restructuring costs was primarily due to severance costs during the nine months ended September 30, 2009. See Note 4, Restructuring to our condensed consolidated financial statements.

Foreign exchange

The net unfavorable foreign exchange was due to the following:

Approximately \$102 million of lower net gains on cash flow hedges settled during 2009, partially offset by approximately \$94 million of favorable foreign currency translation of net costs in currencies other than the U.S. Dollar; and

Approximately \$32 million of decreased net transaction gains relating to re-measuring monetary assets/liabilities into the local functional currency, partially offset by approximately \$26 million of higher net gains on forward contracts we entered into to offset the impact of net monetary asset gains/losses.

Income from discontinued operations

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

2009 OUTLOOK

We expect the following approximate results for the year ending December 31, 2009:

	2009 Outlook
Sales	\$6.7 billion
Diluted EPS Income From Continuing Operations	\$4.33 to \$4.48 per share
Diluted EPS Net Income	\$4.60 to \$4.75 per share
Capital Expenditures	\$190 to \$200 million
Operating Cash Flow minus Capital Expenditures	Exceed 75% of net income from continuing operations

Table of Contents

Full year 2009 sales expectations are approximately \$6.7 billion, compared to the prior outlook of \$6.9 billion, representing an expected sales decrease of about 5 percent compared to 2008. The 2009 sales expectations, compared to 2008, include unfavorable sales impacts of approximately \$154 million, or approximately 2 percent of sales, related to foreign currency exchange rate fluctuations and lower sales of approximately \$125 million, or approximately 2 percent of sales, related to the formation of the engine controls JV that was formed in the fourth quarter of 2008.

Our 2009 outlook assumes, among other factors:

Higher pre-tax pension expense of \$102 million, or \$0.51 per diluted share, compared to 2008;

Restructuring charges totaling about \$0.10 to \$0.15 per diluted share. About \$0.08 per diluted share of the expected charges were incurred during the first nine months of 2009; and

A full year 2009 effective tax rate of 26% to 27%.

Sales

Our current market assumptions, for each of our major market channels, for the full year 2009 outlook, compared with the full year 2008, include the following:

Large commercial airplane original equipment sales are expected to increase slightly;

Regional, business and general aviation airplane original equipment sales are expected to decrease by almost 30%. Regional airplane original equipment sales are expected to decrease by about 20%, and business and general aviation original equipment sales are expected to decrease by more than 40%;

Large commercial, regional, business and general aviation airplane aftermarket sales are expected to decrease by 13% to 15%; and

Defense and space sales of both original equipment and aftermarket products and services are expected to increase by approximately 11% to 12%.

Cash Flow

We continue to expect net cash provided by operating activities, minus capital expenditures to exceed 75% of net income from continuing operations. Our outlook reflects ongoing investments to support the current schedule for the Boeing 787 and Airbus A350 XWB airplane programs, and low-cost country manufacturing and productivity initiatives that are expected to enhance margins over the near and long term. We now expect capital expenditures for 2009 to be in a range of \$190 million to \$200 million compared to our prior expectation of \$200 million to \$220 million.

Table of Contents**2010 OUTLOOK**

We expect the following approximate results for the years ending December 31, 2010 and December 31, 2009:

	2010 Outlook	2009 Outlook
Sales	\$7 billion	\$6.7 billion
Diluted EPS Income From Continuing Operations	\$4.15 to \$4.40 per share	\$4.33 to \$4.48 per share
Diluted EPS Net Income	\$4.15 to \$4.40 per share	\$4.60 to \$4.75 per share
Capital Expenditures	\$250 to \$275 million	\$190 to \$200 million
Operating Cash Flow minus Capital Expenditures	Approximate 85% of net income	Exceed 75% of income from continuing operations

Our 2010 outlook assumes, among other factors:

Higher worldwide pre-tax pension expense of up to \$28 million, or \$0.14 per diluted share, compared to expectations for 2009. The higher pension expense assumes a 2009 return on U.S. plan assets consistent with our 2009 assumption of 8.75% and a 2010 U.S. discount rate of approximately 5.6%, both of which reflect experience through September 30, 2009. Our U.S. discount rate for 2009 was 6.47%. Pension expense for 2010 will be finalized based on actual asset values and discount rates on December 31, 2009.

A full year 2010 effective tax rate of 29% to 30%, reducing income per diluted share by about \$0.19, compared to expectations for 2009.

Sales

Our current market assumptions, for each of our major market channels, for the full year 2010 outlook, compared to expectations for the full year 2009, include the following:

Large commercial airplane original equipment sales are expected to increase by about 8% to 10%. This outlook assumes that current narrowbody production rates are maintained through early 2011, and that Boeing 787 deliveries begin in late 2010. Additionally, part of the expected growth in sales is related to the 2008 Boeing strike, which adversely impacted first quarter 2009 sales, but is not expected to have any impact on 2010 sales;

Regional, business and general aviation airplane original equipment sales are expected to decrease by approximately 8% to 10%;

Large commercial, regional, business and general aviation airplane aftermarket sales are expected to increase by about 4% to 7%. This outlook assumes that worldwide ASMs increase in the range of 1% to 3%. We expect continued aftermarket sales weakness in the first part of 2010 and that sales will begin to grow towards the middle of 2010; and

Defense and space sales of both original equipment and aftermarket products and services are expected to increase by about 5%.

Table of Contents**Cash Flow**

We expect net cash provided by operating activities, minus capital expenditures to approximate 85% of net income. Our outlook reflects ongoing investments to support the current schedule for the Boeing 787 and Airbus A350 XWB airplane programs, and low-cost country manufacturing and productivity initiatives that are expected to enhance margins over the near and long term. We expect capital expenditures for 2010 to be in a range of \$250 million to \$275 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 broad array of systems and components that provide flight performance measurements, flight management information, engine controls, fuel controls, electrical power systems, safety data, and reconnaissance and surveillance 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 implementation 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 condensed consolidated financial statements. For a reconciliation of total segment operating income to total operating income, see Note 3, Business Segment Information to our condensed consolidated financial statements.

Third Quarter 2009 Compared with Third Quarter 2008

	Third Quarter		Increase/	%	% of Sales		
	2009	2008	(Decrease)	Change	2009	2008	
	(Dollars in millions)						
NET CUSTOMER SALES							
Actuation and Landing Systems	\$ 629.3	\$ 664.2	\$ (34.9)	(5.3)			
Nacelles and Interior Systems	561.8	596.5	(34.7)	(5.8)			
Electronic Systems	456.6	511.6	(55.0)	(10.8)			
	\$ 1,647.7	\$ 1,772.3	\$ (124.6)	(7.0)			
SEGMENT OPERATING INCOME							
Actuation and Landing Systems	\$ 59.7	\$ 80.0	\$ (20.3)	(25.4)	9.5	12.0	
Nacelles and Interior Systems	130.8	162.4	(31.6)	(19.5)	23.3	27.2	
Electronic Systems	70.4	79.3	(8.9)	(11.2)	15.4	15.5	
	\$ 260.9	\$ 321.7	\$ (60.8)	(18.9)	15.8	18.2	

Table of Contents

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

Lower large commercial, regional, business and general aviation airplane aftermarket sales across all businesses of approximately \$40 million;

Lower regional, business and general aviation airplane OE sales across all businesses of approximately \$21 million; and

Lower non-aerospace OE and aftermarket sales of approximately \$4 million, primarily in our engine components business; partially offset by

Higher defense and space OE and aftermarket sales, across all businesses, of approximately \$19 million; and

Higher large commercial airplane OE sales of approximately \$16 million, primarily in our landing gear and actuation systems businesses.

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

Lower income of approximately \$17 million related to changes in estimates for certain long-term contracts in our wheels and brakes business;

Lower sales volume and unfavorable product mix across most businesses, resulting in lower income of approximately \$16 million; and

Unfavorable foreign exchange of approximately \$8 million; partially offset by

Favorable pricing and lower operating costs across most businesses, partially offset by higher pension expense, which resulted in higher income of approximately \$21 million.

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

Lower large commercial, regional, business and general aviation airplane aftermarket sales of approximately \$57 million, primarily in our aerostructures and interiors businesses; and

Lower regional, business, and general aviation airplane OE sales of approximately \$15 million, primarily in our aerostructures and interiors businesses; partially offset by

Higher large commercial airplane OE sales of approximately \$40 million, primarily in our aerostructures business.

Table of Contents

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

Lower sales volume and unfavorable product mix, primarily in our interiors and aerostructures businesses, which resulted in lower income of approximately \$37 million; and

Lower income of approximately \$8 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, partially offset by higher operating costs, across most businesses, including higher pension and restructuring expenses, which resulted in higher income of approximately \$13 million.

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

Lower engine controls original equipment sales of approximately \$34 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 regional, business and general aviation airplane OE sales of approximately \$25 million, primarily in our engine controls and electrical power business; and

Lower large commercial, regional, business and general aviation airplane aftermarket sales of approximately \$20 million, primarily in our sensors and integrated systems, engine controls and electrical power businesses; partially offset by

Higher defense and space sales across all businesses of approximately \$28 million, including sales of approximately \$3 million associated with the acquisition of Cloud Cap Technologies, Inc. (Cloud Cap), which occurred in the second quarter of 2009.

Electronic Systems segment operating income for the third quarter 2009 decreased from the third quarter 2008 primarily due to the following:

Lower sales volume and unfavorable product mix across most businesses, which resulted in lower income of approximately \$22 million; partially offset by

Favorable pricing and lower operating costs across most businesses, partially offset by higher pension and restructuring expenses, which resulted in higher income of \$8 million; and

The favorable effect of the JV on the segment's operating income of approximately \$5 million. We recorded our portion of the JV's 2009 operating results in other income (expense) net.

Table of Contents**Nine Months Ended September 30, 2009 Compared with Nine Months Ended September 30, 2008**

	Nine Months Ended September 30,		Increase/ (Decrease)	% Change	% of Sales	
	2009	2008			2009	2008
	(Dollars in millions)					
NET CUSTOMER SALES						
Actuation and Landing Systems	\$ 1,879.2	\$ 2,035.9	\$ (156.7)	(7.7)		
Nacelles and Interior Systems	1,789.2	1,882.1	(92.9)	(4.9)		
Electronic Systems	1,374.9	1,448.6	(73.7)	(5.1)		
	\$ 5,043.3	\$ 5,366.6	\$ (323.3)	(6.0)		
SEGMENT OPERATING INCOME						
Actuation and Landing Systems	\$ 198.6	\$ 238.6	\$ (40.0)	(16.8)	10.6	11.7
Nacelles and Interior Systems	414.7	501.9	(87.2)	(17.4)	23.2	26.7
Electronic Systems	211.4	199.8	11.6	5.8	15.4	13.8
	\$ 824.7	\$ 940.3	\$ (115.6)	(12.3)	16.4	17.5

Actuation and Landing Systems: Actuation and Landing Systems segment sales for the nine months ended September 30, 2009 decreased from the nine months ended September 30, 2008 primarily due to the following:

Lower large commercial, regional, business and general aviation airplane aftermarket sales, across all businesses, of approximately \$92 million;

Lower regional, business and general aviation airplane OE sales, across all businesses, of approximately \$30 million;

Lower large commercial airplane OE sales of approximately \$25 million, primarily in our landing gear business; and

Lower non-aerospace OE and aftermarket sales of approximately \$15 million, primarily in our engine components business; partially offset by

Higher defense and space OE and aftermarket sales, primarily in our landing gear and engines components businesses, of approximately \$10 million.

Actuation and Landing Systems segment operating income for the nine months ended September 30, 2009 decreased from the nine months ended September 30, 2008 primarily as a result of the following:

Lower sales volume and unfavorable product mix, primarily in our landing gear and aircraft wheels and brakes businesses, resulting in lower income of approximately \$59 million;

Lower income of approximately \$29 million related to changes in estimates for certain long-term contracts in our wheels and brakes business; and

Unfavorable foreign exchange of approximately \$4 million; partially offset by

Favorable pricing and lower operating costs across most businesses, partially offset by higher pension and restructuring expenses, which resulted in higher income of approximately \$52 million.

Table of Contents

Nacelles and Interior Systems: Nacelles and Interior Systems segment sales for the nine months ending September 30, 2009 decreased from the nine months ending September 30, 2008 primarily due to the following:

Lower large commercial, regional, business and general aviation airplane aftermarket sales of approximately \$118 million, primarily in our aerostructures and interiors businesses; and

Lower regional, business, and general aviation airplane OE sales of approximately \$29 million, primarily in our aerostructures business; partially offset by

Higher large commercial airplane OE sales of approximately \$39 million, primarily in our aerostructures business; 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 the nine months ended September 30, 2009 decreased from the nine months ended September 30, 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 \$72 million; and

Lower income of approximately \$29 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 partially offset by higher operating costs across all businesses, including higher pension and restructuring expenses, which resulted in higher income of approximately \$7 million; and

Favorable foreign exchange of approximately \$7 million.

Electronic Systems: Electronic Systems segment sales for the nine months ended September 30, 2009 decreased from the nine months ended September 30, 2008 primarily due to the following:

Lower engine controls sales of approximately \$90 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 across all businesses of approximately \$51 million; and

Lower regional, business and general aviation airplane OE sales of approximately \$48 million, primarily in our sensors and integrated systems and engine controls and electrical power businesses; partially offset by

Higher defense and space sales across all businesses of approximately \$121 million, including sales of approximately \$37 million associated with the acquisitions of Recon/Optical, Inc. (ROI), and Cloud Cap both of which occurred subsequent to the second quarter of 2008.

Table of Contents

Electronic Systems segment operating income for the nine months ended September 30, 2009 increased from the nine months ended September 30, 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 in our sensors and integrated systems business, partially offset by increased operating costs across all businesses, including higher pension and restructuring expenses, which resulted in higher income of approximately \$17 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 intelligence, surveillance and reconnaissance and sensors and integrated systems businesses, which resulted in lower income of approximately \$21 million; and

Unfavorable foreign exchange of approximately \$3 million.

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 that our internal liquidity, together with access to external capital resources, will be sufficient to satisfy existing plans and commitments, including our stock repurchase program, and also provide adequate financial flexibility. The current economic conditions, including the turmoil in the banking sector and credit markets, are expected to be manageable due to our strong balance sheet, lack of any large near-term funding requirements and a strong banking group with a multi-year committed credit facility. The following events have affected our liquidity and capital resources during 2009:

We paid quarterly dividends of \$0.25 per share on January 2, April 1, July 1 and October 1;

On February 19, 2009, we issued \$300 million in senior notes which mature on March 1, 2019. We used a portion of the proceeds to repay \$120 million of 6.6% senior notes which matured May 15, 2009 and to make a \$137 million contribution to the U.S. defined benefit pension plan; and

On May 1, 2009, we completed the acquisition of Cloud Cap, a leading provider of proprietary avionics products for small, unmanned aerial vehicles and sensors for manned vehicles, for \$29.2 million in cash, including a working capital adjustment, net of cash acquired. Cloud Cap is reported in the Electronics Systems segment.

On October 13, 2009, our Board of Directors declared a quarterly dividend of \$0.27 per share of common stock, payable January 4, 2010, to shareholders of record on December 1, 2009. This dividend declaration represents an 8% increase over the previous quarterly dividend of \$0.25 per share of common stock.

Table of Contents

Cash

At September 30, 2009, we had cash and cash equivalents of \$789.6 million, as compared to \$370.3 million at December 31, 2008.

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 \$438.6 million was available at September 30, 2009; and

\$75 million of uncommitted domestic money market facilities and \$162.2 million of uncommitted and committed foreign working capital facilities with various banks to meet short-term borrowing requirements, of which \$200.2 million was available at September 30, 2009.

Off-Balance Sheet Arrangements

Lease Commitments

We lease certain of our office and manufacturing facilities as well as machinery and equipment, including corporate aircraft, under various committed lease arrangements provided by financial institutions. Future minimum lease payments under operating leases were \$165.1 million at September 30, 2009.

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 \$43.8 million. This lease is priced at a spread over LIBOR. Lease payments under this arrangement are expected to commence in the first quarter of 2011.

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 September 30, 2009, our contracts had a notional amount of \$1,892.8 million, fair value net asset of a \$47.3 million and maturity dates ranging from October 2009 to December 2013. The amount of accumulated other comprehensive income that would be reclassified into earnings in the next 12 months is a loss of \$1.3 million. During the nine months ended September 30, 2009 and 2008, we realized net losses of \$47.9 million and net gains of \$54.2 million, respectively, related to contracts that settled. During the third quarter of 2009 and 2008, we realized net losses of \$7.8 million and net gains of \$12.9 million, respectively, related to contracts that settled.

Interest Rate Swap Designated as a Fair Value Hedge: At September 30, 2009, our contract had a notional amount of \$50 million, fair value asset of \$1 million and a maturity date of December 15, 2012.

Table of Contents

Foreign Currency Contracts not Designated as Hedges: At September 30, 2009, our contracts had a notional amount of \$36.3 million and a fair value of a \$2.6 million liability. At December 31, 2008, there were no such contracts outstanding. During the nine months ended September 30, 2009 and 2008, we realized net gains of \$15.9 million and net losses of \$9.7 million, respectively, for contracts entered into and settled during those periods. During the third quarter of 2009 and 2008, we realized net gains of \$2.9 million and net losses of \$18 million, respectively, for contracts entered into and settled during those periods.

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

Contractual Obligations and Other Commercial Commitments

As of September 30, 2009, there have been no material changes, other than the issuance of \$300 million of 6.125% senior notes due in 2019, long-term debt repayments of \$120 million and approximately a 5% decrease of our purchase obligations to the table presented in our Annual Report on Form 10-K for the year ended December 31, 2008. The table excludes our liability for unrecognized tax benefits, which was \$279.2 million at September 30, 2009, 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 the nine months ended September 30, 2009 and 2008:

	2009	2008	Change
	(Dollars in millions)		
Operating activities of continuing operations	\$ 427.0	\$ 460.8	\$ (33.8)
Investing activities of continuing operations	\$ (145.1)	\$ (318.6)	\$ 173.5
Financing activities of continuing operations	\$ 95.9	\$ (305.7)	\$ 401.6
Discontinued operations	\$ 34.2	\$ 13.1	\$ 21.1

Operating Activities of Continuing Operations

The decrease in net cash provided by operating activities for the nine months ended September 30, 2009 from the nine months ended September 30, 2008 is primarily due to an increase in worldwide pension plan contributions of approximately \$73 million partially offset by a decrease in net tax payments of approximately \$65 million.

Table of Contents

Investing Activities of Continuing Operations

Net cash used by investing activities is primarily due to lower capital expenditures of approximately \$75 million and lower cash paid for acquisitions of approximately \$103 million. During the nine months ended September 30, 2009, we completed the acquisition of Cloud Cap for \$29.2 million, in cash, including a working capital adjustment, net of cash acquired. During the nine months ended September 30, 2008, we completed the acquisitions of Skyline Industries, Inc. for \$9.5 million, TEAC Aerospace Holdings, Inc. (TEAC) for \$84 million, net of cash acquired and ROI for \$38.4 million.

Financing Activities of Continuing Operations

The increase in net cash provided by financing activities for the nine months ended September 30, 2009 from the nine months ended September 30, 2008 consisted primarily of the following:

\$300 million in proceeds from the issuance of senior notes;

Lower long-term debt repayments of \$42 million; and

Lower purchases of our common stock in connection with our share repurchase program of approximately \$130 million; partially offset by

Decreased net borrowings under our committed global syndicated credit and uncommitted domestic money market facilities by approximately \$50 million.

Discontinued Operations

Net cash provided by discontinued operations for the nine months ended September 30, 2009 was due to the resolution of a past environmental claim. Net cash provided by discontinued operations for the nine months ended September 30, 2008 consisted of the finalization of the purchase price for Goodrich Aviation Technical Services, Inc. (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.

Table of Contents

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, and an assessment of the likelihood that such parties will fulfill their obligations at such sites.

Our condensed consolidated balance sheet included an accrued liability for environmental remediation obligations of \$62.8 million and \$62.3 million at September 30, 2009 and December 31, 2008, respectively. At September 30, 2009 and December 31, 2008, \$14.5 million and \$20.9 million, respectively, of the accrued liability for environmental remediation were included in current liabilities as accrued expenses. At September 30, 2009 and December 31, 2008, \$24.8 million and \$24 million, respectively, was associated with ongoing operations and \$38 million and \$38.3 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.

Table of Contents

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 are currently evaluating the potential impact, if any, of complying with such regulations and legislation.

During the nine months ended September 30, 2009, a judgment in our favor became final when the initial verdict was upheld on appeal. As a result of the favorable verdict, we received \$79.3 million from Commercial Union Insurance Company for reimbursement of environmental remediation costs, attorney fees and interest; however, we paid a portion of the insurance proceeds to a former subsidiary. See Note 7, *Discontinued Operations* to our condensed consolidated financial statements.

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 our facilities. A number of these cases involve maritime claims, which have been and are expected to continue to be administratively dismissed by the court. 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 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 September 30, 2009 and December 31, 2008, the deferred settlement credit was \$45.7 million and \$49.4 million, respectively, for which \$6.2 million and \$6.4 million, respectively, was reported in accrued expenses and \$39.5 million and \$43 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.

Table of Contents

Liabilities of Divested Businesses

Asbestos

In May 2002, we completed the tax-free spin-off of our Engineered Industrial Products (EIP) segment, which at the time of the spin-off included EnPro Industries, Inc. (EnPro) and Coltec Industries Inc (Coltec). At that time, two subsidiaries of Coltec were defendants in a significant number of personal injury claims relating to alleged asbestos-containing products sold by those subsidiaries prior to our ownership. It is possible that asbestos-related claims might be asserted against us on the theory that we have some responsibility for the asbestos-related liabilities of EnPro, Coltec or its subsidiaries. A limited number of asbestos-related claims have been asserted against us as successor to Coltec or one of its subsidiaries. We believe that we have substantial legal defenses against these and other such claims. In addition, the agreement between EnPro and us that was used to effectuate the spin-off provides us with an indemnification from EnPro covering, among other things, these liabilities. We believe that such claims would not have a material adverse effect on our financial condition, but could have a material adverse effect on our results of operations and cash flows in a particular period.

Other

In connection with the divestiture of our tire, vinyl and other businesses, we have received contractual rights of indemnification from third parties for environmental 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 financial condition, results of operations and cash flows.

Guarantees

At September 30, 2009, we had letters of credit and bank guarantees of \$89.3 million and residual value guarantees of lease obligations of \$27.3 million. See Note 12, Financing Arrangements and Note 18, Guarantees to our condensed consolidated financial statements. We are guarantor on a revolving credit agreement totaling £20 million between Rolls-Royce Goodrich Engine Control Systems Limited (JV) and a financial institution. In addition, we guarantee the JV's foreign exchange credit line and we are indemnified by Rolls-Royce for 50%.

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 Boeing 787 and Airbus A350 XWB, and in the early production phase including the Airbus A380. 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 that are 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.

Table of Contents

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 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 related to new 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 sales price escalation 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.

Boeing 787 Contract

During 2004, our aerostructures business entered into a long-term supply contract with Boeing on the 787 program. Our latest outlook projects approximately \$5 billion of original equipment sales for this program. 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 and Boeing has requested numerous changes in the design of our product and scope of our work. Under the terms of our contract, we are entitled to reimbursement of certain costs and equitable price adjustments under certain circumstances. Discussions with Boeing are ongoing.

Table of Contents

If we are unable to reach a fair and equitable resolution with Boeing, if any key suppliers on the 787 program fail to comply with the material terms of their supply contracts, or if any of the actual costs or revenues differ from the estimates, it could have a material adverse effect on our financial position, results of operations and/or cash flows in a given period.

During the third quarter 2009, we entered into an agreement to settle the previously disclosed arbitration with Alenia Aermacchi, S.p.A. (AAeM), a supplier of fan cowls used in the nacelles that we provide to Boeing on the 787 program. The material terms of the settlement agreement include: (a) termination of the underlying program contracts between AAeM and us and the orderly transfer of the 787 fan cowl program to another supplier; (b) the supply of a specified number of fan cowls during the transfer period; (c) installment payments to AAeM over an approximately two-year period, subject to AAeM's continued support for testing and certification and execution of the program transfer; and (d) termination of the arbitration with a mutual release of claims and covenant not to sue. The payments to be made to AAeM under the settlement agreement are not material to our results of operations, financial condition or cash flows. As a result of the settlement with AAeM, we identified a preferred supplier for future fan cowl support and negotiated pricing on the 787 and several other programs, taking into account the supplier's position as a preferred supplier.

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 September 30, 2009, we have recorded \$23 million of pre-production costs related to this program.

Based on recent defense budget discussions, funding for the JSTARS program is uncertain. While we believe that program funding will continue, there can be no assurances of such. If the program were to be cancelled, we would need to write-off our pre-production costs.

Tax

We are continuously undergoing examination by the United States 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 to 2006

During 2009, the IRS completed field work with respect to its examination of the tax years 2005 and 2006 and issued a Revenue Agent's Report. 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. We cannot predict the timing or ultimate outcome of these matters.

Table of Contents***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 and in September 2009, we received a statutory notice of deficiency. We have 90 days from receipt of the notice to file a petition to the U.S. Tax Court or pay the tax and consider filing a lawsuit for refund, which must be commenced within two years. 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. If the IRS were to prevail, we believe the amount of the estimated tax liability is fully reserved. Although it is reasonably possible that this matter could be resolved during the next 12 months, the timing or ultimate outcome is uncertain.

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. The additional tax associated with the Franchise Tax Board's position is \$4.5 million. The amount of accrued interest associated with the additional tax is approximately \$29 million at September 30, 2009. In addition, the State of California enacted an amnesty provision that imposes nondeductible penalty interest equal to 50% of the unpaid interest amounts relating to taxable years ended before 2003. The penalty interest is approximately \$14.5 million at September 30, 2009. The tax and interest amounts continue to be contested by Rohr. No payment has been made for the \$29 million of interest or \$14.5 million of penalty interest. In April 2009, the Superior Court of California issued a ruling, granting our motion for summary judgment. In August 2009 the State of California appealed the ruling. Once the State's appeals have been exhausted and if the Superior Court's decision is not overturned, we will be entitled to a refund of the \$4.5 million of tax, together with interest from the date of payment. Following settlement of the U.S. Tax Court for Rohr's tax years 1986 to 1997, California audited our amended tax returns and issued an assessment based on numerous issues including proper timing of deductions and allowance of tax credits. We submitted a protest of the assessment to the California Franchise Tax Board in November 2008. We believe that we are adequately reserved for this contingency. We cannot predict the timing or ultimate outcome of this matter.

Table of Contents

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. 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 condensed 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 revisions in estimates. Under the cumulative catch-up method, the impact of revisions in estimates related to units shipped to date is recognized immediately when changes in estimated contract profitability are known.

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 related to new 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;

Table of Contents

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.

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 estimated realizable value.

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. Unbilled receivables that are expected to be realized by cash receipts within the performance period are classified as current in our condensed consolidated balance sheet whereas those expected to be realized by cash receipts beyond the performance period are classified as long-term. At September 30, 2009 and December 31, 2008, there were no unbilled receivables classified as long-term.

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.

Table of Contents

Income Taxes

As of each interim 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 tax contingencies. 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

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.

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 third 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.

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.

Table of Contents

Other Assets

As with any investment, there are risks inherent in recovering the value of participation payments, sales incentives, flight certification costs and entry fees. Such risks are consistent with the risks associated in 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 OE manufacturers (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 September 30, 2009 and December 31, 2008, the carrying amount of participation payments was \$118.5 million and \$118 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 impairment charges were recorded in the three and nine months ended September 30, 2009 or 2008.

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 September 30, 2009 and December 31, 2008, the carrying amount of sales incentives was \$60.2 million and \$62.4 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 impairment charges were recorded in the three and nine months ended September 30, 2009 or 2008.

Table of Contents

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 September 30, 2009 and December 31, 2008, the carrying amount of sales flight certification costs was \$44.9 million and \$34 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 impairment charges were recorded in the three and nine months ended September 30, 2009 or 2008.

Entry Fees

Our aerostructures business in our Nacelles and Interior Systems segment made a cash payment to an OEM under a long-term contractual arrangement related to a new engine program. The payments are referred to as entry fees and entitle us to a controlled access supply contract and a percentage of total program revenue generated by the OEM. Entry fees are capitalized in other assets and are amortized over units of delivery as a reduction to sales. At September 30, 2009 and December 31, 2008, the carrying amount of entry fees was \$25 million and \$25.5 million, respectively. The carrying amount of entry fees is evaluated for recovery at least annually or when other significant assumptions or economic conditions change. Recovery of entry fees is assessed based on the expected cash flow from the program over the remaining program life as compared to the recorded amount of entry fees. If the carrying value of the entry fees exceeds the cash flow to be generated from the program, a charge would be recorded to reduce the entry fees to their recoverable amounts. No impairment charges were recorded in the three and nine months ended September 30, 2009 or 2008.

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.

Table of Contents**Share-Based Compensation**

We utilize the fair value method of accounting to account for share-based compensation awards.

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:

	2009	2008
Risk-free interest rate %	1.8	3.3
Expected dividend yield %	2.6	1.3
Historical volatility factor %	33.3	31.2
Weighted-average expected life of the options (years)	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 during the first nine months of 2009 and 2008 was \$38.37 and \$69.68 per unit, respectively.

Performance Units

The value of each award is determined based upon the average of the high and low fair value of our stock, 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 revalued for each award on an ongoing basis.

Table of Contents

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. discount rate was determined based on a customized yield curve approach. Our projected pension and postretirement benefit payment cash flows were each plotted against a yield curve composed of a large, diverse group of Aa-rated corporate bonds. The resulting discount rates were used to determine the benefit obligations. In Canada and the U.K., a similar approach to determining discount rates in the U.S. was utilized. The appropriate benchmarks by applicable country were used for pension plans other than those in the U.S., U.K. and Canada to determine the discount rate assumptions.

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 Dreamliner, 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 Dreamliner, the Airbus A380 and A350 XWB aircraft programs, and major military programs;

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;

successful development of products and advanced technologies;

the health of the commercial aerospace industry, including the impact of bankruptcies and/or consolidations in the airline industry;

Table of Contents

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 expenses relating to employee and retiree medical and pension benefits change;

competitive product and pricing pressures;

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

possible assertion of claims against us on the theory that we, as the former corporate parent of Coltec Industries Inc, bear some responsibility for the asbestos-related liabilities of Coltec and its subsidiaries;

the effect of changes in accounting policies or 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, inflation, fuel prices, deflation, recession and other external factors over which we have no control;

the outcome of contingencies including completion of acquisitions, 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.

Table of Contents

Item 3. 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. Our discussion of market risk in our 2008 Annual Report on Form 10-K provides more discussion as to the types of instruments used to manage risk. Refer to Note 19,

Derivatives and Hedging Activities of our condensed consolidated financial statements in Part 1 Item 1 of this Form 10-Q for a description of current developments involving our hedging activities.

At September 30, 2009, a hypothetical 100 basis point increase in reference interest rates would increase annual interest expense by \$0.5 million. At September 30, 2009, a hypothetical 10 percent strengthening of the U.S. dollar against other foreign currencies would decrease the value of our forward contracts by \$199.4 million. The fair value of these foreign currency forward contracts was an asset of \$47.3 million at September 30, 2009. 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.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chairman, President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's disclosure control objectives.

We have carried out an evaluation, under the supervision and with the participation of our management, including our Chairman, President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report (the Evaluation Date). Based upon that evaluation, our Chairman, President and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the Evaluation Date to provide reasonable assurance regarding management's disclosure control objectives.

Changes in Internal Control

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****Item 1. Legal Proceedings.**

We and certain of our subsidiaries are defendants in various claims, lawsuits and administrative proceedings. In addition, we have been notified that we are among potentially responsible parties under federal environmental laws, or similar state laws, relative to the cost of investigating and in some cases remediating contamination by hazardous materials at several sites. See the disclosure under the captions General, Environmental, Asbestos, Liabilities of Divested Businesses-Asbestos, Boeing 787 Contract and Tax in Note 17, Contingencies to the condensed consolidated financial statements included in Part 1, Item 1, of this Form 10-Q, which disclosure is incorporated herein by reference.

Item 1A. Risk Factors.

In addition to other information set forth in this report, you should carefully consider the factors discussed in Part 1, Item 1A. Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2008, which could materially affect our business, financial condition or results of operations. The risks described in our Annual Report of Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) The following table summarizes Goodrich Corporation's purchases of its common stock for the three months ended September 30, 2009:

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 (3)
July 2009	633	\$ 50.59		
August 2009	9,761	55.58		
September 2009	2,856	55.90		
Total	13,250	55.41		\$246 million

(1) The category includes shares

delivered to us
by employees to
pay withholding
taxes due upon
vesting of a
restricted unit
award and to
pay the exercise
price of
employee stock
options.

Table of Contents

(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 of shares that could be purchased under the Program from \$300 million to \$600 million. Unless terminated earlier by resolution of the Company's Board of Directors, the Program will expire when the Company has purchased all shares authorized for repurchase. The Program does not obligate the Company to repurchase any particular

amount of
common stock,
and may be
suspended or
discontinued at
any time
without notice.

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

Item 6. Exhibits.

The following exhibits have been filed with this report:

- Exhibit 3.1 Restated Certificate of Incorporation of Goodrich Corporation, filed as Exhibit 3.1 to Goodrich Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 (File No. 1-892), is incorporated herein by reference.
- Exhibit 3.2 By-Laws of Goodrich Corporation, as amended, filed as Exhibit 10.9 to Goodrich Corporation's Current Report on Form 8-K dated December 12, 2008, is incorporated herein by reference. In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, Goodrich Corporation hereby undertakes to furnish to the Securities and Exchange Commission upon request, a copy of all instruments defining the rights of holders of long-term debt.
- Exhibit 10.1 Amendment Number 1 to the Goodrich Corporation Voluntary Separation Plan.
- Exhibit 10.2 Amendment Number 7 to the Goodrich Corporation Severance Plan.
- Exhibit 10.3 Amendment Number 8 to the Goodrich Corporation Severance Plan.
- Exhibit 15 Letter Re: Unaudited Interim Financial Information.
- Exhibit 31.1 Rule 13a-14(a)/15d-14(a) Certification.
- Exhibit 31.2 Rule 13a-14(a)/15d-14(a) Certification.
- Exhibit 32 Section 1350 Certifications.
- Exhibit 101 The following financial information from Goodrich Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 filed with the SEC on October 22, 2009, formatted in XBRL includes: (i) Consolidated Income Statements for the fiscal periods ended September 30, 2009 and September 30, 2008, (ii) Consolidated Balance Sheets at September 30, 2009 and December 31, 2008, (iii) Consolidated Cash Flow Statements for the fiscal periods ended September 30, 2009 and September 30, 2008, and (iv) the Notes to Consolidated Financial Statements, tagged as blocks of text.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

October 22, 2009

GOODRICH CORPORATION

By /s/ SCOTT E. KUECHLE
Scott E. Kuechle
Executive Vice President and Chief
Financial Officer

By /s/ SCOTT A. COTTRILL
Scott A. Cottrill
Vice President and Controller (Principal
Accounting Officer)

66

Table of Contents

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* Submitted electronically herewith.