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WOODWARD GOVERNOR CO
Form 8-K
April 22, 2003

FORM 8-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

April 21, 2003

Date of Report (Date of earliest event reported):

WOODWARD GOVERNOR COMPANY

(Exact name of registrant as specified in its charter)

Delaware	0-8408	36-1984010
(State or other jurisdiction or Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

5001 North Second Street
Rockford, Illinois 61111
(Address of Principal Executive Office) (Zip Code)

Registrant's Telephone Number, including area code: (815) 877-7441

Not Applicable
(Former name or former address, if changed since last report)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits.

99.1 Woodward Governor Company Press Release dated April 21, 2003

ITEM 9. REGULATION FD DISCLOSURE

The information contained in this Item 9 is being furnished pursuant to
Item 12, Disclosure of Results of Operations and Financial Condition,
of Form 8-K in accordance with SEC Release Nos. 33-8216 and
34-47583.

The information, including exhibits attached hereto, in this Current
Report, or second quarter earnings release, is being furnished and
shall not be deemed "filed" for the purposes of Section 18 of the
Securities and Exchange Act of 1934, as amended, or otherwise subject
to the liabilities of that Section. The information in this Current
Report shall not be incorporated by reference into any registration
statement or other document pursuant to the Securities Act of 1933,
except as otherwise expressly stated in such filing.

Attached and incorporated herein by reference as Exhibit 99.1 is a copy
of the press release of Woodward Governor Company, dated April 21,
2003, reporting Woodward Governor Company's financial results for the

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quarter ended March 31, 2003

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

Date: April 21, 2003

WOODWARD GOVERNOR COMPANY

By: /s/ Stephen P. Carter
Stephen P. Carter
Executive Vice President, Chief Financial
Officer and Treasurer

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
99.1	News Release issued by Woodward Governor Company, dated April 21, 2003.

Exhibit 99.1

FOR IMMEDIATE RELEASE

CONTACT: Angela Hartley
Director, Investor Relations
and Global Communications
1-815-639-6628

WOODWARD REPORTS SECOND FISCAL QUARTER AND SIX MONTHS RESULTS

Rockford, Ill., April 21, 2003--Woodward Governor Company (Nasdaq: WGOV) today reported financial results for the second fiscal quarter and six months ended March 31, 2003.

Net sales for the quarter were \$146,159,000, down 16 percent from \$174,864,000 in the second quarter a year ago. Sales levels reflect continued weakness in two of our largest markets, large turbine power generation and aircraft engines. Net earnings were \$4,511,000, or \$0.40 per share (all per share amounts are diluted), down 67% percent from \$13,623,000, or \$1.18 per share in the same quarter last year. The decrease in earnings is due primarily to the reverse leverage effect of the significant drop in Industrial Controls sales volumes versus fixed costs and development costs necessary to satisfy current and future requirements of our core customers.

For the six months ended March 31, 2003, net sales were \$290,984,000, down 18 percent from \$355,517,000 for the corresponding six months a year ago. Earnings before the cumulative effect of an accounting change were down 61% to \$10,776,000, or \$.95 per share for the six-month period.

"It is essential that we maintain a balance between lowering costs and maintaining leadership in key markets that are critical to Woodward's long-term

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success," said Chairman and Chief Executive Officer John A. Halbrook. "While the large turbine power generation and aircraft engine markets are currently in a downturn, we and our customers believe that those markets will eventually recover and present strong growth opportunities for Woodward. Our product development strategy is driven by unprecedented demand from our customers to provide them with new energy control solutions. We are responding to those demands as an excellent means to preserve and capture additional market share and generate attractive returns in the future.

"Improved productivity, lower costs, and outstanding quality have been an integral part of our operations for many years, and have been recognized by our customers. In view of current industry conditions, however, we are implementing additional programs to further reduce operating costs and capitalize on the synergies between Aircraft Engine Systems and Industrial Controls. We have begun to consolidate our purchasing efforts and focus on worldwide sourcing. In addition, we are consolidating our manufacturing processes across the company to eliminate duplication and to align our capabilities and technologies. We are also making targeted operating reductions across the company to better align costs with our lower sales volumes. We believe these actions will result in a reduction of our operating costs in 2004 of at least \$20,000,000 on an annualized basis."

Industrial Controls' net sales for the second quarter were \$82,311,000, down 23 percent from \$106,418,000 in the second quarter a year ago. Industrial Controls incurred a loss of \$1,848,000 compared with earnings of \$12,384,000 in the second quarter of last year. Expenses totaling

approximately \$2,400,000 for workforce management activity and lease termination costs were recognized in this year's second quarter. In last year's second quarter, we expensed approximately \$1,200,000 for workforce management activity. Earnings fell significantly more than sales, reflecting the reverse leverage effect and continuation of product development and engineering projects associated with customer-driven programs.

Aircraft Engine Systems' second quarter net sales were \$63,848,000, down 7 percent from \$68,446,000 in the same period a year ago. Segment earnings were \$12,167,000, down 19 percent from \$15,053,000 in the second quarter last year. Expenses associated with workforce management activity totaled approximately \$500,000 in this year's second quarter and \$400,000 in last year's second quarter. Sales continue to reflect weakness in the production of new commercial aircraft, which industry observers expect to continue beyond 2004. Commercial aftermarket sales held up better than OEM sales, and military sales accounted for a slightly increased proportion of segment sales. Cost management and productivity initiatives begun in 2002 are helping maintain margins at levels near those of last year.

Mr. Halbrook concluded, "Many variables are impacting all of our markets and it has become increasingly difficult to anticipate future sales levels. Given the sustained decline in our primary markets, however, we now anticipate the decline in full year earnings from 2002 to 2003 will be at least 50 percent. Final results could be impacted if there are unanticipated further declines in sales and if additional cost savings measures become necessary. We believe the steps we are taking now to reduce costs will enable us both to serve our customers well and to deliver improved annual financial performance in 2004 and beyond."

Woodward will hold an investor conference call at 7:30 a.m. CT on Tuesday, April 22, 2003, to provide an overview of the second quarter's financial performance, business highlights, and outlook for the remainder of the year. You are invited to listen to the live Webcast of our conference call or a recording at our Web site, www.woodward.com.

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ABOUT WOODWARD

Woodward is the world's largest independent designer and manufacturer of energy control solutions for aircraft and industrial engines, turbines and power equipment. The company's innovative controls and fuel delivery systems help manufacturers worldwide operate cleaner and more efficient power equipment. Woodward's products and services are used in the aerospace, power generation, oil and gas processing, and transportation markets, which include rail, marine and many light and heavy industrial applications. Woodward is headquartered in Rockford, Illinois, and serves global markets from locations worldwide. Visit our Web site at www.woodward.com.

The statements in this release concerning the company's future sales, earnings, business performance, prospects, and the economy in general reflect current expectations and are forward-looking statements that involve risks and uncertainties. Such risks include, but are not limited to, further decline in sales levels in one or more of our markets, our ability to reduce expenses, and the continued demand for and progress on our development programs. Actual results could differ materially from projections or any other forward-looking statement and we have no obligation to update our forward-looking statements. Factors that could affect performance and could cause actual results to differ materially from projections and forward-looking statements are described in Woodward's Annual Report and Form 10-K for the year ended September 30, 2002, and Form 10-Q for the quarterly period ended March 31, 2003, expected to be available by mid-May.

WOODWARD GOVERNOR COMPANY AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED EARNINGS

	THREE MONTHS ENDED MARCH 31,		S
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)	2003	2002	20
NET SALES	\$146,159	\$174,864	\$2
Costs and expenses:			
Cost of goods sold	122,114	136,294	2
Sales, general, and administrative expenses	15,289	15,800	
Amortization of intangible assets	1,029	766	
Interest expense	951	1,330	
Interest income	(383)	(245)	
Other expense (income)--net	(259)	642	
Total costs and expenses	138,741	154,587	2
EARNINGS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	7,418	20,277	
Income taxes	2,907	6,654	
EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	4,511	13,623	
Cumulative effect of accounting change, net of income taxes	-	-	
NET EARNINGS	\$ 4,511	\$13,623	\$

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BASIC PER SHARE AMOUNTS:

Earnings before cumulative effect of accounting change	\$ 0.40	\$ 1.20	\$
Cumulative effect of accounting change, net of income taxes	-	-	
Net earnings	\$ 0.40	\$ 1.20	\$

DILUTED PER SHARE AMOUNTS:

Earnings before cumulative effect of accounting change	\$ 0.40	\$ 1.18	\$
Cumulative effect of accounting change, net of income taxes	-	-	
Net earnings	\$ 0.40	\$ 1.18	\$

WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING:

Basic	11,151	11,324
Diluted	11,270	11,591

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WOODWARD GOVERNOR COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS) AT MARCH 31,
2003

ASSETS

Current assets:

Cash and cash equivalents	\$30,852
Accounts receivable	74,335
Inventories	124,944
Deferred income taxes	13,645

Total current assets	243,776
Property, plant, and equipment-net	117,562
Goodwill	115,747
Other intangibles-net	64,987
Other assets	10,610
Deferred income taxes	14,486

TOTAL ASSETS \$567,168

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Short-term borrowings	\$12,068
Current portion of long-term debt	2,000
Accounts payable and accrued expenses	61,901
Income taxes payable	2,350

Total current liabilities	78,319
Long-term debt, less current portion	78,222
Other liabilities	53,277

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Total liabilities	209,818
Shareholders' equity	357,350

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$567,168
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WOODWARD GOVERNOR COMPANY AND SUBSIDIARIES

----- OTHER SELECTED INFORMATION -----

	THREE MONTHS ENDED MARCH 31,		SIX MO MAR
(IN THOUSANDS)	2003	2002	2003

EXTERNAL NET SALES:			
Industrial Controls	\$82,311	\$106,418	\$160,840
Aircraft Engine Systems	63,848	68,446	130,144
SEGMENT EARNINGS (LOSSES):			
Industrial Controls	(1,848)	12,384	(178)
Aircraft Engine Systems	12,167	15,053	24,998
CAPITAL EXPENDITURES	4,016	5,517	6,881
DEPRECIATION EXPENSE	6,883	7,096	13,606
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SEGMENT EARNINGS IN THE TABLE ABOVE DO NOT REFLECT INTEREST, CORPORATE EXPENSES, INCOME TAXES, AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE.

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