Woodward, Inc.
Form 10-K
November 12, 2014
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended September 30, 2014

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 000-08408
WOODWARD, INC.
(Exact name of registrant as specified in its charter)

Delaware	36-1984010
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1000 East Drake Road, Fort Collins, Colorado	80525
(Address of principal executive offices)	(Zip Code)

(970) 482-5811
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common stock, par value $.001455 per share	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

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

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

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 (§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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 Smaller reporting company

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

Aggregate market value of registrant's common stock held by non-affiliates of the registrant, based upon the closing price of a share of the registrant's common stock on March 31, 2014 as reported on The NASDAQ Global Select Market on that date: $1,829,752,615. For purposes of this calculation, shares of common stock held by (i) persons holding more than 5% of the outstanding shares of stock, (ii) officers and directors of the registrant, and (iii) the Woodward Governor Company Profit Sharing Trust, Woodward Governor Company Deferred Shares Trust, or the Woodward Charitable Trust, as of March 31, 2014, are excluded in that such persons may be deemed to be affiliates. This determination is not necessarily conclusive of affiliate status.

Number of shares of the registrant's common stock outstanding as of November 10, 2014: 65,587,860.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our proxy statement for the Annual Meeting of Stockholders to be held January 21, 2015, are incorporated by reference into Parts II and III of this Form 10-K, to the extent indicated.

TABLE OF CONTENTS

		Page
PART I		
	Forward Looking Statements	2
Item 1.	Business	3
Item 1A.	Risk Factors	11
Item 1B.	Unresolved Staff Comments	23
Item 2.	Properties	23
Item 3.	Legal Proceedings	24
Item 4.	Mine Safety Disclosures	24
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	24
Item 6.	Selected Financial Data	26
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	48
Item 8.	Financial Statements and Supplementary Data	51
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	99
Item 9A.	Controls and Procedures	99
Item 9B.	Other Information	101
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	101
Item 11.	Executive Compensation	101
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	101
Item 13.	Certain Relationships and Related Transactions, and Director Independence	101
Item 14.	Principal Accountant Fees and Services	102
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	103
	Signatures	107

PART I

Forward Looking Statements

This Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding future events and our future results within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are statements that are deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of management. Words such as "anticipate," "believe," "estimate," "seek," "goal," "expect," "forecast," "intend," "continue," "ou "project," "target," "strive," "can," "could," "may," "should," "will," "would," variations of such words, and similar expressio intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characteristics of future events or circumstances are forward-looking statements. Forward-looking statements may include, among others, statements relating to:

- future sales, earnings, cash flow, uses of cash, and other measures of financial performance;
- descriptions of our plans and expectations for future operations;
- the effect of economic downturns or growth in particular regions;
- the effect of changes in the level of activity in particular industries or markets;
- the availability and cost of materials, components, services, and supplies;
- the scope, nature, or impact of acquisition activity and integration of such acquisitions into our businesses;
- the development, production, and support of advanced technologies and new products and services;
- new business opportunities;
- restructuring and alignment costs and savings;
- our plans, objectives, expectations and intentions with respect to recent acquisitions and expected business opportunities that may be available to us;
- the outcome of contingencies;
- future repurchases of common stock;
- future levels of indebtedness and capital spending; and
- pension plan assumptions and future contributions.

Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including:

- a decline in business with, or financial distress of, our significant customers;
- global economic uncertainty and instability in the financial markets;
- our ability to obtain financing, on acceptable terms or at all, to implement our business plans, complete acquisitions, or otherwise take advantage of business opportunities or respond to business pressures;
- the long sales cycle, customer evaluation process, and implementation period of some of our products and services;
- our ability to implement and realize the intended effects of any restructuring and alignment efforts;
- our ability to successfully manage competitive factors, including prices, promotional incentives, industry consolidation, and commodity and other input cost increases;
- our ability to manage our expenses and product mix while responding to sales increases or decreases;
- the ability of our subcontractors to perform contractual obligations and our suppliers to provide us with materials of sufficient quality or quantity required to meet our production needs at favorable prices or at all;
- our ability to monitor our technological expertise and the success of, and/or costs associated with, our product development activities;

- our ability to integrate acquisitions and manage costs related thereto;
- our debt obligations, our debt service requirements, and our ability to operate our business, pursue business strategies and incur additional debt in light of covenants contained in our outstanding debt agreements;
- risks related to our U.S. Government contracting activities, including liabilities resulting from legal and regulatory proceedings, inquiries, or investigations related to such activities;
- the potential of a significant reduction in defense sales due to decreases in the amount of U.S. Federal defense spending or other specific budget cuts impacting defense programs in which we participate;
- changes in government spending patterns and/or priorities;
- future impairment charges resulting from changes in the estimates of fair value of reporting units or of long-lived assets;
- future results of our subsidiaries;
- environmental liabilities related to manufacturing activities and/or real estate acquisitions;
- our continued access to a stable workforce and favorable labor relations with our employees;
- physical and other risks related to our operations and suppliers, including natural disasters, which could disrupt production;
- our ability to successfully manage regulatory, tax, and legal matters (including product liability, patent, and intellectual property matters);
- risks from operating internationally, including the impact on reported earnings from fluctuations in foreign currency exchange rates, and compliance with and changes in the legal and regulatory environments of the United States and the countries in which we operate;
- fair value of defined benefit plan assets and assumptions used in determining our retirement pension and other postretirement benefit obligations and related expenses including, among others, discount rates and investment return on pension assets;
- our operations may be adversely affected by information systems interruptions or intrusions; and
- certain provisions of our charter documents and Delaware law that could discourage or prevent others from acquiring our company.

These factors are representative of the risks, uncertainties, and assumptions that could cause actual outcomes and results to differ materially from what is expressed or forecast in our forward-looking statements. Other factors are discussed under the caption “Risk Factors” in Part I, Item 1A in this Annual Report on Form 10-K for the fiscal year ended September 30, 2014 (this “Form 10-K). We undertake no obligation to revise or update any forward-looking statements for any reason.

Unless we have indicated otherwise or the context otherwise requires, references in this Form 10-K to “Woodward,” “the Company,” “we,” “us,” and “our” refer to Woodward, Inc. and its consolidated subsidiaries.

Except where we have otherwise indicated or the context otherwise requires, amounts presented in this Form 10-K are in thousands, except per share amounts.

Item 1. Business

General

Woodward enhances the global quality of life and sustainability by optimizing energy use through improved efficiency and lower emissions. We are an independent designer, manufacturer, and service provider of energy control and optimization solutions. We design, produce and service reliable, efficient, low-emission, and high-performance energy control products for diverse applications in challenging environments. We have significant production and assembly facilities in the United States, Europe and Asia, and promote our products and services through our worldwide locations.

Our strategic focus is providing energy control and optimization solutions for the aerospace and energy markets. The precise and efficient control of energy, including fluid and electrical energy, combustion, and motion, is a growing

requirement in the markets we serve. Our customers look to us to optimize the efficiency, emissions and operation of power equipment in both commercial and defense operations. Our core technologies leverage well across our markets and customer applications, enabling us to develop and integrate cost-effective and state-of-the-art fuel, combustion, fluid, actuation and electronic systems. We focus primarily on serving original equipment manufacturers ("OEMs") and equipment packagers,

partnering with them to bring superior component and system solutions to their demanding applications. We also provide aftermarket repair, replacement and other service support for our installed products.

Our components and integrated systems optimize performance of commercial aircraft, defense aircraft, ground vehicles and other equipment, gas and steam turbines, wind turbines, including converters and power grid related equipment, industrial diesel, gas, alternative and dual fuel reciprocating engines, and electrical power systems. Our innovative fluid energy, combustion control, electrical energy, and motion control systems help our customers offer more cost-effective, cleaner, and more reliable equipment.

We were established in 1870, incorporated in 1902, and are headquartered in Fort Collins, Colorado. The mailing address of our world headquarters is 1000 East Drake Road, Fort Collins, Colorado 80525. Our telephone number at that location is (970) 482-5811, and our website is www.woodward.com. None of the information contained on our website is incorporated into this document by reference.

Markets and Principal Lines of Business

We serve two primary markets – aerospace and energy – which comprise our two reportable segments. Our customers require technological solutions to meet their needs for performance, efficiency, and reliability, and to reduce their costs of operation.

Within the aerospace market, we provide systems, components and solutions for both commercial and defense applications. Our key focus areas within this market are:

- Propulsion system control solutions for turbine powered aircraft; and
- Actuation systems and motion control solutions.

Within the energy market, our key focus areas are:

- Control solutions for equipment that produce electricity using conventional or renewable energy sources;
  - Solutions for the control of power quality, distribution and storage on the electrical grid; and
- Control solutions for power equipment used in the extraction, distribution and conversion of renewable and fossil fuels in marine, mobile, and industrial equipment applications.

Additional information about our operations in fiscal year 2014 and outlook for the future, including certain segment information, is included in “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Additional information about our business segments and certain geographical information is included in Note 20, Segment information and Note 21, Supplemental quarterly financial data (Unaudited), to the Consolidated Financial Statements in “Item 8 – Financial Statements and Supplementary Data.”

Products, Services and Applications

Aerospace

Our Aerospace segment designs, manufactures and services systems and products for the management of fuel, air, combustion and motion control. These products include main fuel pumps, metering units, actuators, air valves, specialty valves, fuel nozzles, and thrust reverser actuation systems for turbine engines and nacelles; as well as flight deck controls, actuators, servocontrols, motors and sensors for aircraft. These products are used on commercial and private aircrafts and helicopters, as well as in military fixed-wing aircraft and rotorcraft, weapons and defense systems.

We have significant content on a wide variety of commercial aircraft, rotorcraft and business jet platforms, including the Airbus A320, Boeing 737 and 787, Bell 429 and Gulfstream G650. We also have significant content on such

defense applications as the Blackhawk and Apache helicopters, F-18 and F-35 fighter jets, M1A1 Abrams Tank and guided tactical weapons (for example, the Joint Direct Attack Munition ("JDAM")).

Revenues from the Aerospace segment are generated by sales to OEMs, tier-one suppliers, and prime contractors, and through aftermarket sales of components, such as provisioning spares or replacements. We also provide aftermarket repair, overhaul and other services to commercial airlines, turbine OEM repair facilities, military depots, third party repair shops, and other end users.

Energy

Our Energy segment designs, produces and services systems and products for the management of fuel, air, fluids, gases, electricity, motion, and combustion. These products include actuators, valves, pumps, injectors, solenoids, ignition systems, governors, electronics and software, power converters, and devices that measure, communicate and protect electrical distribution systems. Our products are used on industrial gas turbines, including heavy frame and aeroderivative turbines,

steam turbines, reciprocating engines, power generation and power distribution systems, wind turbines, and compressors. The equipment on which our products are found is used to extract and distribute fossil and renewable fuels; generate and distribute power; and convert fuel to work in marine, mobile, and industrial equipment applications.

Revenues from the Energy segment are generated primarily by sales to OEMs, tier-one suppliers, and prime contractors, and by providing other related services to our OEM customers. The Energy segment also sells products through an independent network of distributors, in some cases, directly to end users.

Sales Order Backlog

Our backlog of unshipped sales orders as of October 31, 2014 and 2013 by segment was as follows:

	October 31, 2014	% Expected to be filled by September 30, 2015		October 31, 2013
Aerospace	$ 566,134	61	%	$ 551,652
Energy	261,735	92		227,115
	$ 827,869	71	%	$ 778,767

Our current estimate of the sales order backlog is based on unshipped sales orders that are open in our order entry systems. Unshipped orders are not necessarily an indicator of future sales levels because of variations in lead times and customer production schedules.

Seasonality

We do not believe that our sales, in total or in either business segment, are subject to significant seasonal variation. However, our sales have generally been lower in the first quarter of our fiscal year as compared to the immediately preceding quarter due to fewer working days resulting from the observance of various holidays and scheduled plant shutdowns for annual maintenance.

Customers

For the fiscal year ended September 30, 2014, approximately 39% of our consolidated net sales were made to our five largest customers. Sales to our five largest customers represented approximately 39% of our consolidated net sales for the fiscal year ended September 30, 2013 and 36% for the fiscal year ended September 30, 2012.

Sales to our largest customer, General Electric, accounted for approximately 15% of our consolidated net sales in the fiscal years ended September 30, 2014 and September 30, 2013 and 14% of our consolidated net sales in the fiscal year ended September 30, 2012. Our accounts receivable from General Electric represented approximately 12% of total accounts receivable as of September 30, 2014 and 11% as of September 30, 2013. We believe General Electric and our other significant customers are creditworthy and will be able to satisfy their credit obligations to us.

The following customers account for approximately 10% or more of sales to each of our reporting segments for the fiscal year ended September 30, 2014.

	Customer
Aerospace	United Technologies, Boeing, General Electric
Energy	General Electric, Weichai Westport

Government Contracts and Regulation

Portions of our business, particularly in our Aerospace segment, are heavily regulated. We contract with numerous U.S. Government agencies and entities, including all of the branches of the U.S. military, the National Aeronautics and Space Administration ("NASA"), and the Departments of Defense, Homeland Security, and Transportation. We also contract with similar government authorities outside the United States.

The U.S. Government, and other governments, may terminate any of our government contracts, or any government contracts under which we are a subcontractor, at their convenience, as well as for default based on specified performance measurements. If any of our government contracts were to be terminated for convenience, we generally would be entitled to receive payment for work completed and allowable termination or cancellation costs. If any of our government contracts were to be terminated for our default, the U.S. Government generally would pay only for the work accepted, and could require us to pay the difference between the original contract price and the cost to re-procure the contract items, net of the

work accepted from the original contract. The U.S. Government could also hold us liable for damages resulting from the default.

We must comply with, and are affected by, laws and regulations relating to the formation, administration and performance of U.S. Government contracts. These laws and regulations, among other things:

- require accurate, complete and current disclosure and certification of cost and pricing data in connection with certain contracts;
- impose specific and unique cost accounting practices that may differ from accounting principles generally accepted in the United States ("U.S. GAAP"), and therefore require reconciliation;
- impose regulations that define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based U.S. Government contracts;
- impose manufacturing specifications and other quality standards that may be more restrictive than for non-government business activities; and
- restrict the use and dissemination of information classified for national security purposes due to the regulations of the U.S. Government and foreign governments pertaining to the export of certain products and technical data.

Sales made directly to U.S. Government agencies and entities, or indirectly through third party manufacturers utilizing Woodward parts and subassemblies, collectively represented 17% of our sales for fiscal year 2014, 21% of our sales for fiscal year 2013, and 18% of our sales for fiscal year 2012. The level of U.S. spending for defense, alternative energy and other programs, and the mix of programs to which such funding is allocated, is subject to periodic congressional appropriation actions, and is subject to change at any time.

U.S. Government related sales from our reporting segments for fiscal years 2014, 2013 and 2012 were as follows:

	Direct U.S. Government Sales	Indirect U.S. Government Sales	Commercial Sales	Total
Fiscal year ended September 30, 2014				
Aerospace	$ 76,982	$ 254,806	$ 752,237	$ 1,084,025
Energy	2,517	5,588	909,110	917,215
Total net external sales	$ 79,499	$ 260,394	$ 1,661,347	$ 2,001,240
Percentage of total net sales	4 %	13 %	83 %	100 %
Fiscal year ended September 30, 2013				
Aerospace	$ 104,410	$ 289,197	$ 667,870	$ 1,061,477
Energy	3,649	8,106	862,744	874,499
Total net external sales	$ 108,059	$ 297,303	$ 1,530,614	$ 1,935,976
Percentage of total net sales	6 %	15 %	79 %	100 %
Fiscal year ended September 30, 2012				
Aerospace	$ 78,075	$ 254,636	$ 563,372	$ 896,083
Energy	3,904	7,228	958,412	969,544
Total net external sales	$ 81,979	$ 261,864	$ 1,521,784	$ 1,865,627
Percentage of total net sales	4 %	14 %	82 %	100 %

Manufacturing

We operate manufacturing and assembly plants in the United States, Europe, and Asia. Our products consist of mechanical, electronic and electromechanical systems and components.

Aluminum, iron and steel are primary raw materials used to produce our mechanical components. Other commodities, such as gold, copper and nickel, are also used in the manufacture of our products, although in much smaller quantities. We purchase various goods, including component parts and services used in production, logistics and product development processes from third parties. Generally there are numerous sources for the raw materials and components used in our products, which we believe are sufficiently available to meet current requirements.

We maintain global strategic sourcing models to meet our global facilities' production needs while building long-term supplier relationships and efficiently managing our overall supply costs. We expect our suppliers to maintain adequate levels of quality raw materials and component parts, and to deliver such parts on a timely basis to support production of our various products. We use a variety of agreements with suppliers intended to protect our intellectual property and processes and to

monitor and mitigate risks of disruption in our supply base that could cause a business disruption to our production schedules or to our customers. The risks monitored include supplier financial viability, business continuity, quality, delivery and protection of our intellectual property and processes.

Our customers expect us to maintain adequate levels of certain finished goods and certain component parts to support our warranty commitments and sales to our aftermarket customers, and to deliver such parts on a timely basis to support our customers' standard and customary needs. We carry certain finished goods and component parts in inventory to meet these rapid delivery requirements of our customers.

The Securities and Exchange Commission ("SEC") has adopted disclosure rules for companies that use tantalum, tin, tungsten, and gold or their derivatives (referred to as conflict minerals) in their products, with substantial supply chain verification requirements in the event the conflict minerals come or may come from the Democratic Republic of Congo or adjoining countries; our first related report was filed with the SEC on June 2, 2014. Additional reporting obligations are being considered by the European Union. Due to the complexity of our supply chain, we may face reputational challenges with our customers, stockholders and other stakeholders if we are unable to sufficiently verify the origins of the conflict minerals used in our products. Further, the implementation of the existing U.S. requirements and any additional European requirements could affect the sourcing and availability of metals used in the manufacture of a number of parts contained in our products. Regardless, we have and will continue to incur costs associated with compliance, including time-consuming and costly efforts to determine the source of minerals used in our products.

Research and Development

We finance our research and development activities with our own independent research and development funds. Our research and development costs include basic research, applied research, component and systems development, and other concept formulation studies.

Company funded expenditures related to new product development activities are expensed as incurred and are separately reported in the Company's Consolidated Statements of Earnings. Across both of our segments, research and development costs totaled $138,005 in fiscal year 2014, $130,250 in fiscal year 2013, and $143,274 in fiscal year 2012. Research and development costs were 6.9% of consolidated net sales in fiscal year 2014 compared to 6.7% in fiscal year 2013 and 7.7% in fiscal year 2012. See "Research and development costs" in Note 1, Operations and summary of significant accounting policies, to the Consolidated Financial Statements in "Item 8 – Financial Statements and Supplementary Data."

Aerospace is focused on developing systems and components that we believe will be instrumental in helping our customers achieve their objectives of lower fuel consumption, lighter weight, more efficient performance, reduced emissions, and improved operating economics. Our development efforts support technology for a wide range of:

- aerospace turbine applications, which include commercial, business and military turbofan engines of various thrust classes, turboshaft engines and turboprop engines;
- electromechanical and hydraulic actuation systems for flight deck-to-flight surface control of fixed-wing aircraft and rotorcraft, and turbine engine nacelles, as well as guidance for weapon systems; and
- motion control components for integration into comprehensive actuation systems.

The aerospace industry is moving toward more electric ("fly-by-wire"), lighter weight aircraft, while demanding increased reliability and redundancy. In response, we are developing an expanded family of intelligent flight deck control products (including throttle and rudder controls) with both conventional and fly-by-wire technology, as well as motor driven actuation systems.

We collaborate closely with our customers as they develop their technology plans, which leads to new product concepts. We believe this collaboration allows us to develop technology that is aligned with our customers' needs and

therefore, increases the likelihood that our systems and components will be selected for inclusion in the platforms developed by our customers. Further, we believe our close collaboration with our customers during preliminary design stages allows us to provide products that deliver the component and system performance necessary for our customers' products.

Some technology development programs begin years before an expected entry to service, such as those for the next-generation of commercial aircraft engines. Other development programs result in nearer-term product launches associated with new OEM offerings, product upgrades, or product replacements on existing programs. Some of the major projects/programs we are developing are listed below.

We are currently developing the fuel system, air management, and actuation hardware for CFM International's LEAP engine program, and actuation system, combustion system and oil system components for Pratt & Whitney's PurePower engine program. These programs target applications in the single aisle and regional aircraft markets with expected entry into service in the 2015 to 2018 timeframe. Both the LEAP engine and the PurePower engine have been selected by Airbus as options to power its re-engined A320neo aircraft. In addition, the LEAP engine has been selected exclusively by Boeing for its re-engined 737 MAX and by Comac for its C919 aircraft. The PurePower engine has been selected exclusively by

Bombardier for its CSeries aircraft, by Embraer for its EJets E2 aircraft family, and by Irkut for the MS-21 aircraft. In addition, we are the selected supplier for the thrust reverser actuation system ("TRAS") for the Boeing 737 MAX and the LEAP-engined Airbus A320neo. We continue to pursue and win major programs in our TRAS and motion control product lines.

We are also currently developing the fuel system, air management, and actuation hardware for the Passport engine program, as well as the thrust reverser actuation system for the integrated propulsion system. Passport is the next generation GE Aviation engine for the large business aviation market, and has been selected by Bombardier to power its Global 7000 and 8000 long-range business aircraft, targeting entry into service in 2016 and 2017, respectively.

In addition, we are currently developing sensor solutions for the Airbus A350 high lift system, an actuation sub-system for the Boeing 787-9 that improves fuel burn, flight deck components for the Bombardier CSeries and Global 7000 and 8000 aircraft, and control and sensing solutions for the KC-46A refueling tanker boom subsystem.

Energy is focused on developing improved technologies, including integrated control systems, and system components that we believe will allow our OEM customers to cost-effectively meet mandated emissions regulations and fuel efficiency demands, allow for usage of a wider range of fuel sources, increase reliability, reduce total cost of ownership, support global infrastructure requirements, and safely distribute power on the electrical grid.

Our efforts include research and development of technologies and products that improve combustion processes and provide more precise flow of various fuels and gases in our customers' gas turbines and industrial reciprocating engines. We also develop electronic devices and software algorithms that provide improved control and protection of reciprocating engines, gas turbines, steam turbines, wind turbines, and engine- and turbine-powered equipment. Major development projects include diesel common rail fuel injection systems, comprehensive gas engine control systems, fuel flow control valves and actuators, and various other technologies that will help our OEM customers meet future global emissions regulations expected to become effective in 2015 or thereafter. We believe our technologies also help our OEM customers' engines, turbines, power generation, power distribution, compressor and other powered equipment operate more efficiently and more reliably.

Competitive Environment

Our products and product support services are sold worldwide into a variety of competitive markets. In all markets, we compete on the basis of differentiated technology and design, product performance and conformity with customer specifications. Additional factors are customer service and support, including on-time delivery and customer partnering, product quality, price, reputation and local presence. Both of our segments operate in uniquely competitive environments.

We believe that new competitors face significant barriers to entry into many of our markets, including various government mandated certification requirements to compete in the aerospace markets in which we participate.

Aerospace industry safety regulations and manufacturing standards demand significant product certification requirements, which form a basis for competition as well as a barrier to entry. Technological innovation and design, product performance and conformity with customer specifications, and product quality and reliability are of utmost importance in the aerospace and defense industry. In addition, on-time delivery, pricing, and joint development capabilities with customers are points of competition within this market. Our customers include airframe and aircraft engine OEM manufacturers and suppliers to these manufacturers. We supply these customers with technologically innovative system and component solutions and align our technology roadmaps with our customers. We focus on responding to needs for reduced cost and weight, emission control and reliability improvements. Our products achieve high levels of field reliability, which offers end users an advantage in life-cycle cost. We compete with numerous companies around the world that specialize in fuel and air management, combustion, and electronic control products. In addition, some of our OEM customers are capable of developing and manufacturing these same products

internally.

Our competitors in aerospace include divisions of United Technologies Corporation ("UTC") Aerospace Systems, Honeywell, Moog, Parker Hannifin and Eaton. We address competition in aftermarket service through responsiveness to our customers' needs, providing short turnaround times and maintaining a global presence.

Several competitors are also customers for our products, such as UTC Aerospace Systems, Parker Hannifin, and Honeywell. Some of our customers are affiliated with our competitors through ownership or joint venture agreements. We compete in part by establishing relationships with our customers' engineering organizations, and by offering innovative technical and commercial solutions to meet their market requirements.

Energy operates in the global markets for industrial turbines, industrial reciprocating engines, electric power generation systems, power distribution networks, and wind turbines.

We compete with numerous companies that specialize in various engine, turbine, and power management products, and our OEM customers are often capable of developing and manufacturing some of these same products internally. Many of our

OEM customers are large global OEMs that require suppliers to support them around the world and meet increasingly higher requirements in terms of quality, delivery, reliability and cost improvements.

Competitors include Heinzmann GmbH & Co., Robert Bosch AG, L'Orange GmbH, Hoerbiger, General Electric, ABB, Siemens, and Schweitzer Electric. OEM customers with internal capabilities for similar products include General Electric, Caterpillar, Wartsila, Siemens, and Cummins.

We believe we are a market leader in providing our customers advanced technology and superior product performance at a competitive price. We focus on developing and maintaining close relationships with our OEM customers' engineering teams. Competitive success is based on the development of innovative components and systems that are aligned with the OEMs' technology roadmaps to achieve future emission, efficiency, and fuel flexibility targets.

Employees

As of October 31, 2014, we employed approximately 6,700 full-time employees of which approximately 1,750 were located outside of the United States. We consider the relationships with our employees to be good.

Approximately 16% of our total full-time workforce were union employees as of October 31, 2014, all of whom work for our Aerospace segment. The collective bargaining agreements with our union employees are generally renewed through contract renegotiation near the contract expiration dates. The MPC Employees Representative Union contract, which covers 451 employees as of October 31, 2014, expires September 30, 2017. The Local Lodge 727-N International Association of Machinists and Aerospace Workers agreement, which covers 423 employees as of October 31, 2014, expires April 21, 2017. The International Union, United Automobile, Aerospace and Agricultural Implement Workers of America and Local No. 509 agreement, which covers 226 employees as of October 31, 2014, expires June 3, 2017. We believe our relationships with our employees and the representative unions are good.

All of our other employees in the United States were at-will employees as of October 31, 2014, and therefore, not subject to any type of employment contract or agreement. Our executive officers and our other corporate officers each have change-in-control agreements which have been filed with the SEC.

Outside of the United States, we enter into employment contracts and agreements in those countries in which such relationships are mandatory or customary. The provisions of these agreements correspond in each case with the required or customary terms in the subject jurisdiction.

Patents, Intellectual Property, and Licensing

We own numerous patents and have licenses for the use of patents owned by others, which relate to our products and their manufacture. In addition to owning a large portfolio of intellectual property, we also license intellectual property to and from third parties. For example, the U.S. Government has certain rights in our patents and other intellectual property developed in performance of certain government contracts, and it may use or authorize others to use the inventions covered by such patents for government purposes as allowed by law.

Some of our intellectual property is not covered by patents (or patent applications) and includes trade secrets and other know-how that is not patentable or for which we have elected not to seek patent protection, including intellectual property relating to our manufacturing processes and engineering designs. Such unpatented technology, including research, development and engineering technical skills and know-how, as well as unpatented software, is important to our overall business and to the operations of each of our segments.

While our intellectual property assets taken together are important, we do not believe our business or either of our segments would be materially affected by the expiration of any particular intellectual property right or termination of any particular intellectual property patent license agreement.

As of September 30, 2014, our Consolidated Balance Sheet includes $254,772 of net intangible assets. This value represents the carrying values, net of amortization, of certain assets acquired in various business acquisitions and does not purport to represent the fair value of our intellectual property as of September 30, 2014.

U.S. GAAP requires that research and development costs be expensed as incurred; therefore, as we develop new intellectual property in the normal course of business, the costs of developing such assets are expensed as incurred, with no corresponding intangible asset recorded.

Environmental Matters and Climate Change

The Company is regulated by federal, state and international environmental laws governing our use, transport and disposal of substances and control of emissions. Compliance with these existing laws has not had a material impact on our capital expenditures, earnings or global competitive position.

We are engaged in environmental remedial activities, generally in coordination with other companies, pursuant to federal and state laws. When it is reasonably probable we will pay remediation costs at a site, and those costs can be reasonably estimated, we accrue a liability for such future costs with a related charge against our earnings. In formulating that estimate and recognizing those costs, we do not consider amounts expected to be recovered from insurance companies, or others, until such recovery is assured. Our accrued liability for environmental remediation costs is not significant and is included in the line item "Accrued liabilities" in the Consolidated Balance Sheets in "Item 8 – Financial Statements and Supplementary Data."

We generally cannot reasonably estimate costs at sites in the very early stages of remediation. Currently, we have two sites undergoing remediation, and there is no more than a remote chance that remediation costs at any individual site, or at all sites in the aggregate, will be material.

Our manufacturing facilities generally do not produce significant volumes or quantities of byproducts, including greenhouse gases, that would be considered hazardous waste or otherwise harmful to the environment. We do not expect legislation currently pending or expected in the next several years to have a significant negative impact on our operations in any of our segments.

Domestic and foreign legislative initiatives on emissions control, renewable energy, and climate change tend to favorably impact the sale of our energy control products. For example, our Energy segment produces inverters for wind turbines and energy control products that help our customers maximize engine efficiency and minimize wasteful emissions, including greenhouse gases.

Executive Officers of the Registrant

Information about our executive officers is provided below. There are no family relationships between any of the executive officers listed below.

Thomas A. Gendron, Age 53. Chairman of the Board since January 2008; Chief Executive Officer, President, and Director since July 2005; Chief Operating Officer and President September 2002 through June 2005; Vice President and General Manager of Industrial Controls June 2001 through September 2002; Vice President of Industrial Controls April 2000 through May 2001; Director of Global Marketing and Industrial Controls' Business Development February 1999 through March 2000.

Robert F. Weber, Jr., Age 60. Vice Chairman, Chief Financial Officer and Treasurer since September 2011, and Chief Financial Officer and Treasurer since August 2005. Prior to August 2005, Mr. Weber was employed at Motorola, Inc. for 17 years, where he held various positions, including Corporate Vice President and General Manager - EMEA Auto. Prior to this role, Mr. Weber served in a variety of financial positions at both a corporate and operating unit level with Motorola.

Martin V. Glass, Age 57. President, Airframe Systems since April 2011; President, Turbine Systems October 2009 through April 2011; Group Vice President, Turbine Systems September 2007 through September 2009; Vice President of the Aircraft Engine Systems Customer Business Segment December 2002 through August 2007; Director of Sales, Marketing, and Engineering February 2000 through December 2002.

Sagar Patel, Age 48. President, Aircraft Turbine Systems since June 2011. Prior to this role, Mr. Patel was employed at General Electric for 18 years, most recently serving as President, Mechanical Systems, GE Aviation, from March 2009 through June 2010. He served as President, Aerostructures, GE Aviation from July 2008 through July 2009 and as President and General Manager, MRS Systems, Inc., GE Aircraft Engines, from October 2005 through June 2008.

Chad R. Preiss, Age 49. President, Engine Systems since October 2009; Group Vice President, Engine Systems October 2008 through September 2009; Vice President, Sales, Service, and Marketing, Engine Systems December

2007 through September 2008; and Vice President, Industrial Controls September 2004 through December 2007. Prior to this role, Mr. Preiss served in a variety of engineering and marketing/sales management roles, including Director of Business Development, since joining Woodward in 1988.

James D. Rudolph, Age 53. President, Industrial Turbomachinery Systems since April 2011; Corporate Vice President, Global Sourcing October 2009 through April 2011; Vice President, Global Sourcing April 2009 through October 2009; Director of Global Sourcing April 2005 through April 2009; Director of Engineering for Industrial Controls March 2000 through April 2005. Prior to March 2000, Mr. Rudolph served in a variety of engineering, operations and sales roles since joining Woodward in 1984.

A. Christopher Fawzy, Age 45. Corporate Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer since October 2009; Vice President, General Counsel, and Corporate Secretary June 2007 through September 2009. Mr. Fawzy became the Company's Chief Compliance Officer in August 2009. Prior to joining Woodward, Mr. Fawzy was employed by Mentor Corporation, a global medical device company. He joined Mentor in 2001 and served as Corporate Counsel, then General Counsel in 2003, and was appointed Vice President, General Counsel and Secretary in 2004.

Other Corporate Officers of the Registrant

Information about our other corporate officers is provided below. There are no family relationships between any of the corporate officers listed below or between any of the corporate officers listed below and the aforementioned executive officers.

Steven J. Meyer, Age 54. Corporate Vice President, Human Resources since October 2009; Vice President, Human Resources November 2006 through September 2009; Director, Global Human Resources November 2002 through October 2006; Director, Human Resources for Industrial Controls July 1997 through October 2002. Prior to joining Woodward, Mr. Meyer was employed by PG&E Corporation and Nortel in a variety of roles in human resources.

Matthew F. Taylor, Age 52. Corporate Vice President, Supply Chain since February 2011; Vice President, Engine Fluid Systems and Controls Center of Excellence ("CoE") October 2009 through February 2011; General Manager, Fluid Systems and Controls CoE December 2006 through October 2009; Director of Operations, Fluid Systems and Controls June 2005 through December 2006. Prior to joining Woodward in June 2005, Mr. Taylor was the Vice President and General Manager, Warner Electric and served in a variety of general management roles at Eaton Corporation from February 1998 through August 2003.

Matt R Cook, Age 43. Corporate Vice President, Information Technology since January 2014; Director, Global Business Systems July 2012 through January 2014. Prior to joining Woodward, Mr. Cook was employed by Satcon Corporation as Vice President, Global Information Technology. Prior to Satcon, Mr. Cook served in a variety of senior roles in information technology and business development.

Information available on Woodward's Website

Through a link on the Investor Information section of our website, www.woodward.com, we make available the following filings as soon as reasonably practicable after they are electronically filed or furnished to the SEC: our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. None of the information contained on our website is incorporated into this document by reference.

Stockholders may obtain, without charge, a single copy of Woodward's 2014 Annual Report on Form 10-K upon written request to the Corporate Secretary, Woodward, Inc., 1000 East Drake Road, Fort Collins, Colorado 80525.

Item 1A.Risk Factors

Investment in our securities involves risk. An investor or potential investor should consider the risks summarized in this section when making investment decisions regarding our securities.

Important factors that could individually, or together with one or more other factors, affect our business, results of operations, financial condition, and/or cash flows include, but are not limited to, the following:

Company Risks

A decline in business with, or financial distress of, our significant customers could decrease our consolidated net sales or impair our ability to collect amounts due and payable and have a material adverse effect on our business, financial condition, results of operations and cash flows.

We have fewer customers than many companies with similar sales volumes. For the fiscal year ended September 30, 2014, approximately 39% of our consolidated net sales were made to our five largest customers. Sales to these same five largest customers represented approximately 39% of our consolidated net sales for the fiscal year ended September 30, 2013. Sales to our largest customer, General Electric, accounted for approximately 15% of our consolidated net sales in the fiscal year ended September 30, 2014, 15% in the fiscal year ended September 30, 2013, and 14% in the fiscal year ended September 30, 2012. Accounts receivable from General Electric represented approximately 12% of accounts receivable at September 30, 2014 and 11% at September 30, 2013. Sales to our next largest customer accounted for approximately 7% of our consolidated net sales in the fiscal year ended September 30, 2014, 7% in the fiscal year ended September 30, 2013, and 6% in the fiscal year ended September 30, 2012. If any of our significant customers were to change suppliers, in-source production, institute significant restructuring or cost-cutting measures, or experience financial distress, these significant customers may substantially reduce or otherwise be unable to pay for purchases from us. Accordingly, our consolidated net sales could decrease significantly or we may experience difficulty collecting or be unable to collect amounts due and payable, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Instability in the financial markets and global economic uncertainty could have a material adverse effect on the ability of our customers to perform their obligations to us and on their demand for our products and services.

During the last several years, there has been widespread concern over the instability in the financial markets and their influence on the global economy. As a result of the extreme volatility in the credit and capital markets, sovereign credit rating downgrades and uncertainty surrounding European sovereign and other debt defaults, and global economic uncertainty, our current or potential customers may experience cash flow problems and, as a result, may modify, delay or cancel plans to purchase our products. Additionally, if customers are not successful in generating sufficient revenue or are precluded from securing necessary financing, they may not be able to pay, or may delay payment of, accounts receivable that are owed to us. Any inability of current or potential customers to pay us for our products may adversely affect our earnings and cash flows.

In addition, the general economic environment significantly affects demand for our products and services. Periods of slowing economic activity may cause global or regional slowdowns in spending on infrastructure development in the markets in which we operate, and customers may reduce their purchases of our products and services.

There can be no assurance that any market and economic uncertainty in the United States or internationally would not have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our profitability may suffer if we are unable to manage our expenses or if we experience change in product mix as a result of sales increases or decreases.

Some of our expenses are relatively fixed in relation to changes in sales volume and are difficult to adjust in the short term. Expenses driven by business activity other than sales level, such as fixed manufacturing overhead and research and development costs, may be difficult to reduce in a timely manner in response to a reduction in sales. Expenses such as depreciation or amortization, which are the result of past capital expenditures or business acquisitions, are generally fixed regardless of sales levels. Due to the nature of our sales cycle, in periods of sales increases it may be difficult to rapidly increase our production of finished goods, particularly if such sales increases are unanticipated. An increase in the production of our finished goods requires increases in both the purchases of raw materials and components and in the size of our workforce. If a sudden, unanticipated need for raw materials, components and labor should arise in order to meet unexpected sales demand, we could experience difficulties in sourcing raw materials, components and labor at a favorable cost or to meet our production needs. These factors could result in delays in fulfilling customer sales contracts, damage to our reputation and relationships with our customers, an inability to meet the demands of the markets that we serve, which in turn could prevent us from taking advantage of business opportunities or responding to competitive pressures, and result in an increase in variable and fixed costs leading to a decrease in net earnings or even net losses. In addition, we sell products that have varying profit margins, and increases or decreases in sales of our various products may change the mix of products that we sell during any period. Any of these events could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

The long sales cycle, customer evaluation process and implementation period of our products and services may increase the costs of obtaining orders and reduce the predictability of sales cycles and our inventory requirements.

Our products and services are technologically complex. Prospective customers generally must commit significant resources to test and evaluate our products and to install and integrate them into larger systems. Orders expected in one quarter may shift to another quarter or be cancelled with little advance notice as a result of customers' budgetary constraints, internal acceptance reviews and other factors affecting the timing of customers' purchase decisions. In addition, customers often require a significant number of product presentations and demonstrations before reaching a sufficient level of confidence in the product's performance and compatibility with the approvals that typically accompany capital expenditure approval processes. The difficulty in forecasting demand increases the challenge in anticipating sales cycles and our inventory requirements, which may cause us to over-produce finished goods and

could result in inventory write-offs, or could cause us to under-produce finished goods. Any such over-production or under-production could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our product development activities may not be successful, may be more costly than currently anticipated, or we may not be able to produce newly developed products at a cost that meets the anticipated product cost structure.

Our business involves a significant level of product development activities, generally in connection with our customers' development activities. Industry standards, customer expectations, or other products may emerge that could render one or more of our products or services less desirable or obsolete. Maintaining our market position requires continued investment in research and development. During an economic downturn or a subsequent recovery, we may need to maintain our investment in research and development, which may limit our ability to reduce these expenses in proportion to a sales shortfall. In addition, increased investments in research and development may divert resources from other potential investments in our business, such as acquisitions or investments in our facilities, processes and operations. If these activities are not as successful as currently anticipated, are not completed on a timely basis, or are more costly than currently anticipated, or if we are not able to produce newly developed products at a cost that meets the anticipated product cost

structure, then our future sales, margins and/or earnings could be lower than expected, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our business may be affected by government contracting risks.

Sales made directly to U.S. Government agencies and entities were 4% of total net sales during fiscal year 2014, 6% during fiscal year 2013, and 4% during fiscal year 2012, primarily in the aerospace market. Sales made directly to U.S. Government agencies and entities, or indirectly through third party manufacturers, such as tier-one prime contractors, utilizing Woodward parts and subassemblies, accounted for approximately 17% of total sales in fiscal year 2014, 21% in fiscal year 2013, and 18% in fiscal year 2012. Our contracts with the U.S. Government are subject to the following unique risks, some of which are beyond our control, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

- The level of U.S. defense spending is subject to periodic congressional appropriation actions, including significant reductions in defense spending under the sequestration of appropriations in fiscal year 2013 under the Budget Control Act of 2011 (the "Budget Act"), and is subject to change at any time. The mix of programs to which such funding is allocated is also uncertain, and we can provide no assurance that an increase in defense spending will be allocated to programs that would benefit our business. If the amount of spending were to decrease, or there were a shift from certain aerospace and defense programs on which we have content to other programs on which we do not, our sales could decrease. In addition, one or more of the aerospace or defense programs that we currently support could be phased-out or terminated. Any such reductions in U.S. Government needs under these existing aerospace and defense programs, unless offset by other aerospace and defense programs and opportunities, could have a material adverse effect on our sales.
    - Our U.S. Government contracts and the U.S. Government contracts of our customers are subject to modification, curtailment or termination by the government, either for the convenience of the government or for default as a result of a failure by us or our customers to perform under the applicable contract. If any of our contracts are terminated by the U.S. Government, our backlog would be reduced, in accordance with contract terms, by the expected value of the remaining work under such contracts. In addition, we are not the prime contractor on most of our contracts for supply to the U.S. Government, and the U.S. Government could terminate a prime contract under which we are a subcontractor, irrespective of the quality of our products and services as a subcontractor.
- We must comply with procurement laws and regulations relating to the formation, administration and performance of our U.S. Government contracts and the U.S. Government contracts of our customers. The U.S. Government may change procurement laws and regulations from time to time. A violation of U.S. Government procurement laws or regulations, a change in U.S. Government procurement laws and regulations, or a termination arising out of our default could expose us to liability, debarment, or suspension and could have an adverse effect on our ability to compete for future contracts and orders.
- We are sometimes subject to government inquiries, audits and investigations due to our business relationships with the U.S. Government and the heavily regulated industries in which we do business. In addition, our contract costs are subject to audits by the U.S. Government. U.S. Government agencies, including the Defense Contract Audit Agency and the Defense Contract Management Agency, routinely audit government contractors and subcontractors. These agencies review our performance under contracts, cost structure and compliance with applicable laws, regulations, and standards, as well as the adequacy of and our compliance with our internal control systems and policies. Any costs found to be misclassified or inaccurately allocated to a specific contract would be deemed non-reimbursable, and to the extent already reimbursed, would be refunded. Any inadequacies in our systems and policies could result in withholds on billed receivables, penalties and reduced future business. Any inquiries or investigations, including those related to our contract pricing, could potentially result in civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, suspension, and/or debarment from participating in future business opportunities with the U.S. Government. Such actions could harm our reputation, even if such allegations are later determined to be unfounded, and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Product liability claims, product recalls or other liabilities associated with the products and services we provide may force us to pay substantial damage awards and other expenses that could exceed our accruals and insurance coverage.

The manufacture and sale of our products and the services we provide expose us to risks of product liability and other tort claims. We currently have and have had in the past product liability claims relating to our products, and we will likely be subject to additional product liability claims in the future for both past and current products. Some of these claims may have a material adverse effect on our business, financial condition, results of operations and cash flows. We also provide certain services to our customers and are subject to claims with respect to the services provided. In providing such services, we may rely on subcontractors to perform all or a portion of the contracted services. It is possible that we could be liable to our

customers for work performed by a subcontractor. Regardless of the outcome, product liability claims can be expensive to defend, can divert the attention of management and other personnel for significant periods of time, and can cause reputational damage. While we believe that we have appropriate insurance coverage available to us related to any such claims, our insurance may not cover all liabilities or be available in the future at a cost acceptable to us. An unsuccessful result in connection with a product liability claim, where the liabilities are not covered by insurance or for which indemnification or other recovery is not available, could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Suppliers may be unable to provide us with materials of sufficient quality or quantity required to meet our production needs at favorable prices or at all.

We are dependent upon suppliers for parts and raw materials used in the manufacture of components that we sell to our customers, and our raw material costs are subject to commodity market fluctuations. We may experience an increase in costs for parts or raw materials that we source from our suppliers, or we may experience a shortage of parts or raw materials for various reasons, such as the loss of a significant supplier, high overall demand creating shortages in parts and supplies we use, financial distress, work stoppages, natural disasters, fluctuations in commodity prices, or production difficulties that may affect one or more of our suppliers. In particular, current or future global economic uncertainty may affect our key suppliers in terms of their operating cash flow and access to financing. This may in turn affect their ability to perform their obligations to us. Our customers rely on us to provide on-time delivery and have certain rights if our delivery standards are not maintained. A significant increase in our supply costs, including for raw materials that are subject to commodity price fluctuations, or a protracted interruption of supplies for any reason, could result in the delay of one or more of our customer contracts or could damage our reputation and relationships with customers. In addition, quality and sourcing issues that our suppliers may experience can also adversely affect the quality and effectiveness of our products and services and may result in liability or reputational harm to us. Any of these events could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Subcontractors may fail to perform contractual obligations, which would adversely affect our ability to meet our obligations to our customers.

We frequently subcontract portions of work due under contracts with our customers and are dependent on the continued availability and satisfactory performance by these subcontractors. Nonperformance or underperformance by subcontractors could materially impact our ability to perform obligations to our customers. A subcontractor's failure to perform could result in a customer terminating our contract for default, expose us to liability, substantially impair our ability to compete for future contracts and orders, and limit our ability to enforce fully all of our rights under these agreements, including any rights to indemnification. Any of these events could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We have engaged in restructuring and alignment activities from time to time and may need to implement further restructurings or alignments in the future, and there can be no assurance that our restructuring or alignment efforts will have the intended effects.

From time to time, we have responded to changes in our industry and the markets we serve by restructuring or aligning our operations. Our restructuring activities have included workforce management and other restructuring charges related to our recently acquired businesses, including, among others, changes associated with integrating similar operations, managing our workforce, vacating or consolidating certain facilities and cancelling certain contracts. Based on cost reduction measures or changes in the industry and markets in which we compete, we may decide to implement restructuring or alignment activities in the future, such as closing plants, moving production lines, or making additions, reductions or other changes to our management or workforce.

Restructuring and/or alignment activities can create unanticipated consequences, such as instability or distraction among our workforce, and we cannot be sure that any restructuring or alignment efforts that we undertake will be successful. A variety of risks could cause us not to realize an expected cost savings, including, among others, the following:

- higher than expected severance costs related to staff reductions;
- higher than expected retention costs for employees that will be retained;
- higher than expected stand-alone overhead expenses;
- delays in the anticipated timing of activities related to our cost-saving plan; and
- other unexpected costs associated with operating the business.

If we are unable to structure our operations in the light of evolving market conditions, it could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Activities necessary to integrate acquisitions may result in costs in excess of current expectations or be less successful than anticipated.

We completed an acquisition of a business from GE Aviation Systems LLC in fiscal year 2013 and we may acquire other businesses in the future. The success of these transactions will depend on, among other things, our ability to integrate assets and personnel acquired in these transactions and to apply our internal controls process to these acquired businesses. The integration of these acquisitions may require significant attention from our management, and the diversion of management's attention and resources could have a material adverse effect on our ability to manage our business. In addition, we may incur unanticipated costs or expenses following an acquisition, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, and other liabilities.

The risks associated with our past or future acquisitions also include, among others, the following:

- technological and product synergies, economies of scale and cost reductions may not occur as expected;
- unforeseen expenses, delays or conditions may be imposed upon the acquisition, including due to required regulatory approvals or consents;
- we may acquire or assume unexpected liabilities or be subject to unexpected penalties or other enforcement actions;
- inaccurate assumptions may be made regarding the integration process;
- unforeseen difficulties may arise in integrating operations, processes and systems;
- higher than expected investments may be required to implement necessary compliance processes and related systems, including information technology systems, accounting systems and internal controls over financial reporting;
- we may fail to retain, motivate and integrate key management and other employees of the acquired business;
- higher than expected costs may arise due to unforeseen changes in tax, trade, environmental, labor, safety, payroll or pension policies in any jurisdiction in which the acquired business conducts its operations; and
- we may experience problems in retaining customers and integrating customer bases.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and attention. Furthermore, we may not realize the degree or timing of benefits we anticipate when we first enter into these transactions. Failure to implement our acquisition strategy, including successfully integrating acquired businesses, could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We may not be able to obtain financing, on acceptable terms or at all, to implement our business plans, complete acquisitions, or otherwise take advantage of business opportunities or respond to competitive pressures.

During the last several years, global financial markets, including the credit and debt and equity capital markets, and economic conditions have been volatile. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk, sovereign credit rating downgrades, and the global economic uncertainty, have in the past made, and may in the future make, it difficult to obtain financing. In addition, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets may increase as many lenders and institutional investors have or may increase interest rates, enact tighter lending standards, refuse to refinance existing debt at maturity either at all or on terms similar to existing debt, and reduce and, in some cases, cease to provide financing to borrowers. Due to these factors, we cannot be certain that financing, to the extent needed, will be available on acceptable terms or at all. If financing is not available when needed, or is available only on unacceptable terms, we may be unable to implement our business plans, complete acquisitions, fund significant capital expenditures, or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our debt obligations and the restrictive covenants in the agreements governing our debt could limit our ability to operate our business or pursue our business strategies, and could adversely affect our business, financial condition, results of operations, and cash flows.

As of September 30, 2014, our total long-term debt was $710,000, including $210,000 of borrowings on our revolving credit facility. Our debt obligations could require us to dedicate a portion of our cash flow from operations to payments on our indebtedness, reducing the availability of our cash flow for other purposes, including business development efforts and mergers and acquisitions. We are contractually obligated under the agreements governing our long-term debt to make principal payments of $0 in fiscal year 2015, $107,000 in fiscal year 2016, $0 in fiscal year 2017, $0 in fiscal year 2018, and $393,000 in fiscal year 2019 and thereafter. Interest on the majority of our long-term notes is payable semi-annually, with the exception of the Series J Notes which is payable quarterly, each year until all principal is paid. Our debt obligations could make us more vulnerable to general adverse economic and industry conditions and could limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate, thereby placing us at a disadvantage to our competitors that have less indebtedness.

Our existing revolving credit facility and note purchase agreements impose financial covenants on us and our subsidiaries that require us to maintain certain leverage ratios and minimum levels of consolidated net worth. Certain of these agreements require us to repay outstanding borrowings with portions of the proceeds we receive from certain sales of property or assets and specified future debt offerings.

These financial covenants place certain restrictions on our business that may affect our ability to execute our business strategy successfully or take other actions that we believe would be in the best interests of our Company. These restrictions include limitations or restrictions, among other things, on our ability and the ability of our subsidiaries to:

- incur additional indebtedness;
- pay dividends or make distributions on our capital stock or certain other restricted payments or investments;
- purchase or redeem stock;
- issue stock of our subsidiaries;
- make domestic and foreign investments and extend credit;
- engage in transactions with affiliates;
- transfer and sell assets;
- effect a consolidation or merger or sell, transfer, lease, or otherwise dispose of all or substantially all of our assets; and
- create liens on our assets to secure debt.

These agreements contain certain customary events of default, including certain cross-default provisions related to other outstanding debt arrangements. Any breach of the covenants under these agreements or other event of default could cause a default under these agreements and/or a cross-default under our other debt arrangements, which could restrict our ability to borrow under our revolving credit facility. If there were an event of default under certain provisions of our debt arrangements that was not cured or waived, the holders of the defaulted debt may be able to cause all amounts outstanding with respect to the debt instrument to be due and payable immediately. Our assets and cash flow may not be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default. If we are unable to repay, refinance, or restructure our indebtedness as required, or amend the covenants contained in these agreements, the lenders or note holders may be entitled to obtain a lien or institute foreclosure proceedings against our assets. Any of these events could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Additional tax expense or additional tax exposures could affect our future profitability.

In fiscal year 2014, approximately 35% of our earnings before income taxes was earned in jurisdictions outside the United States. Accordingly, we are subject to income taxes in both the United States and various non-U.S. jurisdictions. Our tax liabilities are dependent upon the distribution mix of operating income among these different jurisdictions. Our tax expense includes estimates of additional tax that may be incurred and reflects various estimates, projections, and assumptions that could impact the valuation of our deferred tax assets and liabilities. Our future operating results could be adversely affected by changes in the effective tax rate, including:

- changes in the mix of earnings in countries with differing statutory tax rates;
- changes in our overall profitability;
- changes in tax legislation and tax rates;
- changes in tax incentives;
- changes in U.S. GAAP;
- changes in the projected realization of deferred tax assets and liabilities;
- changes in management’s assessment of the amount of earnings indefinitely reinvested offshore; and
- the results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures.

We derive a significant portion of our revenues from non-U.S. sales and are subject to the risks inherent in doing business in other countries.

In 2014, approximately 49% of our total sales were made to customers in jurisdictions outside of the United States (including products manufactured in the United States and sold outside the United States as well as products manufactured in international locations). Accordingly, our business and results of operations are subject to risks associated with doing business internationally, including:

- fluctuations in foreign exchange rates;
- limitations on ownership and on repatriation of earnings;
- transportation delays and interruptions;
- political, social and economic instability and disruptions;
- government embargos or trade restrictions;

- the imposition of duties and tariffs and other trade barriers;
- import and export controls;
- changes in labor conditions;
- changes in regulatory environments;
- the potential for nationalization of enterprises;
- difficulties in staffing and managing multi-national operations;
- limitations on the Company's ability to enforce legal rights and remedies, including protection of intellectual property;
    - difficulty of enforcing agreements and collecting receivables through some foreign legal systems;
- acts of terrorism;
- potentially adverse tax consequences; and
- difficulties in implementing restructuring actions on a timely basis.

We are also subject to U.S. laws prohibiting companies from doing business in certain countries, or restricting the type of business that may be conducted in these countries. The cost of compliance with increasingly complex and often conflicting regulations governing various matters worldwide, including foreign investment, employment, import, export, business acquisitions, environmental and taxation matters, land use rights, property, and other matters, can also impair our flexibility in modifying product, marketing, pricing or other strategies for growing our businesses, as well as our ability to improve productivity and maintain acceptable operating margins. We must also comply with restrictions on exports imposed under the U.S. Export Control Laws and Sanctions Programs. These laws and regulations change from time to time and may restrict foreign sales.

In 2014, approximately 7% of our total sales were recorded in the Peoples' Republic of China and we have significant operations in the Peoples' Republic of China. Our independent registered public accounting firm's audit documentation related to their audit report included in this annual report may be located in the Peoples' Republic of China. The Public Company Accounting Oversight Board ("PCAOB") currently cannot inspect audit documentation located in China and, as such, prevents the PCAOB from regularly evaluating audit work of any auditors that was performed in China, including that performed by our independent auditors in China. As a result, investors may be deprived of the full benefits of PCAOB oversight of our global audits via their inspections. The inability of the PCAOB to conduct inspections of audit work performed in China makes it more difficult to evaluate the effectiveness of our Chinese independent auditor's audit procedures as compared to auditors in other jurisdictions that are subject to PCAOB inspections on all of their work.

In addition, in January 2014, an SEC Administrative Law Judge ("ALJ") issued an initial decision concluding that each of the firms in China that are members of four largest firms in the world, which includes our audit firm, violated the SEC's Rules of Practice by failing to produce audit work papers directly to the SEC. The ALJ further determined that each of the four largest firms in China should be censured and barred from practicing before the SEC for a period of six months. The sanctions set forth in the initial decision could be very serious for the Chinese audit firms with U.S. listings and U.S. companies with Chinese subsidiaries audited in China. The initial decision has no binding legal effect until it is reviewed and endorsed by the SEC. The SEC is currently facilitating settlement discussions among all parties.

Sales and purchases in currencies other than the U.S. dollar expose us to fluctuations in foreign currencies relative to the U.S. dollar. These exposures may change over time as our business and business practices evolve, and they could have a material adverse effect on our financial results and cash flows. An increase in the value of the U.S. dollar could increase the real cost to our customers of our products in those markets outside the United States where we sell in U.S. dollars, and a weakened U.S. dollar could increase the cost of local operating expenses and procurement of raw materials to the extent that we must purchase components in foreign currencies. Foreign currency exchange rate risk is reduced through several means, including the maintenance of local production facilities in the markets served, invoicing of customers in the same currency as the source of the products, prompt settlement of inter-company balances utilizing a global netting system, and limited use of foreign currency denominated debt. While we monitor

our exchange rate exposures and seek to reduce the risk of volatility, our actions may not be successful in significantly mitigating such volatility.

In addition, uncertain global economic conditions arising from circumstances such as slowing growth in emerging regions and credit rating downgrades in certain European countries or speculation regarding changes to the composition or viability of the Euro zone could result in reduced customer confidence and decreased demand for our products and services, disruption in payment patterns and higher default rates, a tightening of credit markets, increased risk regarding supplier performance, increased counterparty risk with respect to the financial institutions with which we do business, and exchange rate fluctuations. While we employ comprehensive controls regarding global cash management to guard against cash or investment loss and to ensure our ability to fund our operations and commitments, a material disruption to the financial institutions with whom we transact business could have a material adverse effect on our international operations or on our business, financial condition, results of operations, and cash flows.

Changes in the estimates of fair value of reporting units or of long-lived assets, specifically goodwill, may result in future impairment charges, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Over time, the fair values of long-lived assets change. At September 30, 2014, we had $559,724 of goodwill, representing 23% of our total assets. We test goodwill for impairment at the reporting unit level on an annual basis and more often if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Based on the relevant U.S. GAAP authoritative guidance, we aggregate components of a single operating segment into a reporting unit, if appropriate. Future goodwill impairment charges may occur if estimates of fair values decrease, which would reduce future earnings. We also test property, plant, and equipment and other intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Future asset impairment charges may occur if asset utilization declines, if customer demand decreases, or for a number of other reasons, which would reduce future earnings. Any such impairment charges could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Impairment charges would also reduce our consolidated stockholders' equity and increase our debt-to-total-capitalization ratio, which could negatively impact our credit rating and access to the debt and equity markets.

We completed our annual goodwill impairment test during the quarter ended September 30, 2014. In performing the annual goodwill impairment test, we determined it was appropriate to aggregate certain components of the same operating segment into a single aggregated reporting unit. The identification of reporting units and consideration of aggregation criteria requires management's judgment. Further, we use the income approach based on a discounted cash flow method that incorporates various estimates and assumptions. The results of our fiscal year 2014 annual goodwill impairment test performed as of July 31, 2014 indicated the estimated fair values of each of our reporting units were in excess of their carrying amounts, and accordingly, no impairment existed. There can be no assurance that our estimates and assumptions of the fair value of our reporting units, the current economic environment, the level of U.S. defense spending, or the other inputs used in forecasting the present value of forecasted cash flows used to estimate the fair value of our reporting units will prove to be accurate projections of future performance.

As part of our ongoing monitoring efforts, we will continue to consider the global economic environment and its potential impact on our businesses, as well as other factors, in assessing goodwill and long-lived assets for possible indications of impairment.

Manufacturing activities may result in future environmental costs or liabilities.

We use hazardous materials and/or regulated materials in our manufacturing operations. We also own, operate, and may acquire facilities that were formerly owned and operated by others that used such materials. The risk that a significant release of regulated materials has occurred in the past or will occur in the future cannot be completely eliminated or prevented. As a result, we are subject to a substantial number of costly regulations. In particular, we are required to comply with increasingly stringent requirements of federal, state, and local environmental, occupational health and safety laws and regulations in the United States, the European Union, and other territories, including those governing emissions to air, discharges to water, noise and odor emissions, the generation, handling, storage, transportation, treatment and disposal of waste materials, and the cleanup of contaminated properties and human health and safety. Compliance with these laws and regulations results in ongoing costs. We cannot be certain that we have been, or will at all times be, in complete compliance with all environmental requirements, or that we will not incur additional material costs or liabilities in connection with these requirements. As a result, we may incur material costs or liabilities or be required to undertake future environmental remediation activities that could damage our reputation and have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our performance depends on continued access to a stable workforce and on favorable labor relations with our employees.

Certain of our operations in the United States and internationally involve different employee/employer relationships and the existence of works' councils. In addition, a portion of our workforce is unionized and is expected to remain unionized for the foreseeable future. Competition for technical personnel in the industries in which we compete is intense. Our future success depends in part on our continued ability to hire, train, assimilate, and retain qualified personnel. There is no assurance that we will continue to be successful in recruiting qualified employees in the future. Any significant increases in labor costs, deterioration of employee relations, including any conflicts with works' councils or unions, or slowdowns or work stoppages at any of our locations, whether due to employee turnover, changes in availability of qualified technical personnel, or otherwise, could have a material adverse effect on our business, our relationships with customers, and our financial condition, results of operations, and cash flows.

Operations and suppliers may be subject to physical and other risks, including natural disasters, that could disrupt production and have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our operations include principal facilities in the United States, China, Germany, and Poland. In addition, we operate sales and service facilities in Brazil, Bulgaria, India, Japan, the Netherlands, the Republic of Korea, Russia, Switzerland and the United Kingdom. We also have suppliers for materials and parts inside and outside the United States. Our operations and sources of supply could be disrupted by unforeseen events, including fires, tornadoes, tsunamis, hurricanes, earthquakes, floods and other forms of severe weather in the United States or in other countries in which we operate or in which our suppliers are located, any of which could adversely affect our operations and financial performance. Natural disasters, public health concerns, war, political unrest, terrorist activity, equipment failures, power outages, or other unforeseen events could result in physical damage to, and complete or partial closure of, one or more of our manufacturing facilities, or could cause temporary or long-term disruption in the supply of component products from some local and international suppliers, disruption in the transport of our products and significant delays in the shipment of products and the provision of services, which could in turn cause the loss of sales and customers. Existing insurance arrangements may not provide protection for all of the costs that may arise from such events. Accordingly, disruption of our operations or the operations of a significant supplier could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our intellectual property rights may not be sufficient to protect all our products or technologies.

Our success depends in part on our ability to obtain patents or rights to patents, protect trade secrets and know-how, and prevent others from infringing on our patents, trademarks, and other intellectual property rights. Some of our intellectual property is not covered by patents (or patent applications) and includes trade secrets and other know-how that is not patentable or for which we have elected not to seek patent protection, including intellectual property relating to our manufacturing processes and engineering designs. We will be able to protect our intellectual property from unauthorized use by third parties only to the extent that it is covered by valid and enforceable patents, trademarks, or licenses. Patent protection generally involves complex legal and factual questions and, therefore, enforceability of patent rights cannot be predicted with certainty; thus, any patents that we own or license from others may not provide us with adequate protection against competitors. Moreover, the laws of certain foreign countries do not recognize intellectual property rights or protect them to the same extent as do the laws of the United States. Additionally, our commercial success depends significantly on our ability to operate without infringing upon the patent and other proprietary rights of others. Our current or future technologies may, regardless of our intent, infringe upon the patents or violate other proprietary rights of third parties. In the event of such infringement or violation, we may face expensive litigation or indemnification obligations and may be prevented from selling existing products and pursuing product development or commercialization. If we are unable to sufficiently protect our patent and other proprietary rights or if we infringe on the patent or proprietary rights of others, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

Amounts accrued for contingencies may be inadequate to cover the amount of loss when the matters are ultimately resolved.

In addition to intellectual property and product liability matters, we are currently involved or may become involved in claims, pending or threatened litigation or other legal proceedings, investigations or regulatory proceedings regarding employment or other regulatory, legal, or contractual matters arising in the ordinary course of business. There is no certainty that the results of these matters will be favorable to the Company. We accrue for known individual matters if we believe it is probable that the matter will result in a loss when ultimately resolved using estimates of the most likely amount of loss. There may be additional losses that have not been accrued, or liabilities may exceed our estimates, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws and regulations.

The U.S. Foreign Corrupt Practices Act ("FCPA") and similar anti-bribery laws and regulations in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. government officials for the purpose of obtaining or retaining business or securing an improper business advantage. Our policies mandate compliance with these anti-bribery laws. However, we operate in many parts of the world and sell to industries that have experienced corruption to some degree. If we are found to be liable for FCPA or other similar anti-bribery law or regulatory violations, whether due to our or others' actions or inadvertence, we could be subject to civil and criminal penalties or other sanctions that could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Our net postretirement benefit obligation liabilities may grow, and the fair value of our pension plan assets may decrease, which could require us to make additional and/or unexpected cash contributions to our pension plans, increase the amount of postretirement benefit expenses, affect our liquidity or affect our ability to comply with the terms of our outstanding debt arrangements.

Accounting for retirement, pension and postretirement benefit obligations and related expense requires the use of assumptions, including a weighted-average discount rate, an expected long-term rate of return on assets, and a net healthcare cost trend rate, among others. Benefit obligations and benefit costs are sensitive to changes in these assumptions. As a result, assumption changes could result in increases in our obligation amounts and expenses. If interest rates decline, the present value of our postretirement benefit plan liabilities may increase faster than the value of plan assets, resulting in significantly higher unfunded positions in some of our pension plans. As of September 30, 2014, we had $205,161 in invested pension plan assets. Investment losses may result in decreases to our pension plan assets.

Funding estimates are based on certain assumptions, including discount rates, interest rates, mortality, fair value of assets and expected return on plan assets and are subject to changes in government regulations in the countries in which our employees work. Volatility in the financial markets may impact future discount and interest rate assumptions. Significant changes in investment performance or a change in the portfolio mix of invested assets can result in increases or decreases in the valuation of plan assets or in a change of the expected rate of return on plan assets. Also, new accounting standards on fair value measurement may impact the calculation of future funding levels. We periodically review our assumptions, and any such revision can significantly change the present value of future benefits, and in turn, the funded status of our pension plans and the resulting periodic pension expense. Changes in our pension benefit obligations and the related net periodic costs or credits may occur as a result of variances of actual results from our assumptions, and we may be required to make additional cash contributions in the future beyond those which have been estimated.

In addition, our existing revolving credit facility and note purchase agreements contain continuing covenants and events of default regarding our pension plans, including provisions regarding the unfunded liabilities related to those pension plans. See the discussion above concerning “Our debt obligations and the restrictive covenants in the agreements governing our debt could limit our ability to operate our business or pursue our business strategies, and could adversely affect our business, financial condition, results of operations, and cash flows.”

To the extent that the present values of benefits incurred for pension obligations are greater than values of the assets supporting those obligations or if we are required to make additional or unexpected contributions to our pension plans for any reason, our ability to comply with the terms of our outstanding debt arrangements, and our business, financial condition, results of operations, and cash flows may be adversely affected.

Our business operations may be adversely affected by information systems interruptions or intrusion.

We are dependent on various information technologies throughout our company to administer, store and support multiple business activities. If these systems are damaged, cease to function properly or are subject to cybersecurity attacks, such as unauthorized access, malicious software and other violations, we could experience production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of our systems or networks, financial losses from remedial actions, loss of business or potential liability, and/or damage to our reputation, any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. While we attempt to mitigate these risks by employing a number of measures, including technical security controls, employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems, our systems, networks, products, solutions and services remain potentially vulnerable to additional known or unknown threats.

Industry Risks

Unforeseen events may occur that significantly reduce commercial aviation.

A significant portion of our business is related to commercial aviation. Global economic downturn and uncertainty in the marketplace typically lead to a general reduction in demand for air transportation services, leading some airlines to withdraw aircraft from service, which negatively affects sales of our aerospace components and services. These economic conditions can similarly affect our sales of systems and components for new business jet aircraft. The commercial airline industry tends to be cyclical and capital spending by airlines and aircraft manufacturers may be influenced by a variety of factors, including current and future traffic levels, aircraft fuel pricing, labor issues, competition, the retirement of older aircraft, regulatory changes, terrorism and related safety concerns, general economic conditions, worldwide airline profits and backlog levels. In the event these or other economic indicators stagnate or worsen, market demand for our components and systems could be negatively affected by renewed reductions in demand for air transportation services or commercial airlines' financial difficulties, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

The U.S. Government may change acquisition priorities and/or reduce spending.

The U.S. Government participates in a wide variety of operations, including homeland defense, counterinsurgency, counterterrorism, and other defense-related operations that employ our products and services. U.S. defense spending has historically been cyclical in nature, and defense budgets tend to rise when perceived threats to national security increase the level of concern over the country's safety. The U.S. Government continues to adjust its funding priorities in response to changes in the perceived threat environment. In addition, defense spending currently faces pressures due to the overall economic and political environment, budget deficits, and competing budget priorities. A decrease in U.S. Government defense spending or changes in the spending allocation could result in one or more of our programs being reduced, delayed, or terminated.

The Budget Act triggered automatic reductions, under sequestration, in both defense and discretionary spending in March 2013. The resulting automatic across-the-board budget cuts in sequestration have had and will likely continue to have significant consequences for the aerospace and defense industries. The effects of these actions on our fiscal year 2014 results were realized in our reduced defense sales, and the impact in future years, could continue to have an adverse effect on our business, financial condition, results of operations and cash flows.

Shifts in domestic and international spending and tax policy, changes in security, defense, and intelligence priorities, changes in government budget appropriations, general and political economic conditions and developments, and other factors may affect a decision to fund, or the level of funding for, existing or proposed programs. If the priorities of the U.S. Government change and/or defense spending is reduced, this may adversely affect our business, financial condition, results of operations, and cash flows.

Increasing emission standards that drive certain product sales may be eased or delayed.

We sell components and systems that have been designed to meet strict emission standards, including standards that have not yet been implemented but are expected to be implemented soon. If these emission standards are eased, developed products may become unnecessary and/or our future sales could be lower as potential customers select alternative products or delay adoption of our products, which would have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Natural gas prices may increase significantly and disproportionately to other sources of fuels used for power generation.

Commercial producers of electricity use many of our components and systems, most predominately in their power plants that use natural gas as their fuel source. Commercial producers of electricity are often in a position to manage the use of different power plant facilities and make decisions based on operating costs. Compared to other sources of fuels used for power generation, natural gas prices have increased slower than fuel oil, but about the same as coal. This increase in natural gas prices and any future increases could decrease the use of our components and systems, which could have a material adverse affect on our business, financial condition, results of operations, and cash flows.

Changes in government subsidy programs and regulatory requirements may result in decreased demand for our products.

The U.S. Government, as well as various foreign governments, provide for various stimulus programs or subsidies, such as grants, loan guarantees and tax incentives, relating to renewable energy, alternative energy, energy efficiency and electric power infrastructure. Some of these programs have expired, which may affect the economic feasibility or timing of future projects. Additionally, while a significant amount of stimulus funds and subsidies are available to support various projects, we cannot predict the timing and scope of any investments to be made by our customers under stimulus funding and subsidies or whether stimulus funding and subsidies will result in increased demand for our products. Investments for renewable energy, alternative energy and electric power infrastructure under stimulus

programs and subsidies may not occur, may be less than anticipated or may be delayed, any of which would negatively impact demand for our products.

Other current and potential regulatory initiatives may not result in increased demand for our products. It is not certain whether existing regulatory requirements will create sufficient incentives for new projects, when or if proposed regulatory requirements will be enacted, or whether any potentially beneficial provisions will be included in the regulatory requirement.

Uncertainty with respect to government subsidy programs and regulatory requirements could cause decreased demand for our products as investments are delayed or become economically unfeasible, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We operate in a highly competitive industry.

We face intense competition from a number of established competitors in the United States and abroad, some of which are larger in size or are divisions of large diversified companies with substantially greater financial resources. In addition, global competition continues to increase. Companies compete on the basis of providing products that meet the needs of

customers, as well as on the basis of price, quality, and customer service. Changes in competitive conditions, including the availability of new products and services, the introduction of new channels of distribution, and changes in OEM and aftermarket pricing, could impact our relationships with our customers and may adversely affect future sales, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Competitors may develop breakthrough technologies that are adopted by our customers.

The markets in which we operate experience rapidly changing technologies and frequent introductions of new products and services. The technological expertise we have developed and maintained could become less valuable if a competitor were to develop a breakthrough technology that would allow it to match or exceed the performance of existing technologies at a lower cost. If we are unable to develop competitive technologies, future sales or earnings could be lower than expected, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Industry consolidation trends could reduce our sales opportunities, decrease sales prices, and drive down demand for our products.

There has been consolidation and there may be further consolidation in the aerospace, power, and process industries. The consolidation in these industries has resulted in customers with vertically integrated operations, including increased in-sourcing capabilities, which may result in economies of scale for those companies. If our customers continue to seek to control more aspects of vertically integrated projects, cost pressures resulting in further integration or industry consolidation could reduce our sales opportunities, decrease sales prices, and drive down demand for our products, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Investment Risks

The historic market price of our common stock may not be indicative of future market prices.

The market price of our common stock has fluctuated over time. Stock markets in general have experienced extreme price and volume volatility particularly over the past few years. The trading price of our common stock ranged from a high of $55.76 per share to a low of $38.80 per share during the twelve months ended September 30, 2014. The following factors, among others, could cause the price of our common stock in the public market to fluctuate significantly:

- general economic conditions, particularly in the aerospace, power generation and process and transportation industries;
- variations in our quarterly results of operation;
- a change in sentiment in the market regarding our operations or business prospects;
- the addition or departure of key personnel; and
- announcements by us or our competitors of new business, acquisitions or joint ventures.

Fluctuations in our stock price often occur without regard to specific operating performance. The price of our common stock could fluctuate based upon the above factors or other factors, including those that have little to do with our company, and these fluctuations could be material.

The typical trading volume of our common stock may affect an investor’s ability to sell significant stock holdings in the future without negatively affecting stock price.

As of September 30, 2014, we had 72,960 shares of common stock issued, of which 7,397 shares were held as treasury shares. In addition, 4,525 shares were reserved for issuance upon exercise of outstanding stock-based compensation

awards. While the level of trading activity will vary each day, the typical trading level represents only a small percentage of total shares of stock outstanding. As a result, a stockholder who sells a significant number of shares of stock in a short period of time could negatively affect our share price.

Certain anti-takeover provisions of our charter documents and under Delaware law could discourage or prevent others from acquiring our company.

Our certificate of incorporation and bylaws contain provisions that:

- provide for a classified board;
- provide that directors may be removed only for cause by holders of at least two-thirds of the outstanding shares of common stock;
- authorize our board of directors to fill vacant directorships or to increase or decrease the size of our board of directors;
- permit us to issue, without stockholder approval, up to 10,000 shares of preferred stock, in one or more series and, with respect to each series, to fix the designation, powers, preferences and rights of the shares of the series;
- require special meetings of stockholders to be called by holders of at least two-thirds of the outstanding shares of common stock;

- prohibit stockholders from acting by written consent;
- require advance notice for stockholder proposals and nominations for election to the board of directors to be acted upon at meetings of stockholders; and
- require the affirmative vote of two-thirds of the outstanding shares of our common stock for amendments to our certificate of incorporation and certain business combinations, including mergers, consolidations, sales of all or substantially all of our assets or dissolution.

In addition, Section 203 of the Delaware General Corporation Law limits business combinations with owners of more than 15% of our stock that have not been approved by the board of directors. These provisions and other similar provisions make it more difficult for a third party to acquire us without negotiation. Our board of directors could choose not to negotiate a potential acquisition that it does not believe to be in our best interest. Accordingly, the potential acquirer could be discouraged from offering to acquire us, or could be prevented by the anti-takeover measures, from successfully completing a hostile acquisition.

Item 1B.Unresolved Staff Comments

None.

Item 2.Properties

Our principal plants are as follows:

United States

Duarte, California – Aerospace segment manufacturing and engineering

Fort Collins, Colorado – Corporate headquarters and Energy segment manufacturing and engineering

Greenville, South Carolina (leased) – Energy segment manufacturing and Aerospace and Energy segments engineering

Loveland, Colorado – Energy segment manufacturing and engineering

Rockford, Illinois – Aerospace segment manufacturing and engineering

Santa Clarita, California – Aerospace segment manufacturing and engineering

Skokie, Illinois (leased) – Aerospace segment manufacturing and Aerospace and Energy segments engineering

Zeeland, Michigan – Aerospace segment manufacturing and engineering

Other Countries

Aken, Germany (leased) – Energy segment manufacturing and engineering

Kempen, Germany – Energy segment manufacturing and engineering

Krakow, Poland – Energy segment manufacturing and Aerospace and Energy segments engineering

Tianjin, Peoples' Republic of China (leased) – Energy segment assembly

In addition to the principal plants listed above, we own or lease other facilities used primarily for sales and service activities in Brazil, Bulgaria, China, India, Japan, the Netherlands, the Republic of Korea, Russia, the United Kingdom, Germany, and the United States.

We are currently developing a second campus in the greater-Rockford, Illinois area for our Aerospace segment. This campus is intended to support the growth expected over the next ten years and beyond stimulated by our being awarded a substantial number of new system platforms, particularly on narrow-body aircraft. These investments are expected to result in future productivity gains for our existing and new business. However, given the significance of the anticipated volumes associated with the new system platforms, we still expect our Rockford area workforce to increase substantially, by as much as 70%-90% from current levels, by the end of 2021. In addition, in September 2013, we invested in a building site in Niles, Illinois. We are building a new facility on this site for our Aerospace segment and will relocate some of our operations currently residing in nearby Skokie, Illinois, to this new facility. We are also developing a new campus at our corporate headquarters in Fort Collins, Colorado to support the continued growth of our Energy segment by supplementing our existing Colorado manufacturing facilities and corporate headquarters. We anticipate investing approximately $500,000 through fiscal year 2016 in land, buildings and equipment among our two Rockford, Illinois area campuses, the facility in Niles, Illinois, and a new campus at our corporate headquarters in Fort Collins, Colorado and to date have spent approximately $200,000 related to these investments.

Our remaining principal plants are suitable and adequate for the manufacturing and other activities performed at those plants, and we believe our utilization levels are generally high.

Item 3.Legal Proceedings

Woodward is currently involved in claims, pending or threatened litigation or other legal proceedings, investigations and/or regulatory proceedings arising in the normal course of business, including, among others, those relating to product liability claims, employment matters, worker's compensation claims, contractual disputes, product warranty claims and alleged violations of various laws and regulations. We accrue for known individual matters where we believe that it is probable the matter will result in a loss when ultimately resolved using estimates of the most likely amount of loss.

While the outcome of pending claims, legal and regulatory proceedings, and investigations cannot be predicted with certainty, management believes that any liabilities that may result from these claims, proceedings and investigations will not have a material effect on Woodward's liquidity, financial condition, or results of operations.

Item 4.Mine Safety Disclosures

Not applicable.

PART II

Item 5.Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on The NASDAQ Global Select Market and is traded under the symbol "WWD." At November 7, 2014, there were approximately 1,100 holders of record.

The following table sets forth the high and low sales prices of our common stock and dividends paid for the periods indicated.

	Fiscal Year Ended September 30,					
	2014			2013		
	High	Low	Cash Dividends	High	Low	Cash Dividends
First quarter	$ 46.23	$ 38.80	$ 0.08	$ 38.19	$ 31.41	$ 0.08
Second quarter	$ 46.69	$ 40.09	$ 0.08	$ 40.91	$ 36.59	$ 0.08
Third quarter	$ 51.12	$ 40.14	$ 0.08	$ 41.37	$ 33.49	$ 0.08
Fourth quarter	$ 55.76	$ 47.20	$ 0.08	$ 42.89	$ 38.00	$ 0.08

Performance Graph

The following graph compares the cumulative 10-year total return to stockholders on our common stock relative to the cumulative total returns of the S&P Midcap 400 index and the S&P Industrial Machinery index. The graph shows total stockholder return assuming an investment of $100 (with reinvestment of all dividends) was made on September 30, 2004 in our common stock and in each of the two indexes and tracks relative performance through September 30, 2014. We have used a period of 10 years as we believe that our stock performance should be reviewed over a period that is reflective of our long-term business cycle.

	9/04	9/05	9/06	9/07	9/08	9/09	9/10	9/11	9/12	9/13	9/14
Woodward, Inc.	$ 100.00	$ 127.79	$ 152.87	$ 287.03	$ 326.29	$ 227.00	$ 306.05	$ 260.77	$ 325.91	$ 394.97	$ 463.99
S&P Midcap 400	100.00	122.16	130.17	154.59	128.81	124.80	146.99	145.11	186.52	238.15	266.29
S&P Industrial Machinery	100.00	104.84	116.75	155.17	114.52	112.80	144.37	126.77	185.02	254.15	279.61

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Issuer Purchases of Equity Securities (In thousands, except for shares and per share amounts)	Total Number of Shares Purchased	Weighted Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased under the Plans or Programs at Period End (1)
July 1, 2014 through July 31, 2014 (2)	469	$ 49.96	-	$ 58,512
August 1, 2014 through August 31, 2014 (2)	66	52.23	-	58,512
September 1, 2014 through September 30, 2014 (2)	403	47.62	-	58,512

(1) In July 2013, our Board of Directors authorized a program for the repurchase of up to $200,000 of our outstanding shares of common stock on the open market or in privately negotiated transactions over a three-year period that will expire in July 2016.

(2) Under a trust established for the purposes of administering the Woodward Executive Benefit Plan, 469 shares of Woodward common stock were acquired on the open market in July 2014, 66 shares in August 2014, and 72 shares in September 2014, all in relation to the deferral of compensation by certain eligible members who irrevocably elected to invest some or all of their deferred compensation in Woodward common stock. In addition, 331 shares of common stock were acquired on the open market related to the reinvestment of dividends for shares of treasury

stock held for deferred compensation in September 2014. Shares owned by the trust, which is a separate legal entity, are included in "Treasury stock held for deferred compensation" in the Consolidated Balance Sheets.

Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with the Consolidated Financial Statements and related notes which appear in “Item 8 – Financial Statements and Supplementary Data” of this Form 10-K.

	Year Ended September 30,				
	2014	2013	2012	2011	2010
	(In thousands except per share amounts)				
Net sales (1)	$ 2,001,240	$ 1,935,976	$ 1,865,627	$ 1,711,702	$ 1,457,030
Net Earnings:					
Net earnings attributable to Woodward (1)(2)(3)	165,844	145,942	141,589	132,235	110,844
Net earnings attributable to noncontrolling interests	-	-	-	-	318
Earnings per share attributable to Woodward:					
Basic earnings per share attributable to Woodward	2.50	2.13	2.06	1.92	1.62
Diluted earnings per share attributable to Woodward	2.45	2.10	2.01	1.89	1.59
Cash dividends per share	0.32	0.32	0.31	0.27	0.24
Income taxes (3)	61,400	53,629	56,218	55,332	43,713
Interest expense	22,804	26,703	26,003	25,399	29,385
Interest income	271	273	542	534	509
Depreciation expense	43,773	37,254	35,808	40,400	40,502
Amortization expense	33,580	36,979	32,809	34,993	35,114
Capital expenditures	207,106	141,600	64,900	48,255	28,104
Weighted-average shares outstanding:					
Basic shares outstanding	66,432	68,392	68,880	68,797	68,472
Diluted shares outstanding	67,776	69,602	70,307	70,140	69,864

	At September 30,				
	2014	2013	2012	2011	2010
	(Dollars in thousands)				
Working capital	$ 668,628	$ 541,183	$ 623,609	$ 536,936	$ 456,577
Total assets	2,397,202	2,218,518	1,859,964	1,781,434	1,663,233
Long-term debt, less current portion	710,000	450,000	384,375	406,875	425,250

Total debt	710,000	550,000	392,204	425,249	465,842
Total liabilities	1,236,258	1,075,973	851,849	862,337	860,039
Stockholders' equity	1,160,944	1,142,545	1,008,115	919,097	803,194
Full-time worker members	6,701	6,736	6,650	6,199	5,433

Notes:

1. On December 28, 2012, Woodward acquired from GE Aviation Systems LLC (the "Seller") substantially all of the assets and certain liabilities of the Seller's thrust reverser actuation systems business located in Duarte, California (the "Duarte Business"). On April 14, 2011, Woodward acquired Integral Drive Systems AG and its European companies, including their respective holding companies ("IDS"), and the assets of IDS' business in China (together, the "IDS Acquisition").
2. In the third quarter of fiscal year 2013, Woodward recorded a specific charge of $15,707 related to the alignment of its renewable power business to the economic environment and then foreseeable future.

3. In fiscal year 2013, Woodward recognized a tax benefit of $4,911, or $0.07 per basic and diluted share, related to the retroactive impact from fiscal year 2012 of the reinstatement of the U.S. research and experimentation credit. In fiscal year 2011, Woodward recognized a tax benefit of $3,088, or $0.04 per basic and diluted share, related to the retroactive impact from fiscal year 2010 of the reinstatement of the U.S. research and experimentation credit.

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

OVERVIEW

Woodward enhances the global quality of life and sustainability by optimizing energy use through improved efficiency and lower emissions. We are an independent designer, manufacturer, and service provider of energy control and optimization solutions. We design, produce and service reliable, efficient, low-emission, and high-performance energy control products for diverse applications in challenging environments. We have significant production and assembly facilities in the United States, Europe and Asia, and promote our products and services through our worldwide locations.

Our strategic focus is providing control solutions for the aerospace and energy markets. The precise and efficient control of energy, including fluid and electrical energy, combustion, and motion, is a growing requirement in the markets we serve. Our customers look to us to optimize the efficiency, emissions and operation of power equipment in both commercial and defense operations. Our core technologies leverage well across our markets and customer applications, enabling us to develop and integrate cost-effective and state-of-the-art fuel, combustion, fluid, actuation and electronic systems. We focus primarily on serving OEMs and equipment packagers, partnering with them to bring superior component and system solutions to their demanding applications. We also provide aftermarket repair, replacement and other service support for our installed products.

Our components and integrated systems optimize performance of commercial aircraft, defense aircraft, ground vehicles and other equipment, gas and steam turbines, wind turbines, including converters and power grid related equipment, industrial diesel, gas, alternative and dual fuel reciprocating engines, and electrical power systems. Our innovative fluid energy, combustion control, electrical energy, and motion control systems help our customers offer more cost-effective, cleaner, and more reliable equipment.

Management’s discussion and analysis should be read together with the Consolidated Financial Statements and Notes included in this report. Dollar and number of share amounts contained in this discussion and elsewhere in this Annual Report on Form 10-K are in thousands, except per share amounts.

BUSINESS ENVIRONMENT AND TRENDS

We serve the aerospace and energy markets.

Aerospace Markets

Our aerospace products and systems are primarily used to provide propulsion, actuation and motion control in both commercial and defense fixed-wing aircraft and rotorcraft, as well as in other defense systems.

Commercial and Civil Aircraft – In the commercial aerospace markets, global air traffic continued to grow in fiscal year 2014. Commercial aircraft production has increased as aircraft operators continue to take delivery of more fuel efficient aircraft and retire older, less efficient aircraft. This trend toward more fuel efficient aircraft favors our

product offerings because we have more content on the newer generation of aircraft that have recently entered service or are scheduled to go into production over the next several years. We have been awarded content on the Airbus A320neo, Bell 429, Boeing 737 MAX, 787 and 747-8, Bombardier CSeries, Comac 919, Irkut MS-21 and a variety of business jet platforms, among others. We continue to explore opportunities on new engine and aircraft programs that are under consideration or have been recently announced.

Defense – The defense industry has been negatively impacted by the sequestration of appropriations under the Budget Act, as well as threats of additional budget cuts and related program delays. Our involvement with a wide variety of defense programs in fixed-wing aircraft, rotorcraft and weapons systems has provided relative stability for our defense market sales, although the levels of future defense spending remain uncertain. Key programs on which our deliveries have been stable or growing include the F/A-18 E/F, the F-35 (Joint Strike Fighter), and the Black Hawk and Apache helicopter programs. We have significant motion control system content for the refueling boom on the KC-46A refueling tanker program, which continues in development. Weapons programs for which we have significant sales include the JDAM, SDB and AIM9X guided tactical weapon systems.

Aftermarket – Our commercial aftermarket business has increased as our products have been selected for new aerospace platforms and our content has increased across existing platforms. We have experienced the strongest gains in commercial aftermarket sales related to programs like Airbus A320 and Boeing 777. While some legacy programs have been negatively impacted by the availability of surplus hardware from aircraft retirements (and subsequent disassembly for parts re-use)

combined with increasingly tight budget control by airline maintenance departments, growth at better-than-market levels returned in fiscal year 2014. U.S. Government sustainment funds continue to be prioritized to defense aircraft platforms on which we have content and accordingly, our defense aftermarket has remained steady throughout this cycle. While fiscal year 2014 sales were impacted by completion or peaking in fiscal year 2013 of some major upgrades/overhaul programs, we expect such programs to resume in 2015 and to contribute to an improved defense aftermarket performance.

Energy Markets

Our energy products are used worldwide in various types of turbine- and engine-powered equipment, including electric power generation and distribution systems, ships, locomotives, compressors, pumps, and other mobile and industrial machines.

Industrial Turbines and Compressors – In fiscal year 2014, the industrial turbine and compressor market continued slow growth with some positive signs of acceleration. Demand for rotating equipment is increasing in Asia and specifically China, while Europe remains slow and North America steady.

We believe we are well positioned in the gas turbine market, supporting our customers with high reliability systems enabling efficiency gains and maintaining emissions compliance. It is expected that demand for gas turbines will increase to meet long-term power needs and due to the inherent flexibility of gas turbines. Start reliability, fuel flexibility, and part load efficiency are all key drivers, and we believe Woodward is well positioned to meet these demands on the next generation gas turbine. Additionally, gas turbine aftermarket sales and services demonstrated significant growth in 2014 as owner/operators worked with the OEMs upgrading equipment to meet new demands, and this growth is expected to continue.

In the oil and gas process industry, demand for industrial gas, steam turbines and compressors is expected to grow, primarily due to increased supply of non-conventional natural gas and oil and increased global trade of natural gas. Extraction, production, distribution and processing of oil and gas products utilize both gas and steam turbines, as well as compressors. Most of the current growth is in upstream (extraction/production) applications, although downstream (petrochemical, refining) applications are also expected to increase in the coming period as the supporting infrastructure is built out. Liquefied Natural Gas production, gas-to-liquids processing, gas processing, oil refining and other chemical refining processes drive demand for gas/steam turbines and compressor applications. We believe we are well positioned to capture many of these opportunities with a renewed steam turbine portfolio and expanded focus on compressor controls.

Reciprocating Engines – While industrial production strengthened slowly in the United States during fiscal year 2014, there was slowing growth in the key China markets and a decline in much of Europe.

We experienced increased demand for control systems and components used on large industrial gas engines, which we believe was driven by increased market interest in using a relatively clean burning and low cost fuel, as well as increased use of low-heat-content gases recovered from coal mines and bio waste streams. We also experienced increased demand for controls and systems used on large industrial diesel engines, which reflects strengthening in orders for ships and other large engine-powered equipment.

While demand for our control systems used on natural gas-fueled mobile and industrial equipment remained very strong, we believe short-term natural gas supply shortages and fuel price increases in some key international markets limited growth. Demand for our controls used on small diesel engines in construction and other industrial equipment declined slightly this year.

Longer term, government emissions requirements across many regions and engine applications is driving demand for higher-technology control systems, as is customer demand for improved engine efficiencies. Energy policies in some

countries encourage the use of natural gas and other alternative fuels over carbon-rich petroleum fuels, which we expect will drive increased demand for our alternative fuel clean engine control technologies over the next five years.

Renewable Power – The renewable power industry, although strengthened in fiscal year 2014, remains challenged as a result of concerns regarding government support, competitive pricing, and capacity and credit availability in the credit markets for wind and solar projects. We expect the uncertainty regarding government renewable mandates and subsidies will contribute to continued volatility in the renewable energy industry. In the longer term, we anticipate improvement in the market as demand for low emission power sources increases and technology advancements allow renewable energy to be more competitive with conventional energy sources.

Electrical Power Generation and Distribution – While various OEM customers have indicated a weakness in the power generation markets during fiscal year 2014, demand for Woodward controls for power generation and power distribution applications has held fairly steady. While slow economic growth has moderated the stress on utility generation capacity and electrical grid infrastructures, demand for power generation controls used on wind turbines and in critical power applications – such as back-up power supply at data centers – has remained strong.

Looking forward, we anticipate that integration of renewable energy sources into the grid and increased global energy demand will drive new opportunities for advanced control and protection solutions.

RESULTS OF OPERATIONS

Non-U.S. GAAP Financial Measures

EBIT, EBITDA, and free cash flow

Earnings before interest and taxes ("EBIT"), earnings before interest, taxes, depreciation and amortization ("EBITDA"), Energy segment net sales without the renewable power business, Energy segment earnings without the renewable power business, and free cash flow are financial measures not prepared and presented in accordance with U.S. GAAP.

Earnings based non-U.S. GAAP financial measures

Management uses EBIT to evaluate Woodward's performance without financing and tax related considerations, as these elements may not fluctuate with operating results. Management uses EBITDA in evaluating Woodward's operating performance, making business decisions, including developing budgets, managing expenditures, forecasting future periods, and evaluating capital structure impacts of various strategic scenarios. Securities analysts, investors and others frequently use EBIT and EBITDA in their evaluation of companies, particularly those with significant property, plant, and equipment, and intangible assets subject to amortization.

EBIT and EBITDA for the fiscal years ended September 30, 2014, September 30, 2013 and September 30, 2012 were as follows:

	Year Ended September 30,		
	2014	2013	2012
Net earnings	$ 165,844	$ 145,942	$ 141,589
Income taxes	61,400	53,629	56,218
Interest expense	22,804	26,703	26,003
Interest income	(271)	(273)	(542)
EBIT	249,777	226,001	223,268
Amortization of intangible assets	33,580	36,979	32,809
Depreciation expense	43,773	37,254	35,808
EBITDA	$ 327,130	$ 300,234	$ 291,885

In addition to the above non-U.S. GAAP financial measures, in fiscal year 2013 we used the following financial measures: Energy segment net sales without the renewable power business and Energy segment earnings without the renewable power business, which are financial measures not prepared and presented in accordance with U.S. GAAP. For further discussion of these non-U.S. GAAP measures, see the Energy discussion in "Segment Results" under the caption "2013 Segment Results Compared to 2012."

The use of any of these non-U.S. GAAP financial measures is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with U.S. GAAP. As EBIT, EBITDA, Energy segment net sales without the renewable power business, and Energy segment earnings without the renewable power business exclude certain financial information compared with net earnings, segment net sales and segment earnings, the most comparable U.S. GAAP financial measures, users of this financial information should consider the information that is excluded. Our calculations of EBIT, EBITDA, Energy segment net sales without the renewable power business, and Energy segment earnings may differ from similarly titled measures used by other companies,

limiting their usefulness as comparative measures.

Cash flow-based non-U.S. GAAP financial measures

Management uses free cash flow, which is defined as net cash flows provided by operating activities less payments for property, plant and equipment, in reviewing the financial performance of Woodward's various business groups and evaluating cash levels. Securities analysts, investors, and others frequently use free cash flow in their evaluation of companies. The use of this non-U.S. GAAP financial measure is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with U.S. GAAP. Free cash flow does not necessarily represent funds available for discretionary use and is not necessarily a measure of our ability to fund our cash needs. Our calculation of free cash flow may differ from similarly titled measures used by other companies, limiting its usefulness as a comparative measure.

Free cash flow for the fiscal years ended September 30, 2014, September 30, 2013 and September 30, 2012 were as follows:

	Year Ended September 30,		
	2014	2013	2012
Net cash provided by operating activities	$ 268,083	$ 222,592	$ 144,113
Payments for property, plant and equipment	(207,106)	(141,600)	(64,900)
Free cash flow	$ 60,977	$ 80,992	$ 79,213

Operational Highlights

Net sales for fiscal year 2014 increased 3.4% to $2,001,240 from $1,935,976 for fiscal year 2013. Net sales for fiscal year 2014, excluding the Duarte Business (discussed below) for the first three months of fiscal year 2014, were $1,969,808, an increase of 1.7% from the prior fiscal year.

Net earnings for fiscal year 2014 were $165,844, or $2.45 per diluted share, an increase in net earnings of 13.6% compared to $145,942, or $2.10 per diluted share, in fiscal year 2013. During the third quarter of fiscal year 2013, net earnings included specific charges of $15,707, or $0.17 per diluted share, related to the realignment of our renewable power business. The effective tax rate in fiscal year 2014 was 27.0%, compared to 26.9% for the prior fiscal year.

EBIT increased by $23,776, or 10.5%, to $249,777 in fiscal year 2014, compared to $226,001 for fiscal year 2013. The prior year's EBIT included the $15,707 of specific charges related to our renewable power business. EBITDA for fiscal year 2014 was $327,130, an increase of 9.0% from $300,234 for the same period of fiscal year 2013.

Duarte Business Acquisition

On December 27, 2012, Woodward entered into a definitive asset purchase agreement with GE Aviation Systems LLC (the "Seller") and General Electric Company for the acquisition of substantially all of the assets and certain liabilities related to the Seller's thrust reverser actuation systems business located in Duarte, California (the "Duarte Business") for an aggregate purchase price of $200,000. The sale was completed on December 28, 2012, and we paid cash at closing in the amount of $198,900.

The Duarte Business develops and manufactures motion control technologies and platforms, more specifically thrust reverser actuation systems. The Duarte Business serves customers such as Airbus, Boeing, General Electric, Safran and the U.S. Government. Its products are used primarily on commercial aircraft, such as the Boeing 737, 747 and 777, and the Airbus A320. The Duarte Business has been integrated into Woodward's Aerospace segment and included in our operating results since the acquisition.

Due to the timing of the closing of the acquisition, for the first quarter of fiscal year 2013 the Duarte Business had no impact on net sales, and except for acquisition costs of $1,707, had no impact on EBIT or net earnings. In comparison, fiscal year 2014 includes a full year of Duarte Business operating results.

Liquidity Highlights

Net cash provided by operating activities for fiscal year 2014 was $268,083, compared to $222,592 for fiscal year 2013.

Free cash flow for fiscal year 2014 was $60,977, compared to $80,992 for fiscal year 2013, primarily attributable to higher cash flow from operations in the current year related mostly to improved earnings and working capital management, more than offset by higher levels of capital expenditures in the current year.

On October 1, 2013, we entered into a note purchase agreement (the “2013 Note Purchase Agreement”) relating to the sale by Woodward of an aggregate principal amount of $250,000 of its senior unsecured notes in a series of private placement transactions. We issued the Series G, H and I Notes on October 1, 2013 in an aggregate principal amount of $100,000 and used the proceeds to repay all of the outstanding balance on the Series B Notes due October 1, 2013. We issued the Series J, K and L Notes in an additional $150,000 aggregate principal amount on November 15, 2013 and used the proceeds to partially repay the uncommitted line of credit discussed below.

In connection with the acquisition of the Duarte Business on December 21, 2012, we entered into a 364 day uncommitted line of credit with JPMorgan Chase Bank, N.A. (the “Line of Credit”), which provided for unsecured loans to the Company of up to $200,000 on a revolving basis. The Line of Credit was repaid in full and terminated on December 20, 2013.

At September 30, 2014, we held $115,287 in cash and cash equivalents, and had total outstanding debt of $710,000 with additional borrowing availability of $384,592, net of outstanding letters of credit, under our $600,000 revolving credit

facility. There was additional borrowing capacity of $27,872 under various foreign lines of credit and foreign overdraft facilities.

The following tables set forth selected consolidated statements of earnings data as a percentage of net sales for each period indicated:

	Year Ended September 30,					
	2014		2013		2012	
		% of Net Sales		% of Net Sales		% of Net Sales
Net sales	$ 2,001,240	100 %	$ 1,935,976	100 %	$ 1,865,627	100 %
Costs and expenses:						
Cost of goods sold	1,425,839	71.2	1,376,271	71.1	1,303,344	69.9
Selling, general, and administrative expenses	155,339	7.8	168,097	8.7	164,512	8.8
Research and development costs	138,005	6.9	130,250	6.7	143,274	7.7
Amortization of intangible assets	33,580	1.7	36,979	1.9	32,809	1.8
Interest expense	22,804	1.1	26,703	1.4	26,003	1.4
Interest income	(271)	(0.0)	(273)	(0.0)	(542)	(0.0)
Other (income) expense, net	(1,300)	(0.1)	(1,622)	(0.1)	(1,580)	(0.1)
Total costs and expenses	1,773,996	88.6	1,736,405	89.7	1,667,820	89.4
Earnings before income taxes	227,244	11.4	199,571	10.3	197,807	10.6
Income tax expense	61,400	3.1	53,629	2.8	56,218	3.0
Net earnings	$ 165,844	8.3	$ 145,942	7.5	$ 141,589	7.6

Other select financial data:

	September 30, 2014	September 30, 2013
Working capital	$ 668,628	$ 541,183
Total debt	710,000	550,000
Total stockholders' equity	1,160,944	1,142,545

2014 RESULTS OF OPERATIONS

2014 Sales Compared to 2013

Consolidated net sales in fiscal year 2014 increased 3.4% to $2,001,240 from $1,935,976 in fiscal year 2013. Details of the changes in consolidated net sales are as follows:

Consolidated net sales for the period ended September 30, 2013	$ 1,935,976
Aerospace volume	(30,394)
Energy volume	42,975
Price and sales mix	18,951
Duarte Business net sales from October 2013 through December 2013	31,432
Effects of changes in foreign currency rates	2,300
Consolidated net sales for the period ended September 30, 2014	$ 2,001,240

Net sales in fiscal year 2014 include sales from the Duarte Business for the first quarter of fiscal year 2014 for which there were no comparable sales in the first quarter of fiscal year 2013 due to the timing of the acquisition. The remaining increase in net sales for fiscal year 2014 was primarily attributable to improvements in a number of markets within both our Energy and Aerospace segments, mostly offset by decreased volumes in defense sales in our Aerospace segment and lower sales of natural gas bus and truck systems in our Energy segment.

Price changes: Increases in selling prices were driven primarily by our Aerospace segment markets.

Foreign currency exchange rates: During the fiscal year ended September 30, 2014, our net sales were positively impacted by $2,300 due to favorable fluctuations in foreign currency exchange rates compared to the same period of fiscal year 2013.

Our worldwide sales activities are primarily denominated in U.S. dollars ("USD"), European Monetary Units ("EUR"), Great Britain pounds ("GBP"), Japanese yen ("JPY"), and Chinese yuan ("CNY"). As the USD, EUR, GBP, JPY, and CNY fluctuate against each other and other currencies, we are exposed to gains or losses on sales transactions. If the CNY, which the Chinese government has not historically allowed to fluctuate significantly against USD, is allowed to fluctuate against USD in the future, we would be exposed to greater variability on sales transactions denominated in CNY. For additional information on foreign currency exchange rate risk, please refer to the risk factor titled, "We derive a significant portion of our revenues from non-U.S. sales and are subject to the risks inherent in doing business in other countries" set forth under the caption "Risk Factors" in Part I, Item 1A of this Form 10-K.

2014 Costs and Expenses Compared to 2013

As previously reported, the third quarter of fiscal year 2013 included specific charges of $15,707 related to our renewable power business. Uncertainty with respect to U.S. and other government renewable power incentives and economic factors associated with alternate energy sources resulted in significant overcapacity and financial distress in the renewable power industry, particularly in our fiscal year 2013. As a result, we made a decision in fiscal year 2013 to align our renewable power business appropriately for the then current environment and foreseeable future, through revaluation of its assets and liabilities, including workforce management actions.

Variable compensation expense, which is tied to relative financial and operating performance, can vary significantly from fiscal year to year. During fiscal year 2014, variable compensation increased $29,667 as compared to fiscal year 2013 and impacted cost of goods sold, selling, general and administrative expenses, and research and development costs.

During the fourth quarter of fiscal year 2014, we recorded the following in costs and expenses: a curtailment gain of $6,624 that pertained to amendments made to one of our defined benefit pension plans that resulted in a freeze to the benefits of certain U.S. employees, an impairment charge of $3,138 related to the write down to fair market value of certain non-U.S. held for sale assets, and accelerated cost recognition on lease commitments and related assets for property no longer in use of $2,651. The majority of these amounts were recorded in cost of goods sold.

Cost of goods sold increased by $49,568 to $1,425,839, or 71.2% of net sales, for fiscal year 2014 from $1,376,271, or 71.1% of net sales, for 2013. The increase in costs of goods sold is primarily attributable to increased sales in our Energy segment and significant increases in variable compensation compared to the prior year periods. Cost of goods sold for the fiscal year 2013 included $8,300 of the specific charges (discussed above) related to the realignment of the renewable power business within our Energy segment.

Gross margins (as measured by net sales less cost of goods sold, divided by net sales) were 28.8% for fiscal year 2014 and 28.9% for fiscal year 2013. Gross margins for the fiscal year 2014 were down slightly compared to fiscal year 2013, primarily related to significant increases in variable compensation in fiscal year 2014, partially offset by the $8,300 of specific charges included in gross margin in fiscal year 2013.

Selling, general, and administrative expenses decreased by $12,758 or 7.6%, to $155,339 for fiscal year 2014 as compared to $168,097 for fiscal year 2013. Selling, general and administrative expenses decreased as a percentage of net sales to 7.8% for fiscal year 2014 as compared to 8.7% for fiscal year 2013. The decrease in selling, general and administrative expenses in fiscal year 2014 is due to cost control initiatives as well as the $7,407 of specific charges (discussed above) that were included in selling, general and administrative expenses in fiscal year 2013 and that more than offset significantly higher levels of variable compensation in fiscal year 2014.

Research and development costs increased by $7,755, or 6.0%, to $138,005 for fiscal year 2014 as compared to $130,250 for fiscal year 2013. Research and development costs increased as a percentage of net sales to 6.9% for fiscal year 2014 as compared to 6.7% for fiscal year 2013. Research and development costs for fiscal year 2014 reflected increased variable compensation when compared to the prior fiscal year and ongoing variability in spending. Our research and development activities extend across almost all of our customer base, and we anticipate ongoing variability in research and development due to the timing of customer business needs on current and future programs.

Amortization of intangible assets decreased to $33,580 for fiscal year 2014, compared to $36,979 for fiscal year 2013. As a percentage of net sales, amortization of intangible assets decreased to 1.7% for fiscal year 2014 as compared to 1.9% fiscal year 2013. The decrease in amortization expense is primarily related to intangible assets becoming fully amortized in the current year.

Interest expense decreased to $22,804, or 1.1% of net sales, for fiscal year 2014, compared to $26,703, or 1.4% of net sales, for fiscal year 2013. The decrease in interest expense is primarily attributable to an increase in the amount of interest capitalized on our current capital improvement projects partially offset by increased borrowing year over year.

Income taxes were provided at an effective rate on earnings before income taxes of 27.0% for fiscal year 2014, compared to 26.9% for fiscal year 2013. The changes in components of our effective tax rate (as a percentage of earnings before income taxes) were attributable to the following:

Effective tax rate at September 30, 2013	26.9 %
Research and experimentation credit	2.4
Retroactive extension of research and experimentation credit	2.5
Adjustment of prior period tax items	(1.9)
Taxes on international activities	(2.0)
Other	(0.9)
Effective tax rate at September 30, 2014	27.0 %

The year-over-year effective tax rate for fiscal year 2014 increased slightly due to the retroactive impact of the reinstatement of the U.S. research and experimentation credit in fiscal year 2013, which did not recur in fiscal year 2014. This increase was offset by larger net favorable resolutions and reviews of tax matters and lapses of applicable statutes of limitations, higher earnings in jurisdictions with lower tax rates, and reduced taxes on current and anticipated future distributions of foreign earnings to the U.S in the current year.

The total amount of the gross liability for worldwide unrecognized tax benefits reported in other liabilities in the Consolidated Balance Sheet was $22,687 at September 30, 2014 and $22,694 at September 30, 2013. At September 30, 2014, the amount of unrecognized tax benefits that would impact Woodward's effective tax rate, if recognized, was $12,807. At this time, we estimate it is reasonably possible that the liability for unrecognized tax benefits will decrease by as much as $114 in the next twelve months due primarily to the expiration of certain statutes of limitations. We accrue for potential interest and penalties related to unrecognized tax benefits in tax expense. Woodward had accrued interest and penalties of $1,158 as of September 30, 2014 and $2,066 as of September 30, 2013.

Woodward's tax returns are audited by U.S., state, and foreign tax authorities, and these audits are at various stages of completion at any given time. Reviews of tax matters by authorities and lapses of the applicable statutes of limitations may result in changes to tax expense. With a few exceptions, Woodward's fiscal years remaining open to examination in the United States include fiscal years 2011 and thereafter, and fiscal years remaining open to examination in significant foreign jurisdictions include 2005 and thereafter.

SEGMENT RESULTS

Woodward serves the aerospace market and the energy market through its two reportable segments - Aerospace and Energy. Woodward's reportable segments are aggregations of Woodward's operating segments. The following table presents sales by segment:

	Year Ended September 30,								
	2014			2013			2012		
Net sales:									
Aerospace	$ 1,084,025	54.2	%	$ 1,061,477	54.8	%	$ 896,083	48.0	%
Energy	917,215	45.8		874,499	45.2		969,544	52.0	

Consolidated net sales	$ 2,001,240	100.0 %	$ 1,935,976	100.0 %	$ 1,865,627	100.0 %

The following table presents earnings by segment:

	Year Ended September 30,		
	2014	2013	2012
Aerospace	$ 159,200	$ 166,122	$ 130,192
Energy	134,278	98,940	126,441
Total segment earnings	293,478	265,062	256,633
Nonsegment expenses	(43,701)	(39,061)	(33,365)
Interest expense, net	(22,533)	(26,430)	(25,461)
Consolidated earnings before income taxes	227,244	199,571	197,807
Income tax expense	61,400	53,629	56,218
Consolidated net earnings	$ 165,844	$ 145,942	$ 141,589

The following table presents earnings by segment as a percent of segment net sales:

	Year Ended September 30,		
	2014	2013	2012
Aerospace	14.7 %	15.7 %	14.5 %
Energy	14.6	11.3	13.0

2014 Segment Results Compared to 2013

Aerospace

Aerospace segment net sales were $1,084,025 for fiscal year 2014, compared to $1,061,477 for fiscal year 2013. Segment net sales for fiscal year 2014, excluding the sales from the acquired Duarte Business for the first quarter of fiscal year 2014, for which there were no comparable sales in the first quarter of fiscal year 2013 due to the timing of the acquisition, were $1,052,593, a decrease of $8,884, or 0.8%, compared to the prior fiscal year. The decrease in segment net sales for fiscal year 2014 compared to fiscal year 2013 after excluding the net sales from the acquired Duarte Business for the first quarter of fiscal year 2014, was driven primarily by significantly lower defense sales in both aftermarket and OEM, partially offset by increases in commercial OEM and aftermarket sales.

Defense sales continue to reflect the ongoing U.S. government budget constraints, which have impacted the timing of contracts and upgrade programs and resulted in variability during the current fiscal year, causing lower defense sales in fiscal year 2014 as compared to the prior fiscal year. Defense aftermarket sales in fiscal year 2013 were strong compared to fiscal year 2012 levels. Fiscal year 2014 defense sales decreased significantly from the prior year, particularly related to sales for rotorcraft programs, but were comparable to fiscal year 2012. The majority of the decline in fiscal year 2014 related to defense aftermarket sales as defense OEM sales declined, but not as significantly.

Commercial OEM aircraft deliveries of narrow-body and wide-body aircraft have continued to increase based on improved airline demand and new product introduction. The commercial aftermarket showed improvement as global passenger traffic growth continues to drive aircraft utilization.

Aerospace segment earnings decreased by $6,922, or 4.2%, to $159,200 for fiscal year 2014, compared to $166,122 for fiscal year 2013 due to the following:

Earnings at September 30, 2013	$ 166,122
Sales volume	(13,256)
Price, sales mix and productivity	5,502
Research and development expense	4,578
Variable compensation	(14,220)
Cost control initiatives	4,755
Other, net	5,719
Earnings at September 30, 2014	$ 159,200

Segment earnings as a percentage of sales were 14.7% for fiscal year 2014 compared to 15.7% for fiscal year 2013. The decrease in Aerospace segment earnings in fiscal year 2014 compared to fiscal year 2013 was primarily attributable to the

impact of reduced defense sales volumes and increases in variable compensation, partially offset by cost control initiatives and lower research and development expenses.

Energy

Energy segment net sales were $917,215 for fiscal year 2014, compared to $874,499 for fiscal year 2013. The increase in sales is primarily attributable to improvements in several markets, including the wind turbine converter, aero-derivative turbine, and large gas and diesel engine markets, partially offset by lower sales of natural gas bus and truck systems.

Energy segment earnings increased by $35,338, or 35.7%, to $134,278 for fiscal year 2014 as compared to $98,940 for fiscal year 2013 due to the following:

Earnings at September 30, 2013	$ 98,940
Sales volume	18,140
Price, sales mix and productivity	3,862
Research and development expense	(6,758)
Specific charges related to renewable power business in fiscal year 2013	15,707
Realignment savings	6,566
Variable compensation	(10,738)
Effects of changes in foreign currency rates	1,187
Other, net	7,372
Earnings at September 30, 2014	$ 134,278

Segment earnings as a percentage of sales increased to 14.6% in fiscal year 2014 compared to 11.3% for fiscal year 2013.

Uncertainty with respect to U.S. and other government renewable power incentives and economic factors associated with alternate energy sources resulted in significant overcapacity and financial distress in the renewable power industry, particularly in our fiscal year 2013. As a result, we made a decision in fiscal year 2013 to align our renewable power business appropriately for the then current environment and foreseeable future, through revaluation of its assets and liabilities, including workforce management actions, which resulted in specific charges of $15,707 in the third quarter of fiscal year 2013. The savings benefits of these realignment changes contributed to improved earnings results in fiscal year 2014.

The remaining increase for fiscal year 2014 compared to the prior year in the Energy segment earnings, excluding the specific charges of $15,707 taken in fiscal year 2013, was driven primarily by increased sales volume and related fixed cost leverage, lean implementation and productivity improvements and realignment savings, partially offset by increases in variable compensation and research and development expenses. Foreign currency exchange rates had a favorable impact of $1,187 in fiscal year 2014 compared to fiscal year 2013.

Nonsegment expenses

Nonsegment expenses for fiscal year 2014 increased to $43,701, or 2.2% of net sales, compared to $39,061, or 2.0% of net sales, for fiscal year 2013. The increase in nonsegment expense was primarily related to increases in variable compensation.

35

2013 RESULTS OF OPERATIONS

2013 Sales Compared to 2012

Consolidated net sales increased 3.8% from $1,865,627 in fiscal year 2012 to $1,935,976 in fiscal year 2013. Details of the changes in consolidated net sales are as follows:

Consolidated net sales for the period ended September 30, 2012	$ 1,865,627
Aerospace segment volume	35,282
Energy segment volume	(96,538)
Price and sales mix	24,254
Duarte Business acquisition	111,261
Effects of changes in foreign currency rates	(3,910)
Consolidated net sales for the period ended September 30, 2013	$ 1,935,976

The increase in net sales for fiscal year 2013 was primarily attributable to the Duarte Business acquisition, increased volumes in our Aerospace segment due to increased commercial OEM and defense aftermarket sales, partially offset by decreased volumes in our Energy segment attributable to significantly lower wind turbine converter sales. Wind turbine converter sales through our renewable power business were higher in fiscal year 2012 compared to fiscal year 2013 due to accelerated ordering by our customers in an effort to take advantage of the then-expiring government incentives and to comply with various renewable energy mandates. The balance of the decline in wind turbine converter sales in fiscal year 2013 reflected general uncertainty with respect to investments in large wind projects.

Price changes: Increases in selling prices were driven primarily by our Aerospace segment markets. Selling prices in the Energy segment also increased due to standard business practice in response to inflationary increases in production and material costs.

Foreign currency exchange rates: During the fiscal year ended September 30, 2013, our net sales were negatively impacted by $3,910 due to unfavorable fluctuations in foreign currency exchange rates, compared to the same period of fiscal year 2012.

2013 Costs and Expenses Compared to 2012

Cost of goods sold increased by $72,927 to $1,376,271 or 71.1% of net sales, for fiscal year 2013 from $1,303,344, or 69.9% of net sales, for fiscal year 2012. Gross margins (as measured by net sales less cost of goods sold, divided by net sales) were 28.9% for fiscal year 2013 and 30.1% for fiscal year 2012. The decrease in gross margin in fiscal year 2013 as compared to fiscal year 2012 was attributable to the decreased volume in our Energy segment, mostly due to reduced wind turbine converter sales volumes and the loss of related fixed cost leverage, as well as charges of $8,300 associated with a portion of the specific charges in the third quarter of fiscal year 2013 related to the renewable power business within the Energy segment, partially offset by the effects of increased sales volume in our Aerospace segment, favorable product mix and improved operational performance.

Selling, general, and administrative expenses increased by $3,585 or 2.2%, to $168,097 for fiscal year 2013 as compared to $164,512 for fiscal year 2012. Selling, general and administrative expenses increased as a percentage of

net sales to 8.7% for fiscal year 2013 as compared to 8.8% for fiscal year 2012. The increase in expenses was primarily related to charges of $7,407 associated with a portion of the specific charges in the third quarter of fiscal year 2013 related to our renewable power business within the Energy segment. In addition, fiscal year 2013 selling, general, and administrative expenses included approximately $1,944 of transaction costs related to the Duarte Acquisition as well as a general increase in expenses related to the Duarte Business. These increases were partially offset by decreased bad debt expenses in fiscal year 2013 as compared to fiscal year 2012. Fiscal year 2012 expense included charges related to the bankruptcies of several airlines and the credit issues of some of our renewable power customers that did not recur in fiscal year 2013.

Research and development costs decreased by $13,024, or 9.1%, to $130,250 for fiscal year 2013 as compared to $143,274 for fiscal year 2012. Research and development costs decreased as a percentage of net sales to 6.7% for fiscal year 2013 as compared to 7.7% for fiscal year 2012. Research and development costs decreased primarily due to the completion of development of certain programs and related decreases of materials purchases.

Amortization of intangible assets increased to $36,979 for fiscal year 2013 compared to $32,809 for fiscal year 2012. As a percentage of net sales, amortization of intangible assets increased to 1.9% for fiscal year 2013 as compared to 1.8% fiscal year 2012.

Interest expense increased to $26,703, or 1.4% of net sales, for fiscal year 2013 compared to $26,003, or 1.4% of net sales, for fiscal year 2012.

Income taxes were provided at an effective rate on earnings before income taxes of 26.9% for fiscal year 2013 compared to 28.4% for fiscal year 2012. The change in the effective tax rate (as a percentage of earnings before income taxes) was attributable to the following:

Effective tax rate at September 30, 2012	28.4 %
Extension of research credit in fiscal year 2013	(4.8)
Taxes on international activities	1.6
Other changes, net	1.7
Effective tax rate at September 30, 2013	26.9 %

On January 2, 2013, the Taxpayer Relief Act was enacted, which retroactively extended the U.S. research and experimentation tax credit through December 31, 2013. As a result, income taxes for fiscal year 2013 included a net expense reduction related to the extension of the U.S. research and experimentation tax credit pursuant to the Taxpayer Relief Act, including the fiscal year 2012 retroactive portion of the extension.

During the second quarter of fiscal year 2012, we re-evaluated our strategic alternatives in various international markets and determined that a portion of the undistributed earnings of certain of our foreign subsidiaries that were previously expected to be repatriated to the United States within the foreseeable future will remain indefinitely invested outside the United States to support the growth of future foreign operations. We accordingly reversed the deferred tax liability associated with repatriating those earnings, which resulted in a tax benefit of $3,326 for fiscal year 2012. This item is included in the “Taxes on international activities” line in the rate reconciliation above.

2013 Segment Results Compared to 2012

Aerospace

Aerospace segment net sales increased $165,394, or 18.5%, to $1,061,477 for fiscal year 2013 from $896,083 for fiscal year 2012. Segment net sales excluding the Duarte Business were $950,216 for fiscal year 2013. Segment sales, excluding the Duarte Business sales, for fiscal year 2013 were higher compared to fiscal year 2012, driven primarily by defense aftermarket sales and commercial OEM sales.

Defense aftermarket spare parts and repair sales were up significantly, particularly due to increases related to sales for rotorcraft programs. Commercial OEM aircraft deliveries of narrow-body and wide-body aircraft have continued to increase based on improved airline demand and new product introduction.

During our second quarter of fiscal year 2013, the sequestration of U.S. federal government appropriations took effect under the Budget Act. The effect on our fiscal year 2013 results was limited, as we saw strong defense aftermarket sales and slightly lower OEM defense sales.

Aerospace segment earnings increased by $35,930, or 27.6%, to $166,122 for fiscal year 2013 compared to fiscal year 2012 due to the following:

Earnings at September 30, 2012	$ 130,192
Sales volume	21,341
Price and sales mix	6,540
Research and development expense	6,339
Other, net	1,710
Earnings at September 30, 2013	$ 166,122

Segment earnings as a percentage of sales increased to 15.7% in fiscal year 2013 compared to 14.5% for fiscal year 2012. The increase in Aerospace segment earnings in fiscal year 2013 compared to fiscal year 2012 was primarily the result of sales volume increases, the effects of increased selling prices and favorable mix, and decreased investment in research and development.

Energy

The following table presents the Energy segment's external net sales and earnings excluding the results of and charges related to the renewable power business.

	Year Ended September 30,	
	2013	2012
External net sales:		
Energy segment net sales	$ 874,499	$ 969,544
Less: Renewable power business segment net sales	117,086	210,629
Energy segment net sales without the renewable power business	$ 757,413	$ 758,915
Segment earnings:		
Energy segment earnings	$ 98,940	$ 126,441
Less: Renewable power business segment earnings	(5,520)	13,901
Renewable power business specific charges	(15,707)	-
Energy segment earnings without the renewable power business	$ 120,167	$ 112,540
Segment earnings as a percent of sales:		
Energy	11.3%	13.0%
Energy without the renewable power business	15.9%	14.8%

Uncertainty with respect to U.S. and other government renewable power incentives and economic factors associated with alternate energy sources resulted in significant overcapacity and financial distress in the renewable power industry, particularly in our fiscal year 2013. As a result, we made a decision in fiscal year 2013 to align our renewable power business appropriately for the then current environment and foreseeable future, through revaluation of its assets and liabilities, including workforce management actions.

Energy segment net sales without the renewable power business and Energy segment earnings without the renewable power business are financial measures not prepared and presented in accordance with U.S. GAAP. Management used these financial measures to compare the performance of its business with and without the effects of significant discrete economic events in order to analyze and understand Woodward's Energy reportable segment results. Management identified the changes in the market economics of its renewable power business as such a significant discrete economic event. Management used this with and without the renewable power business segment net sales and segment net earnings information in its decision to align its renewable power business appropriately for the current environment and foreseeable future. In addition, management used this with and without the renewable power business information for prior year comparative purposes for the Energy segment. As management believes Energy segment net sales without the renewable power business and Energy segment earnings without the renewable power business provides more comparable year over year information, we have included this non-U.S. GAAP measure in this "Management's Discussion and Analysis" to provide insight to securities analysts, investors, and others into how our management views our current financial condition and results of operations.

The use of these non-U.S. GAAP financial measures is not intended to be considered in isolation of, or as a substitute for, the financial information prepared and presented in accordance with U.S. GAAP. As Energy segment net sales without the renewable power business and Energy segment earnings without the renewable power business exclude certain financial information compared with segment net sales and segment earnings, respectively, the most comparable U.S. GAAP financial measures, users of this financial information should consider the information that is excluded.

Energy segment net sales decreased $95,045, or 9.8%, to $874,499 for fiscal year 2013 from $969,544 for fiscal year 2012. Excluding the renewable power business sales for all periods, Energy segment net sales for fiscal year 2013 would have been comparable to fiscal year 2012.

Wind turbine converter sales for fiscal year 2013 declined approximately $95,000 as compared to fiscal year 2012. Wind turbine converter sales were higher in fiscal year 2012 partially due to accelerated ordering by our customers in an effort to take advantage of the then expiring government incentives and to comply with various renewable energy mandates. The balance of the decline in wind turbine converter sales in fiscal year 2013 was unanticipated and reflected general uncertainty with respect to investments in large wind projects due to the volatility of government incentives, economic uncertainty and overcapacity in the market.

The Taxpayer Relief Act extended the wind tax credit for projects that begin construction in calendar year 2013. Due to the lengthy planning and ordering cycle involved in these wind turbine projects, the effect of this legislation on our sales in fiscal year 2013 was not material.

Strong sales of compressed natural gas systems and aero-derivative gas turbine systems were offset by softness in other reciprocating engine and heavy-frame industrial turbine systems sales. Other reciprocating engine and heavy-frame industrial turbine systems sales were negatively impacted by weaker economic conditions, outside of the United States, in the global economy. Growth in shipbuilding, petrochemical plants and heavy frame turbines, where long lead times and significant investments are required, did not materialize as anticipated due to the continuing economic conditions.

Energy segment earnings increased by $27,501, or 21.8%, to $98,940 for fiscal year 2013 as compared to fiscal year 2012 due to the following:

Earnings at September 30, 2012	$ 126,441
Sales volume	(39,635)
Price and sales mix	23,873
Specific charges related to the renewable power business	(15,707)
Research and development expense	4,616
Effects of changes in foreign currency rates	(3,099)
Other, net	2,451
Earnings at September 30, 2013	$ 98,940

Segment earnings as a percentage of sales decreased to 11.3% in fiscal year 2013 compared to 13.0% for fiscal year 2012. The decrease in the Energy segment earnings for fiscal year 2013 as compared to fiscal year 2012 was driven primarily by $15,707 of specific charges, as well as decreased volumes and the loss of related fixed cost leverage, related to our renewable power business. This was partially offset by the effects of selling prices and favorable product mix and reduced research and development expense. Foreign currency exchange rates had an unfavorable impact of $3,099 for fiscal year 2013 compared to fiscal year 2012.

Excluding the specific charges in fiscal year 2013 and the operations of the renewable power business for all periods, segment earnings were $120,167 for fiscal year 2013 compared to $112,540 for fiscal year 2012. Excluding the specific charges in fiscal year 2013 and the operations of the renewable power business for all periods, earnings as a percentage of sales were 15.9% for fiscal year 2013 compared to 14.8% for fiscal year 2012. The increase in segment earnings excluding the specific charges and operations of the renewable power business was due to the effects of selling prices and favorable product mix and reduced research and development expense.

Non segment expenses

Nonsegment expenses for fiscal year 2013 increased to $39,061, or 2.0% of net sales, compared to $33,365, or 1.8% of net sales, for fiscal year 2012. The increase in nonsegment expenses as a percent of net sales for fiscal year 2013 is primarily attributable to costs of $1,944 associated with the acquisition of the Duarte Business.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have been able to satisfy our working capital needs, as well as capital expenditures, product development and other liquidity requirements associated with our operations, with cash flow provided by operating activities and borrowings under our credit facilities. We expect that cash generated from our operating activities, together with borrowings under our revolving credit facility, will be sufficient to fund our continuing operating needs, including capital expansion funding.

Our aggregate cash and cash equivalents were $115,287 at September 30, 2014 and $48,556 at September 30, 2013, and our working capital was $668,628 at September 30, 2014 and $541,183 at September 30, 2013. Of the $115,287 of cash and cash equivalents held at September 30, 2014, $95,264 was held by our foreign locations. We are not presently aware of any significant restrictions on the repatriation of these funds, although a portion is considered indefinitely reinvested in these foreign subsidiaries. If these funds were needed to fund our operations or satisfy obligations in the United States, they could be repatriated and their repatriation into the United States may cause us to incur additional U.S. income taxes or foreign withholding taxes. Any additional U.S. taxes could be offset, in part or in whole, by foreign tax credits. The amount of such taxes and application of tax credits would be dependent on the income tax laws and other circumstances at the time these amounts are repatriated. Based on these variables, it is impractical to determine the income tax liability that might be incurred if these funds were to be repatriated.

Consistent with business practice common in China, Woodward's Chinese subsidiary accepts from Chinese customers, in settlement of certain customer accounts receivable, bankers acceptance notes issued by creditworthy Chinese banks. Bankers acceptance notes are financial instruments issued by Chinese financial institutions as part of financing arrangements between the financial institution and a customer of the financial institution. Bankers acceptance notes represent a

commitment by the issuing financial institution to pay a certain amount of money at a specified future maturity date to the legal owner of the bankers acceptance note as of the maturity date. The maturity date of bankers acceptance notes varies, but it is Woodward's policy to only accept bankers acceptance notes with maturity dates no more than 180 days from the date of Woodward's receipt of such draft. The issuing financial institution is the obligor, not Woodward's customers. Upon Woodward's acceptance of a bankers acceptance note from a customer, such customer has no further obligation to pay Woodward for the related accounts receivable balance. Woodward had bankers acceptance notes of $62,352 at September 30, 2014 and $72,954 at September 30, 2013 recorded as non-customer accounts receivable on its consolidated balance sheets. Woodward only accepts bankers acceptance notes issued by creditworthy banks as to which the credit risk associated with the bankers acceptance note is assessed to be minimal.

On October 1, 2013, we entered into the 2013 Note Purchase Agreement relating to the sale by Woodward of an aggregate principal amount of $250,000 of its senior unsecured notes in a series of private placement transactions. We issued the Series G, H and I Notes on October 1, 2013 in an aggregate principal amount of $100,000 and used the proceeds to repay all of the outstanding balance on our Series B Notes due October 1, 2013. We issued the Series J, K and L Notes in an additional $150,000 aggregate principal amount on November 15, 2013. The notes issued under the 2013 Note Purchase Agreement have not been registered under the Securities Act of 1933 and they may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. Holders of the notes under the 2013 Note Purchase Agreement are not entitled to any registration rights. For further discussion of the 2013 Note Purchase Agreement, see Note 12, Credit facilities, short-term borrowings and long-term debt to the Consolidated Financial Statements in "Item 8 – Financial Statements and Supplementary Data."

Our revolving credit facility, which we entered into on July 10, 2013, matures in July 2018 and provides a borrowing capacity of up to $600,000 with the option to increase total available borrowings to up to $800,000, subject to lenders' participation. We can borrow against our $600,000 revolving credit facility as long as we are in compliance with all of our debt covenants. Historically, we have used borrowings under our revolving credit facilities to meet certain short-term working capital needs, as well as for strategic uses, including repurchases of our stock, payments of dividends, and acquisitions. In addition, we have various foreign credit facilities, some of which are tied to net amounts on deposit at certain foreign financial institutions. These foreign credit facilities are reviewed annually for renewal. We use borrowings under these foreign credit facilities to finance certain local operations on a periodic basis. For further discussion of our revolving and other credit facilities, see Note 12, Credit facilities, short-term borrowings and long-term debt, to the Consolidated Financial Statements in "Item 8 – Financial Statements and Supplementary Data."

At September 30, 2014, we had total outstanding debt of $710,000, with additional borrowing availability of $384,592 under our revolving credit facility, net of outstanding letters of credit, and additional borrowing availability of $27,872 under various foreign credit facilities.

In connection with the acquisition of the Duarte Business on December 21, 2012, we entered into the Line of Credit. The Line of Credit provided for unsecured loans to the Company of up to $200,000 on a revolving basis. Loans made under the Line of Credit bore interest at a floating rate based, at the Company's option, on either the prime rate or an adjusted LIBOR. The Line of Credit was repaid in full and terminated on December 20, 2013.

At September 30, 2014, we had $210,000 of borrowings outstanding under our revolving credit facility, which was classified as long-term, and no borrowings outstanding under our foreign credit facilities. Revolving credit facility and short-term borrowing activity during the fiscal year ended September 30, 2014 was as follows:

Maximum daily balance during the period	$ 220,000
Average daily balance during the period	$ 149,893
Weighted average interest rate on average daily balance	1.31%

We were in compliance with all our debt covenants at September 30, 2014. See Note 12, Credit facilities, short-term borrowings and long-term debt, to the Consolidated Financial Statements in “Item 8 – Financial Statements and Supplementary Data” for more information about our covenants.

In addition to utilizing our cash resources to fund the working capital needs of our business, we evaluate additional strategic uses of our funds, including the repurchase of our stock, payment of dividends, significant capital expenditures, consideration of strategic acquisitions and other potential uses of cash.

We are currently developing a second campus in the greater-Rockford, Illinois area for our Aerospace segment. This campus is intended to support the growth expected over the next ten years and beyond stimulated by our being awarded a substantial number of new system platforms, particularly on narrow-body aircraft. These investments are expected to result in future productivity gains for our existing and new business. However, given the significance of the anticipated volumes associated with the new system platforms, we still expect our Rockford area workforce to increase substantially, by as much as 70%-90% from current levels, by the end of 2021. In addition, in September 2013, we invested in a building site in Niles,

Illinois. We are building a new facility on this site for our Aerospace segment and will relocate some of our operations currently residing in nearby Skokie, Illinois, to this new facility. We are also developing a new campus at our corporate headquarters in Fort Collins, Colorado to support the continued growth of our Energy segment by supplementing our existing Colorado manufacturing facilities and corporate headquarters. We anticipate investing approximately $500,000 through fiscal year 2016 in land, buildings and equipment among our two Rockford, Illinois area campuses, the facility in Niles, Illinois, and a new campus at our corporate headquarters in Fort Collins, Colorado and to date have spent approximately $200,000 related to these investments.

We believe that cash flows from operations, along with our contractually committed borrowings and other borrowing capability, will continue to be sufficient to fund anticipated capital spending requirements and our operations for the foreseeable future. However, we could be adversely affected if the banks supplying our borrowing requirements refuse to honor their contractual commitments, cease lending, or declare bankruptcy. While we believe the lending institutions participating in our credit arrangements are financially stable, events in the global credit markets, including the failure, takeover or rescue by various government entities of major financial institutions, have created uncertainty with respect to credit availability.

Our ability to service our long-term debt, to remain in compliance with the various restrictions and covenants contained in our debt agreements, and to fund working capital, capital expenditures and product development efforts will depend on our ability to generate cash from operating activities, which in turn is subject to, among other things, future operating performance as well as general economic, financial, competitive, legislative, regulatory, and other conditions, some of which may be beyond our control.

Cash Flows

	Year Ended September 30,		
	2014	2013	2012
Net cash provided by operating activities	$ 268,083	$ 222,592	$ 144,113
Net cash used in investing activities	(205,829)	(340,042)	(64,617)
Net cash provided by (used in) financing activities	9,477	102,473	(90,461)
Effect of exchange rate changes on cash and cash equivalents	(5,000)	1,704	(1,745)
Net change in cash and cash equivalents	66,731	(13,273)	(12,710)
Cash and cash equivalents at beginning of period	48,556	61,829	74,539
Cash and cash equivalents at end of period	$ 115,287	$ 48,556	$ 61,829

2014 Cash Flows Compared to 2013

Net cash flows provided by operating activities for fiscal year 2014 was $268,083, compared to $222,592 in fiscal year 2013. The increase of $45,491 is primarily attributable to improved working capital utilization and higher earnings in the current fiscal year.

Accounts receivable provided $30,880 of cash in fiscal year 2014 compared to $9,774 of cash utilized in fiscal year 2013, accounting for the majority of the increase in operating cash flows. The amount of cash provided by accounts receivable in fiscal year 2014 reflects a decrease in accounts receivable in fiscal year 2014 as compared to fiscal year 2013 due to better collections in fiscal year 2014. The increase in operating cash flows was also attributable to higher net earnings in fiscal year 2014 as compared to fiscal year 2013. These increases in cash were partially offset by an increase in cash utilized for inventory in fiscal year 2014. Inventory utilized $27,788 of cash in fiscal year 2014 compared to cash utilized of $1,485 in fiscal year 2013. The increase in cash utilized is the result of inventory builds

to meet the future demands of our customers.

Net cash flows used in investing activities for fiscal year 2014 was $205,829, compared to $340,042 in fiscal year 2013. The decrease in cash used in investing activities compared to the same period of the last fiscal year is due primarily to the acquisition of the Duarte Business in the first quarter of fiscal year 2013, which utilized $198,860 of cash. This decrease was partially offset by increased payments for property, plant and equipment of $65,506 to $207,106 in fiscal year 2014 as compared to $141,600 in fiscal year 2013 related mainly to the development of a second campus in the greater-Rockford, Illinois area, a new facility in Niles, Illinois, and a new campus at our headquarters in Fort Collins, Colorado.

Net cash flows provided by financing activities for fiscal year 2014 was $9,477 compared to $102,473 for fiscal year 2013. During fiscal year 2014, we had net short and long-term borrowings of $160,002 compared to net debt borrowings of $157,713 in the prior year. Slightly higher borrowings in fiscal year 2014 were primarily attributable to increased payments for property, plant and equipment. We utilized $141,488 to repurchase 3,272 shares of our common stock in fiscal year

2014, compared to $45,754 to repurchase 1,233 shares of our common stock in fiscal year 2013. The fiscal year 2014 repurchases were made under our existing stock repurchase program, which is described in greater detail under "Issuer Purchases of Equity Securities" in Part II, Item 5 of this Form 10-K.

2013 Cash Flows Compared to 2012

Net cash flows provided by operating activities for fiscal year 2013 was $222,592 compared to $144,113 in fiscal year 2012. Accounts receivable utilized $9,774 of cash in fiscal year 2013 compared to $59,061 of cash utilized in fiscal year 2012, accounting for the majority of the change. The amount of cash utilized for accounts receivable in fiscal year 2013 reflects a slight increase in accounts receivable in fiscal year 2013 as compared to fiscal year 2012. The higher utilization in fiscal year 2012 reflects the significant increase in accounts receivable in fiscal year 2012 when compared to fiscal year 2011 due to higher sales in fiscal year 2012 as compared to fiscal year 2011. The increase in operating cash flows was also attributable to operational improvements, which lowered inventory requirements in fiscal year 2013. Inventory utilized $1,485 of cash in fiscal year 2013 compared to $18,702 of cash utilized in fiscal year 2012.

Net cash flows used in investing activities for fiscal year 2013 was $340,042 compared to $64,617 in fiscal year 2012. The increase in cash used in fiscal year 2013 compared to fiscal year 2012 is due primarily to the acquisition of the Duarte Business in the first quarter of fiscal year 2013 which utilized $198,860 of cash. In addition, payments for property, plant and equipment increased by $76,700 to $141,600 in fiscal year 2013 as compared to $64,900 in fiscal year 2012 related mainly to the development of a second campus in the greater-Rockford, Illinois area, a new campus at our headquarters in Fort Collins, Colorado and the purchase of a building site in Niles, Illinois.

Net cash flows provided by financing activities for fiscal year 2013 was $102,473 compared to net cash flows used for financing activities of $90,461 for fiscal year 2012. During fiscal year 2013, we had net short and long-term borrowings of $157,713 compared to net debt repayments of $33,091 in fiscal year 2012. The higher borrowings in fiscal year 2013 were primarily attributable to the acquisition of the Duarte Business. We utilized $45,754 to repurchase 1,233 shares of our common stock in fiscal year 2013, compared to $44,110 to repurchase 1,132 shares of our common stock in fiscal year 2012, under our $200,000 stock repurchase program authorized by our Board of Directors in July 2010.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-Balance Sheet Arrangements

As of September 30, 2014, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC, that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenues, or expenses, results of operations, liquidity, capital expenditures, or capital resources, that are material to investors.

Contractual Obligations

A summary of our consolidated contractual obligations and commitments as of September 30, 2014 is as follows:

	Year Ending September 30,					
	2015	2016	2017	2018	2019	Thereafter
	(in thousands)					
Long-term debt principal	$ -	$ 107,000	$ -	$ -	$ 143,000	$ 250,000
Interest on debt obligations (1)	25,953	20,805	18,542	18,542	10,410	34,489

Operating leases	6,393	4,327	3,264	2,548	1,377	1,430
Purchase obligations (2)	331,300	11,445	-	-	-	-
Construction contractual obligation (3)	81,746	20,263	-	-	-	-
Other (4)	30	-	-	-	-	22,687
Total	$ 445,422	$ 163,840	$ 21,806	$ 21,090	$ 154,787	$ 308,606

(1) Interest obligations on floating rate debt instruments are calculated for future periods using interest rates in effect as of September 30, 2014. See Note 12, Credit facilities, short-term borrowings and long-term debt, to the Consolidated Financial Statements in “Item 8 – Financial Statements and Supplementary Data” for further details on our long-term debt.

(2) Purchase obligations include amounts committed under legally enforceable contracts or purchase orders for goods and services with defined terms as to price, quantity, delivery, and termination liability.

(3) Construction contractual commitments represent estimated amounts to be paid under contracts to construct a second campus in the greater-Rockford, Illinois area, a new campus at our corporate headquarters in Fort Collins, Colorado and a new facility in Niles, Illinois. We anticipate investing approximately $500,000 through fiscal year 2016 in land, buildings and equipment among our two Rockford, Illinois area campuses, the facility in Niles, Illinois, and a new campus at our corporate headquarters in Fort Collins, Colorado and to date have spent approximately $200,000 related to these investments.

(4) The $22,687 included in other obligations in the "Thereafter" column represents our best reasonable estimate for uncertain tax positions at this time and may change in future periods, as the timing of the payments and whether such payments will actually be required cannot be reasonably estimated.

The above table does not reflect the following items:

- Contributions to our retirement pension benefit plans, which we estimate will total approximately $2,573 in 2015. As of September 30, 2014 our pension plans were overfunded by $3,886 based on projected benefit obligations. Statutory pension contributions in future fiscal years will vary as a result of a number of factors, including actual plan asset returns and interest rates.
- Contributions to our other postretirement benefit plans, which we estimate will total $3,778 in 2015. Other postretirement contributions are made on a "pay-as-you-go" basis as payments are made to healthcare providers, and such contributions will vary as a result of changes in the future cost of postretirement healthcare benefits provided for covered retirees. As of September 30, 2014, our other postretirement benefit plans were underfunded by $29,225 based on projected benefit obligations.
- Business commitments made to certain customers to perform under long-term product development projects, some of which may result in near-term financial losses. Such losses, if any, are recognized when they become likely to occur.

In connection with the sale of the F&P product line during fiscal year 2009, Woodward assigned to a subsidiary of the purchaser its rights and responsibilities related to certain contracts with the U.S. Government. Woodward provided to the U.S. Government a customary guarantee of the purchaser's subsidiary's obligations under the contracts. The purchaser and its affiliates have agreed to indemnify Woodward for any liability incurred with respect to the guarantee.

Guarantees and letters of credit totaling approximately $5,937 were outstanding as of September 30, 2014, some of which were secured by parent guarantees from Woodward or by Woodward line of credit facilities.

In the event of a change in control of Woodward, as defined in change-in-control agreements with our current corporate officers, we may be required to pay termination benefits to such officers.

New Accounting Standards

From time to time, the Financial Accounting Standards Board ("FASB") or other standards setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification ("ASC") are communicated through issuance of an Accounting Standards Update ("ASU"). Unless otherwise discussed, we believe that the impact of recently issued guidance, whether adopted or to be adopted in the future, is not expected to have a material impact on our Consolidated Financial Statements upon adoption.

To understand the impact of recently issued guidance, whether adopted or to be adopted, please review the information provided in our Note 2, New accounting standards, to the Consolidated Financial Statements in "Item 8 – Financial Statements and Supplementary Data."

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Note 1, Operations and summary of significant accounting policies, to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. The estimates and assumptions described below are those that we consider to be most critical to an understanding of our financial statements because they involve significant judgments and uncertainties. All of these estimates reflect our best judgment about current, and for some estimates, future economic and market conditions and their effects based on information available as of the date of these financial statements. As estimates are updated or actual amounts are known, our critical accounting estimates are revised, and operating results may be affected by the revised estimates. Actual results may differ from these estimates under different assumptions or conditions.

Our management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed our disclosures in this Management's Discussion and Analysis.

Revenue recognition

Woodward recognizes revenue when the following criteria are met:

1) persuasive evidence of an arrangement exists,

2) delivery of the product has occurred or services have been rendered,

3) price is fixed or determinable, and

4) collectability is reasonably assured.

In implementing the four criteria stated above, we have found that determining when the risks and rewards of ownership have passed to the customer, which determines whether persuasive evidence of an arrangement exists and if delivery has occurred, may require judgment. The passage of title indicates transfer of the risks and rewards of ownership from Woodward to the customer; however, contract- and customer-specific circumstances are reviewed by management to ensure that transfer of title constitutes the transfer of the risks and rewards of ownership.

Examples of situations requiring management review and judgment, with respect to the passage of the risks and rewards of ownership, include: interpretation of customer-specific contract terms, situations where substantive performance obligations exist, such as completion of product testing that remain after product delivery to the customer, situations that require customer acceptance (or in some instances regulatory acceptance) of the product, and situations in countries whose laws provide for retention of some form of title by sellers such that Woodward is able to recover goods in the event a customer defaults on payment.

Based on management's determination, if the risks and rewards of ownership have not passed to the customer, revenue is deferred until this requirement is met.

Purchase accounting

During the first quarter of fiscal year 2013, we completed the Duarte Acquisition for an aggregate purchase price of $200,000. The acquisition was completed on December 28, 2012, and, based on preliminary purchase adjustments, we paid cash at closing in the amount of $198,900. For more information on the Duarte Acquisition see Note 4, Business acquisitions, in the Notes to the Consolidated Financial Statements included in "Item 8 – Financial Statements and Supplementary Data."

Assigning fair values to the assets acquired and liabilities assumed at the date of an acquisition requires knowledge of current market values, and the values of assets in use, and often requires the application of judgment regarding estimates and assumptions. While the ultimate responsibility resides with management, for material acquisitions, we retain the services of certified valuation specialists to assist with assigning estimated values to certain acquired assets and assumed liabilities, including intangible assets and postretirement benefit plan assets and liabilities.

Acquired intangible assets, excluding goodwill, are valued using a discounted cash flow methodology based on future cash flows specific to the type of intangible asset purchased. This methodology incorporates various estimates and assumptions, the most significant being projected revenue growth rates, earnings margins, and forecasted cash flows based on the discount rate and terminal growth rate. Management projects revenue growth rates, earnings margins and cash flows based on the historical operating results of the acquired entity adjusted for synergies anticipated to be

achieved through integration, expected future performance, operational strategies, and the general macroeconomic environment. We review finite-lived intangible assets for triggering events such as significant changes in operations, customers or future revenue that might indicate the need to impair the assets acquired or change the useful lives of the assets acquired. There was no impairment or change in useful lives recognized on other intangible assets acquired in fiscal years 2014, 2013 or 2012.

Estimated values for acquired property, plant and equipment are based on current market values and replacement costs of similar assets. Estimated values for inventory acquired is subject to reliable estimates, as of the acquisition date, of future sales volumes, replacement costs, costs of selling effort, anticipated selling prices, normal profit margins, the percent complete, and costs to complete work-in-process inventory. Estimated values for accounts receivable are subject to reliable estimates of collectability.

Assumed liabilities are valued based on estimates of anticipated expenditures to be incurred to satisfy the assumed obligations, including estimation of any warranty or other contractual liabilities assumed, which require the exercise of professional judgment. Valuation of postretirement benefit plan assets and liabilities is dependent on similar assumptions and estimates as those used to value our non-acquisition postretirement benefit plan assets and liabilities.

Assumed contracts may have favorable or unfavorable terms that must be valued as of the acquisition date. Such valuation is subject to management judgment regarding the evaluation and interpretation of contract terms in relation to other economic circumstances, such as the market rates for office space leases.

If we assume a performance obligation to customers as of the acquisition date, a deferred revenue obligation is recognized. Judgment is required to evaluate whether a future performance obligation exists and to assign a value to the performance obligation.

Valuation of gain and loss contingencies, if not resolved during the purchase measurement period, requires exercise of management judgment. We measure pre-acquisition contingencies at their acquisition date fair value if their fair value can be determined during the measurement period. If we cannot determine the fair value of the pre-acquisition contingency during the measurement period, we recognize an acquired asset or assumed liability if it is probable that an asset existed or that a liability had been incurred at the acquisition date and the amount of the asset or liability can be reasonably estimated.

Assumed acquired tax liabilities for uncertain tax positions are dependent on assessing the past practices of the acquisition target based on review of actual tax filings and information obtained through due diligence procedures. Evaluation of the validity of tax positions taken by the acquisition target are subject to management judgment.

Inventory

Inventories are valued at the lower of cost or market value. Inventory cost is determined using methods that approximate the first-in, first-out basis. We include product costs, labor and related fixed and variable overhead in the cost of inventories.

Inventory market values are determined by giving substantial consideration to the expected product selling price. We estimate expected selling prices based on our historical recovery rates, general economic and market conditions, the expected channel of disposition, and current customer contracts and preferences. Actual results may differ from our estimates due to changes in resale or market value and the mix of these factors. Management monitors inventory for events or circumstances, such as negative margins, recent sales history suggesting lower sales value, or changes in customer preferences, which would indicate the market value of inventory is less than the carrying value of inventory, and management records adjustments as necessary. When inventory is written down below cost, such reduced amount is considered the cost for subsequent accounting purposes. Our recording of inventory at the lower of cost or market value has not historically required material adjustments once initially established.

The carrying value of inventory was $451,944 at September 30, 2014 and $431,744 at September 30, 2013. If economic conditions, customer product requirements, or other factors significantly reduce future customer demand for our products from forecast levels, then future adjustments to the carrying value of inventory may become necessary. We attempt to maintain inventory quantities at levels considered necessary to fill expected orders in a reasonable time frame, which we believe mitigates our exposure to future inventory carrying cost adjustments.

Postretirement benefits

The Company provides various benefits to certain employees through defined benefit pension plans and other postretirement benefit plans. A September 30 measurement date is used to value plan assets and obligations for all Woodward defined benefit pension and other postretirement benefit plans. For financial reporting purposes, net periodic benefits expense and related obligations are calculated using a number of significant actuarial assumptions, including anticipated discount rates, rates of compensation increases, long-term return on defined benefit plan investments, and anticipated healthcare cost increases. Based on these actuarial assumptions, at September 30, 2014, our recorded assets and liabilities included a net asset of $3,886 for our defined benefit pension plans and a liability of

$29,225 for other postretirement benefit plans. Changes in net periodic expense or the amounts of recorded assets and liabilities may occur in the future due to changes in these assumptions.

Estimates of the value of postretirement benefit obligations, and related net periodic benefits expense, are dependent on actuarial assumptions, including future interest rates, compensation rates, mortality trends, healthcare cost trends, and returns on defined benefit plan investments.

It should be noted that economic factors and conditions often affect multiple assumptions simultaneously, and the effects of changes in assumptions are not necessarily linear due to factors such as the 10% corridor applied to the larger of the postretirement benefit obligation or the fair market value of plan assets used to determine the amortization of actuarial net gains or losses.

Primary actuarial assumptions for our defined benefit pension plans were determined as follows:

· The discount rate assumption is intended to reflect the rate at which the retirement benefits could be effectively settled based upon the assumed timing of the benefit payments. In the United States, we used a bond portfolio matching analysis based on recently traded, non-callable bonds rated AA or better that have at least $50 million outstanding. In the United Kingdom and Japan, we used cash flow matching to develop a single rate equivalent for

a theoretical portfolio of non-callable, AA-rated bonds for each jurisdiction. These discount rates are sensitive to changes in interest rates.

.

	Change In Discount Rate	
	1% increase	1% decrease
Defined benefit pension benefits:		
2015 Net Periodic Benefit Cost	$ (252)	$ 933
2015 Projected Service and Interest Costs	225	(446)
Accumulated Post Retirement Benefit Obligation as of Sept. 30, 2014	(25,969)	31,766

· Compensation increase assumptions are based upon historical experience and anticipated future management actions. An increase in the rate would increase our obligation and expense.

· Mortality trends assumptions are based on published actuarial data. Increases in life expectancy of participants would increase our obligation and expense.

· In determining the long-term rate of return on plan assets, we assume that the historical long-term compound growth rates of equity and fixed-income securities will predict the future returns of similar investments in the plan portfolio. Investment management and other fees paid out of the plan assets are factored into the determination of asset return assumptions. This rate is impacted by changes in general market conditions, but because it represents a long-term rate, it is not significantly impacted by short-term market volatility. Changes in our allocation of plan assets would also impact this rate. For example, a shift to more fixed-income securities would lower the rate.

	Change In Rate of Return on Plan Assets	
	0.5% increase	0.5% decrease
Defined benefit pension benefits:		
2015 Net Periodic Benefit Cost	$ (1,015)	$ 1,015

Primary actuarial assumptions for our other postretirement benefit plans were determined as follows:

· The discount rate assumption is intended to reflect the rate at which the postretirement benefits could be effectively settled based upon the assumed timing of the benefit payments. In the United States, we used a bond portfolio matching analysis based on recently traded, non-callable bonds rated AA or better that have at least $50 million outstanding. In the United Kingdom, we used cash flow matching to develop a single rate equivalent for a theoretical portfolio of non-callable, AA-rated bonds. These rates are sensitive to changes in interest rates.

	Change In Discount Rate	
	1% increase	1% decrease
Other postretirement benefits:		
2015 Net Periodic Benefit Cost	$ (76)	$ 11
2015 Projected Service and Interest Costs	153	(186)
Accumulated Post Retirement Benefit Obligation as of Sept. 30, 2014	(2,314)	2,683

· Mortality trends assumptions are based on published actuarial data. Increases in life expectancy of participants would increase our obligation and expense.

· The assumed health care trend rate represents the rate at which health care costs are assumed to increase and is based on historical and expected experience. Changes in our projections of future health care costs due to general economic conditions and those specific to health care (e.g., technology driven cost changes) will impact this trend rate.

	1% increase	1% decrease
Effect on projected fiscal year 2015 service and interest cost	$ 121	$ (106)
Effect on accumulated postretirement benefit obligation at September 30, 2014	2,658	(2,336)

Variances from our fiscal year end estimates for these variables could materially affect our recognized postretirement benefit obligation liabilities. On a near-term basis, such changes are unlikely to have a material impact on reported earnings, since such adjustments are recorded to other comprehensive earnings and recognized into expense over a number of years. Significant changes in estimates could, however, materially affect the carrying amounts of benefit obligation liabilities, including accumulated benefit obligations, which could affect compliance with the provisions of our debt arrangements and future borrowing capacity.

Reviews for impairment of goodwill

At September 30, 2014, we had $559,724 of goodwill, representing 23% of our total assets. At September 30, 2013, we had $561,458 of goodwill, representing 25% of our total assets. Goodwill is tested for impairment at the reporting unit level on an annual basis and more often if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Based on the relevant U.S. GAAP authoritative guidance, we aggregate components of a single operating segment into a reporting unit, if appropriate. For purposes of performing the impairment tests, we identify reporting units in accordance with U.S. GAAP. The identification of reporting units and consideration of aggregation criteria requires management judgment. The impairment tests consist of comparing the fair value of reporting units, determined using discounted cash flows, with their carrying amount including goodwill. If the carrying amount of the reporting unit exceeds its fair value, we compare the implied fair value of goodwill with its carrying amount. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss would be recognized to reduce the carrying amount to its implied fair value. There was no impairment charge recorded in fiscal years 2014, 2013, or 2012.

Woodward completed its annual goodwill impairment test as of July 31, 2014 for the fiscal year ended September 30, 2014 during the fourth quarter. At that date, Woodward determined it was appropriate to aggregate certain components of the same operating segment into a single aggregated reporting unit. The fair value of each of Woodward's reporting units was determined using an income approach based on a discounted cash flow method. This method represents a Level 3 input and incorporates various estimates and assumptions, the most significant being projected revenue growth rates, earnings margins, future tax rates and the present value, based on an estimated weighted-average cost of capital (or the discount rate) and terminal growth rate, of forecasted cash flows. Management projects revenue growth rates, earnings margins and cash flows based on each reporting unit's current operational results, expected performance and operational strategies over a five or ten-year period. These projections are adjusted to reflect current economic conditions and demand for certain products, and require considerable management judgment.

Forecasted cash flows used in the July 31, 2014 impairment test were discounted using weighted-average cost of capital assumptions ranging from 8.93% to 11.04%. The terminal values of the forecasted cash flows were calculated using the Gordon Growth Model and assumed an annual compound growth rate after five or ten years of 4.20%. These inputs, which are unobservable in the market, represent management's best estimate of what market participants would use in determining the present value of the Company's forecasted cash flows. Changes in these estimates and assumptions can have a significant impact on the fair value of forecasted cash flows. Woodward evaluated the reasonableness of the reporting units resulting fair values utilizing a market multiple method.

The results of Woodward's annual goodwill impairment test performed as of July 31, 2014, indicated the estimated fair value of each reporting unit was significantly in excess of its carrying value, and accordingly, no impairment existed. Increasing the discount rate by 20%, decreasing the growth rate by 20%, or decreasing forecasted cash flow by 20%, would also not have resulted in an impairment charge at July 31, 2014.

As part of the Company's ongoing monitoring efforts, Woodward will continue to consider the global economic environment and its potential impact on Woodward's business in assessing goodwill for possible indications of impairment. There can be no assurance that Woodward's estimates and assumptions regarding forecasted cash flows of certain reporting units, the current economic environment, or the other inputs used in forecasting the present value

of forecasted cash flows will prove to be accurate projections of future performance.

Income taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes.

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. The reserves are established when we believe that certain positions are likely to be challenged and may not be fully sustained on review by tax authorities. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or refinement of an estimate. Although we believe our reserves are reasonable, no assurance can be given that the final outcome of these matters will be consistent with what is reflected in our historical income tax provisions and accruals. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will impact the current provision for income taxes. The provision for income taxes

includes the impact of reserve positions and changes to reserves that are considered appropriate. As of September 30, 2014 and September 30, 2013, unrecognized gross tax benefits for which recognition has been deferred were $22,687 and $22,694, respectively.

Significant judgment is also required in determining any valuation allowance recorded against deferred tax assets. The determination of the amount of valuation allowance to be provided on recorded deferred tax assets involves estimates regarding the timing and amount of the reversal of taxable temporary differences, expected future taxable income, and the impact of tax planning strategies. A valuation allowance is established to offset any deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized. In assessing the need for a valuation allowance, we consider all available evidence including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. Changes in the relevant facts can significantly impact the judgment or need for valuation allowances. In the event we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made. Our valuation allowance was $9,486 as of September 30, 2014 and $11,783 as of September 30, 2013.

Our effective tax rates differ from the U.S. statutory rate primarily due to the tax impact of foreign operations, adjustments of valuation allowances, research tax credits, state taxes, and tax audit settlements. In addition to potential local country tax law and policy changes that could impact the provision for income taxes, management's judgment about and intentions concerning the repatriation of foreign earnings could also significantly impact the provision for income taxes. Management reassesses its judgment regularly, taking into consideration the potential tax impacts of these judgments and intentions.

Our provision for income taxes is subject to volatility and could be affected by earnings that are different than those anticipated in countries which have lower or higher tax rates; by transfer pricing adjustments; by tax effects of share-based compensation; and/or changes in tax laws, regulations, and accounting principles, including accounting for uncertain tax positions, or interpretations thereof. There can be no assurance that these items will remain stable over time.

In addition, we are subject to examination of our income tax returns by the relevant tax authorities in the jurisdictions in which we are subject to taxes. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from these examinations will not have a significant effect on our operating results, financial condition, and cash flows.

Item 7A.Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we have exposures to interest rate risk from our long-term and short-term debt, and our postretirement benefit plans, and foreign currency exchange rate risk related to our foreign operations and foreign currency transactions.

Interest Rate Risk

We use derivative instruments as risk management tools that involve little complexity, and are not used for trading or speculative purposes. In June 2013, in connection with Woodward's expected refinancing of current maturities on its existing long-term debt, Woodward entered into a treasury lock agreement with a notional amount of $25,000 that qualified as a cash flow hedge under ASC Topic 815, "Derivatives and Hedging." The objective of this derivative instrument was to hedge the risk of variability in cash flows attributable to changes in the designated benchmark interest rate over a seven-year period related to the future interest payments on a portion of anticipated future debt

issuances. To manage interest rate risk related to the $400,000 of long-term debt issued in October 2008, we used a treasury lock, which locked in interest rates on the then future debt. The treasury lock agreement was designated as a cash flow hedge against interest rate risk on a portion of the debt issued in October 2008. Similarly, we used a LIBOR lock agreement with a notional amount of $50,000, which hedged the risk of variability in cash flows over a seven-year period related to future interest payments of a portion of the long-term debt issued in April of 2009 in connection with an acquisition.

A portion of our long and short-term debt is sensitive to changes in interest rates. As of September 30, 2014 our Series J Notes of $50,000 and advances on our revolving credit facility are at interest rates that fluctuate with market rates. A hypothetical 1% increase in the assumed effective interest rates that apply to the variable rate loan outstanding as of September 30, 2014 and the average borrowings on our revolving credit facility in fiscal year 2014 would cause our annual interest expense to increase approximately $1,981. A hypothetical 0.2% decrease in interest rates that apply to the variable rate loan outstanding as of September 30, 2014 and the average borrowings on our revolving credit facility, which would effectively reduce the variable component of the applicable interest rates to 0%, would decrease our annual interest expense by approximately $403.

The discount rate and future return on plan asset assumptions used to calculate the funding status of our retirement benefit plans are also sensitive to changes in interest rates. The discount rate assumption used to value the defined benefit

pension plans as of September 30, 2014 was 4.4% in the United States, 4.1% in the United Kingdom, and 1.1% in Japan. The discount rate assumption used to value the other postretirement benefit plans was 4.4%.

The following information illustrates the sensitivity of the net periodic benefit cost and the projected accumulated benefit obligation to a change in the discount rate assumed. Amounts relating to foreign plans are translated at the spot rate on September 30, 2014. It should be noted that economic factors and conditions often affect multiple assumptions simultaneously and the effects of changes in assumptions are not necessarily linear due to factors such as the 10% corridor applied to the larger of the postretirement benefit obligation or the fair market value of plan assets when determining amortization of actuarial net gains or losses.

		Increase/(Decrease) In		
Assumption	Change	2015 Net Periodic Benefit Cost	2015 Projected Service and Interest Costs	Accumulated Post Retirement Benefit Obligation as of Sept. 30, 2014
Defined benefit pension benefits:				
Change in discount rate	1% increase	$ (252)	$ 225	$ (25,969)
	1% decrease	933	(446)	31,766
Other postretirement benefits:				
Change in discount rate	1% increase	(76)	153	(2,314)
	1% decrease	11	(186)	2,683

Foreign Currency Exchange Rate Risk

We are impacted by changes in foreign currency exchange rates when we sell product in currencies different from the currency in which product and manufacturing costs were incurred. The functional currencies and our purchasing and sales activities primarily include USD, EUR, CNY, JPY and GBP. We may also be impacted by changes in the relative buying power of our customers, which may impact sales volumes either positively or negatively. As these currencies fluctuate against each other, and other currencies, we are exposed to foreign currency exchange rate risk on sales, purchasing transactions, and labor. Foreign currency exchange rate risk is reduced through the maintenance of local production facilities in the markets we serve, which we believe creates a natural hedge to our foreign currency exchange rate exposure. For the year ended September 30, 2014, the percentages of our net sales denominated in a currency other than the USD were as follows:

	Percentage of Net Sales For the Year Ended September 30, 2014
Functional currency:	
EUR	12.5%
CNY	6.9%
JPY	3.2%
GBP	1.7%
All other foreign currencies	1.8%
	26.1%

Currency exchange rates vary daily and often one currency strengthens against the USD while another currency weakens. Because of the complex interrelationship of our worldwide supply chains and distribution channels, it is difficult to quantify the impact of a particular change in exchange rates.

From time to time, we will enter into a foreign currency exchange rate contract to hedge against changes in foreign currency exchange rates on liabilities expected to be settled at a future date. Market risk arises from the potential adverse effects on the value of derivative instruments that result from a change in foreign currency exchange rates. We minimize this market risk by establishing and monitoring parameters that limit the types of, and degree to which we enter into, derivative instruments. We enter into derivative instruments for risk management purposes only. We do not enter into or issue derivatives for trading or speculative purposes. As of September 30, 2014 and 2013, we had no open foreign currency exchange rate contracts and all previous derivative instruments were settled or terminated. For more information on derivative instruments, see Note 6, Derivative instruments and hedging activities, to the Consolidated Financial Statements in “Item 8 – Financial Statements and Supplementary Data.”

Our reported financial results of operations, including the reported value of our assets and liabilities, are also impacted by changes in foreign currency exchange rates. The assets and liabilities of substantially all of our subsidiaries outside the

United States are translated at period end rates of exchange for each reporting period. Earnings and cash flow statements are translated at weighted-average rates of exchange. Although these translation changes have no immediate cash impact, the translation changes may impact future borrowing capacity, debt covenants, and the overall value of our net assets. In addition, we also have assets and liabilities, specifically accounts receivable, accounts payable and current inter-company receivables and payables, whose carrying amounts approximate their fair value, which are denominated in currencies other than their relevant functional currencies. Foreign currency exchange rate risk is reduced through several means, including the invoicing of customers in the same currency as the source of the products, the prompt settlement of inter-company balances utilizing a global netting system, and limited use of foreign currency denominated debt. We recognized net foreign currency losses of $1,089 in fiscal year 2014, $2,738 in fiscal year 2013 and $480 in fiscal year 2012 in “Selling, general, and administrative expenses” of our Consolidated Statements of Earnings related to these assets and liabilities.

Item 8.Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Woodward, Inc.

Fort Collins, Colorado

We have audited the accompanying consolidated balance sheets of Woodward, Inc. and subsidiaries (the "Company") as of September 30, 2014 and 2013, and the related consolidated statements of earnings, comprehensive earnings, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Woodward, Inc. and subsidiaries as of September 30, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2014, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 12, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Denver, Colorado

November 12, 2014

WOODWARD, INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share amounts)

	Year Ended September 30,		
	2014	2013	2012
Net sales	$ 2,001,240	$ 1,935,976	$ 1,865,627
Costs and expenses:			
Cost of goods sold	1,425,839	1,376,271	1,303,344
Selling, general and administrative expenses	155,339	168,097	164,512
Research and development costs	138,005	130,250	143,274
Amortization of intangible assets	33,580	36,979	32,809
Interest expense	22,804	26,703	26,003
Interest income	(271)	(273)	(542)
Other (income) expense, net (Note 15)	(1,300)	(1,622)	(1,580)
Total costs and expenses	1,773,996	1,736,405	1,667,820
Earnings before income taxes	227,244	199,571	197,807
Income tax expense	61,400	53,629	56,218
Net earnings	$ 165,844	$ 145,942	$ 141,589
Earnings per share (Note 3):			
Basic earnings per share	$ 2.50	$ 2.13	$ 2.06
Diluted earnings per share	$ 2.45	$ 2.10	$ 2.01
Weighted Average Common Shares Outstanding (Note 3):			
Basic	66,432	68,392	68,880
Diluted	67,776	69,602	70,307
Cash dividends per share paid to Woodward common stockholders	$ 0.32	$ 0.32	$ 0.31

See accompanying Notes to Consolidated Financial Statements.

WOODWARD, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(In thousands)

	Year Ended September 30,		
	2014	2013	2012
Net earnings	$ 165,844	$ 145,942	$ 141,589
Other comprehensive earnings:			
Foreign currency translation adjustments	(16,003)	7,337	(7,291)
Taxes on changes on foreign currency translation adjustments	1,080	958	2,635
	(14,923)	8,295	(4,656)
Reclassification of realized losses on derivatives to earnings	99	171	174
Realized gain on cash flow hedge	-	507	-
Taxes on changes on derivative transactions	(37)	(259)	(66)
	62	419	108
Minimum retirement benefit liability adjustments (Note 17):			
Net gain (loss) arising during the period	3,746	26,756	(17,960)
Prior service cost arising during the period	(3,355)	-	-
Loss (gain) due to settlement or curtailment arising during the period	(7,539)	36	56
Amortization of:			
Prior service benefit	(66)	(90)	(484)
Net loss	785	1,770	1,280

Foreign currency exchange rate changes on minimum retirement benefit liabilities	104	673	(171)
Taxes on changes on minimum retirement benefit liability adjustments	2,538	(11,021)	6,478
	(3,787)	18,124	(10,801)
Total comprehensive earnings	$ 147,196	$ 172,780	$ 126,240

See accompanying Notes to Consolidated Financial Statements.

WOODWARD, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	September 30, 2014	September 30, 2013 (a)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 115,287	$ 48,556
Accounts receivable, less allowance for uncollectible amounts of $7,078 and $8,872, respectively	346,858	381,065
Inventories	451,944	431,744
Income taxes receivable	6,574	14,071
Deferred income tax assets	40,774	43,027
Other current assets	47,207	38,650
Total current assets	1,008,644	957,113
Property, plant and equipment, net	513,279	350,048
Goodwill	559,724	561,458
Intangible assets, net	254,772	288,775
Deferred income tax assets	6,292	13,926
Other assets	54,491	47,198
Total assets	$ 2,397,202	$ 2,218,518
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ -	$ 100,000
Accounts payable	160,683	145,541
Income taxes payable	6,130	7,848
Deferred income tax liabilities	472	800
Accrued liabilities	172,731	161,741
Total current liabilities	340,016	415,930
Long-term debt, less current portion	710,000	450,000
Deferred income tax liabilities	85,031	104,533
Other liabilities	101,211	105,510
Total liabilities	1,236,258	1,075,973
Commitments and contingencies (Note 19)		
Stockholders' equity:		
Preferred stock, par value $0.003 per share, 10,000 shares authorized, no shares issued	-	-
Common stock, par value $0.001455 per share, 150,000 shares authorized, 72,960 shares issued	106	106
Additional paid-in capital	112,491	101,147
Accumulated other comprehensive earnings (losses)	(3,533)	15,115
Deferred compensation	3,915	4,007
Retained earnings	1,338,468	1,193,887
	1,451,447	1,314,262

Treasury stock at cost, 7,397 shares and 4,883 shares, respectively	(286,588)	(167,710)
Treasury stock held for deferred compensation, at cost, 198 shares and 232 shares, respectively	(3,915)	(4,007)
Total stockholders' equity	1,160,944	1,142,545
Total liabilities and stockholders' equity	$ 2,397,202	$ 2,218,518

(a) Retrospectively adjusted as discussed in Note 4, Business acquisitions

See accompanying Notes to Consolidated Financial Statements.

WOODWARD, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended September 30,		
	2014	2013	2012
Cash flows from operating activities:			
Net earnings	$ 165,844	$ 145,942	$ 141,589
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	77,353	74,233	68,617
Loss (gain) due to settlements or curtailments of postretirement plan (Note 17)	(7,539)	37	56
Impairment of long-lived asset held for sale (Note 9)	3,138	-	-
Net (gain) loss on sales of assets	166	(100)	16
Stock-based compensation	11,241	9,414	8,628
Excess tax benefits from stock-based compensation	(3,751)	(5,154)	(3,990)
Deferred income taxes	(6,704)	8,348	(3,730)
Loss on derivatives reclassified from accumulated comprehensive earnings into earnings	99	171	174
Changes in operating assets and liabilities, net of business acquisitions:			
Accounts receivable	30,880	(9,774)	(59,061)
Inventories	(27,788)	(1,485)	(18,702)
Accounts payable and accrued liabilities	24,068	16,062	11,688
Current income taxes	9,378	(9,020)	7,594
Retirement benefit obligations, excluding settlements and curtailments	(2,788)	(15,974)	745
Other	(5,514)	9,892	(9,511)
Net cash provided by operating activities	268,083	222,592	144,113
Cash flows from investing activities:			
Payments for purchase of property, plant, and equipment	(207,106)	(141,600)	(64,900)
Proceeds from sale of assets	1,277	418	283
Business acquisitions, net of cash acquired	-	(198,860)	-
Net cash used in investing activities	(205,829)	(340,042)	(64,617)
Cash flows from financing activities:			
Cash dividends paid	(21,263)	(21,866)	(21,351)
Proceeds from sales of treasury stock	9,772	8,370	6,286
Payments for repurchases of common stock	(141,488)	(45,754)	(44,110)
Excess tax benefits from stock compensation	3,751	5,154	3,990
Borrowings on revolving lines of credit and short-term borrowings	431,071	179,072	187,865
Payments on revolving lines of credit and short-term borrowings	(221,069)	(179,484)	(187,591)
Proceeds from issuance of long-term debt	250,000	200,000	-
Payments of long-term debt	(300,000)	(41,875)	(33,365)
Proceeds from cash flow hedge	-	507	-
Payments of debt financing costs	(1,297)	(1,651)	(2,185)
Net cash provided by (used in) financing activities	9,477	102,473	(90,461)
Effect of exchange rate changes on cash and cash equivalents	(5,000)	1,704	(1,745)

Net change in cash and cash equivalents	66,731	(13,273)	(12,710)
Cash and cash equivalents at beginning of period	48,556	61,829	74,539
Cash and cash equivalents at end of period	$ 115,287	$ 48,556	$ 61,829

See accompanying Notes to Consolidated Financial Statements.

WOODWARD, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Number of shares				Stockholders' equity					
							Accumulated other comprehensive (loss earnings			
	Preferred stock	Common stock	Treasury stock	Treasury stock held for deferred compensation	Common stock	Additional paid-in capital	Foreign currency translation adjustments	Unrealized derivative gains (losses)	Minimum retirement benefit liability adjustments	Total accum other comp (loss) earni
Balances as of October 1, 2011	-	72,960	(4,070)	(315)	$ 106	$ 81,453	$ 22,103	$ (484)	$ (17,993)	$ 3,6
Net earnings	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss), net of tax	-	-	-	-	-	-	(4,656)	108	(10,801)	(15
Cash dividends	-	-	-	-	-	-	-	-	-	-
Purchases of treasury stock	-	-	(1,132)	-	-	-	-	-	-	-
Sales of treasury stock	-	-	454	-	-	(1,542)	-	-	-	-
Common shares issued from treasury stock for benefit plans	-	-	209	-	-	5,238	-	-	-	-
Tax benefit attributable to exercise of stock options	-	-	-	-	-	3,990	-	-	-	-
Stock-based compensation	-	-	-	-	-	8,628	-	-	-	-
Transfer of stock to deferred compensation plan	-	-	3	(3)	-	59	-	-	-	-
Purchase of stock by	-	-	-	(2)	-	-	-	-	-	-

deferred compensation plan										
Distribution of stock from deferred compensation plan	-	-	-	44	-	-	-	-	-	-
Balances as of September 30, 2012	-	72,960	(4,536)	(276)	$ 106	$ 97,826	$ 17,447	$ (376)	$ (28,794)	$ (11
Net earnings	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss), net of tax	-	-	-	-	-	-	8,295	419	18,124	26,
Cash dividends paid	-	-	-	-	-	-	-	-	-	-
Purchases of treasury stock	-	-	(1,395)	-	-	-	-	-	-	-
Sales of treasury stock	-	-	796	-	-	(13,194)	-	-	-	-
Common shares issued from treasury stock for benefit plans	-	-	250	-	-	1,923	-	-	-	-
Tax benefit attributable to exercise of stock options	-	-	-	-	-	5,154	-	-	-	-
Stock-based compensation	-	-	-	-	-	9,414	-	-	-	-
Transfer of stock to deferred compensation plan	-	-	2	(2)	-	24	-	-	-	-
Purchases of stock by deferred compensation plan	-	-	-	(2)	-	-	-	-	-	-
Distribution of stock from deferred compensation plan	-	-	-	48	-	-	-	-	-	-
Balances as of September 30,	-	72,960	(4,883)	(232)	$ 106	$ 101,147	$ 25,742	$ 43	$ (10,670)	$ 15,

2013

Net earnings	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss), net of tax	-	-	-	-	-	-	(14,923)	62	(3,787)	(18
Cash dividends paid	-	-	-	-	-	-	-	-	-	-
Purchases of treasury stock	-	-	(3,336)	-	-	-	-	-	-	-
Sales of treasury stock	-	-	562	-	-	(6,217)	-	-	-	-
Common shares issued from treasury stock for benefit plans	-	-	260	-	-	2,837	-	-	-	-
Tax benefit attributable to exercise of stock options	-	-	-	-	-	3,483	-	-	-	-
Stock-based compensation	-	-	-	-	-	11,241	-	-	-	-
Purchases of stock by deferred compensation plan	-	-	-	(8)	-	-	-	-	-	-
Distribution of stock from deferred compensation plan	-	-	-	42	-	-	-	-	-	-
Balances as of September 30, 2014	-	72,960	(7,397)	(198)	$ 106	$ 112,491	$ 10,819	$ 105	$ (14,457)	$ (3,5

See accompanying Notes to Consolidated Financial Statements.

WOODWARD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share amounts)

Note 1. Operations and summary of significant accounting policies

Basis of presentation

The Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of Woodward, Inc. and its subsidiaries (collectively "Woodward" or "the Company"). Dollar amounts contained in these Consolidated Financial Statements are in thousands, except per share amounts.

Nature of operations

Woodward enhances the global quality of life and sustainability by optimizing energy use through improved efficiency and lower emissions. Woodward is an independent designer, manufacturer, and service provider of energy control and optimization solutions. Woodward designs, produces and services reliable, efficient, low-emission, and high-performance energy control products for diverse applications in challenging environments. Woodward has significant production and assembly facilities in the United States, Europe and Asia, and promotes its products and services through its worldwide locations.

Woodward's strategic focus is providing energy control and optimization solutions for the aerospace and energy markets. The precise and efficient control of energy, including fluid and electrical energy, combustion, and motion, is a growing requirement in the markets it serves. Woodward's customers look to it to optimize the efficiency, emissions and operation of power equipment in both commercial and defense operations. Woodward's core technologies leverage well across its markets and customer applications, enabling it to develop and integrate cost-effective and state-of-the-art fuel, combustion, fluid, actuation and electronic systems. Woodward focuses its solutions and services primarily on serving original equipment manufacturers ("OEMs") and equipment packagers, partnering with them to bring superior component and system solutions to their demanding applications. Woodward also provides aftermarket repair, replacement and other service support for its installed products.

Woodward's components and integrated systems optimize performance of commercial aircraft, defense aircraft, ground vehicles and other equipment, gas and steam turbines, wind turbines, including converters and power grid related equipment, industrial diesel, gas, alternative and dual fuel reciprocating engines, and electrical power systems. Woodward's innovative fluid energy, combustion control, electrical energy, and motion control systems help its customers offer more cost-effective, cleaner, and more reliable equipment.

Summary of significant accounting policies

Principles of consolidation: These Consolidated Financial Statements are prepared in accordance with U.S. GAAP and include the accounts of Woodward and its wholly and majority-owned subsidiaries. Transactions within and between these companies are eliminated.

Use of estimates: The preparation of the Consolidated Financial Statements requires management to make use of estimates and assumptions that affect the reported amount of assets and liabilities, at the date of the financial statements and the reported revenues and expenses recognized during the reporting period, and certain financial statement disclosures. Significant estimates include allowances for uncollectible amounts, net realizable value of inventories, customer rebates earned, useful lives of property and identifiable intangible assets, the evaluation of impairments of property, identifiable intangible assets and goodwill, the provision for income tax and related valuation reserves, the valuation of assets and liabilities acquired in business combinations, assumptions used in the determination of the funded status and annual expense of pension and postretirement employee benefit plans, the valuation of stock compensation instruments granted to employees, and contingencies. Actual results could vary materially from Woodward's estimates.

Foreign currency exchange rates: The assets and liabilities of substantially all subsidiaries outside the United States are translated at fiscal year-end rates of exchange, and earnings and cash flow statements are translated at weighted-average rates of exchange. Translation adjustments are accumulated with other comprehensive (loss) earnings as a separate component of stockholders' equity and are presented net of tax effects in the Consolidated Statements of Stockholders' Equity. The effects of changes in foreign currency exchange rates on loans between consolidated subsidiaries, that are considered permanent in nature, are also accumulated with other comprehensive earnings, net of tax.

The Company is exposed to market risks related to fluctuations in foreign currency exchange rates because some sales transactions, and certain of the assets and liabilities of its domestic and foreign subsidiaries, are denominated in foreign currencies. Selling, general, and administrative expenses include net foreign currency losses of $1,089 in fiscal year 2014, $2,738 in fiscal year 2013, and $480 in fiscal year 2012.

Revenue recognition: Woodward recognizes revenue upon shipment or delivery of products or services and when collectability is reasonably assured. Delivery is upon completion of manufacturing, customer acceptance, and the transfer of the risks and rewards of ownership. In countries whose laws provide for retention of some form of title by sellers, enabling recovery of goods in the event of customer default on payment, product delivery is considered to have occurred when the customer has assumed the risks and rewards of ownership of the products.

Occasionally, Woodward transfers title of product to customers, but retains substantive performance obligations such as completion of product testing, customer acceptance or in some instances regulatory acceptance. Revenue is deferred until the performance obligations are satisfied. In addition, service revenue, which accounts for less than 1% of Woodward's net sales, is also recognized upon completion of applicable performance obligations.

Certain Woodward products include incidental software or firmware essential to the performance of the product as designed, which are treated as units of accounting associated with the related tangible product with which the software is included. Woodward does not sell software on a standalone basis, although software upgrades, if any, are generally paid for by the customer.

Product freight costs are included in cost of goods sold. Freight costs charged to customers are included in net sales.

Taxes collected from customers and remitted to government authorities are excluded from revenue and are recorded as liabilities until the taxes are remitted to the appropriate U.S. or foreign government authority.

Net sales from service activities were less than 10% of total net sales for fiscal years 2014, 2013 and 2012.

Customer payments: Woodward occasionally agrees to make payments to certain customers in order to participate in anticipated sales activity. Payments made to customers are accounted for as a reduction of revenue unless they are made in exchange for identifiable goods or services with fair values that can be reasonably estimated. Reductions in revenue associated with these customer payments are recognized immediately to the extent that the payments cannot be attributed to anticipated future sales, and are recognized in future periods to the extent that the payments relate to anticipated future sales. Such determinations are based on the facts and circumstances underlying each payment.

Stock-based compensation: Compensation cost relating to stock-based payment awards made to employees and directors is recognized in the financial statements using a fair value method. Non-qualified stock option awards and restricted stock awards are issued under Woodward's stock-based compensation plans. The cost of such awards, measured at the grant date, is based on the estimated fair value of the award.

Forfeitures are estimated at the time of each grant in order to estimate the portion of the award that will ultimately vest. The estimate is based on Woodward's historical rates of forfeitures and is updated periodically. The portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods, which is generally the vesting period of the awards.

Research and development costs: Company funded expenditures related to new product development activities are expensed as incurred and are separately reported in the Consolidated Statements of Earnings.

Income taxes: Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of Woodward's assets, liabilities, and certain unrecognized gains and losses recorded in accumulated other comprehensive earnings. Woodward provides for taxes that may be payable if undistributed earnings of overseas subsidiaries were to be remitted to the United States, except for those earnings that it considers to be indefinitely invested.

Cash equivalents: Highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

Cash and cash equivalents are maintained with multiple financial institutions. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. Woodward holds cash and cash equivalents at financial institutions in excess of amounts covered by the Federal Depository Insurance Corporation (the "FDIC") and sometimes invests excess cash in money market funds not insured by the FDIC.

Accounts receivable: Almost all of Woodward's sales are made on credit and result in accounts receivable, which are recorded at the amount invoiced. In the normal course of business, not all accounts receivable are collected and, therefore, an allowance for uncollectible amounts is provided equal to the amount that Woodward believes ultimately will not be collected. In establishing the amount of the allowance, customer-specific information is considered related to delinquent accounts, past

loss experience, bankruptcy filings, deterioration in the customer's operating results or financial position, and current economic conditions. Accounts receivable losses are deducted from the allowance, and the related accounts receivable balances are written off when the receivables are deemed uncollectible. Recoveries of accounts receivable previously written off are recognized when received.

Consistent with business practice common in China, Woodward's Chinese subsidiary accepts from Chinese customers, in settlement of certain customer accounts receivable, bankers acceptance notes issued by creditworthy Chinese banks. Bankers acceptance notes are financial instruments issued by Chinese financial institutions as part of financing arrangements between the financial institution and a customer of the financial institution. Bankers acceptance notes represent a commitment by the issuing financial institution to pay a certain amount of money at a specified future maturity date to the legal owner of the bankers acceptance note as of the maturity date. The maturity date of bankers acceptance notes varies, but it is Woodward's policy to only accept bankers acceptance notes with maturity dates no more than 180 days from the date of Woodward's receipt of such draft. The issuing financial institution is the obligor, not Woodward's customers. Upon Woodward's acceptance of a bankers acceptance note from a customer, such customer has no further obligation to pay Woodward for the related accounts receivable balance. Woodward only accepts bankers acceptance notes issued by creditworthy banks as to which the credit risk associated with the bankers acceptance note is assessed to be minimal.

The composition of Woodward's accounts receivable at September 30, 2014 and September 30, 2013 follows:

	September 30, 2014	September 30, 2013
Accounts receivable from:		
Customers	$ 291,584	$ 316,983
Other (Chinese financial institutions)	62,352	72,954
Allowance for uncollectible customer amounts	(7,078)	(8,872)
	$ 346,858	$ 381,065

Inventories: Inventories are valued at the lower of cost or market, with cost being determined using methods that approximate a first-in, first-out basis.

Customer deposits are recorded against inventory when the right of offset exists. There were no customer deposits included in inventory as of September 30, 2014 and 2013. All other customer deposits are recorded in accrued liabilities.

Property, plant, and equipment: Property, plant, and equipment are recorded at cost and are depreciated over the estimated useful lives of the assets. Assets are generally depreciated using the straight-line method. Assets are tested for recoverability whenever events or circumstances indicate the carrying value may not be recoverable.

Estimated lives over which fixed assets are generally depreciated at September 30, 2014 were as follows:

Land improvements	3 - 40	years
Buildings and improvements	3 - 40	years
Leasehold improvements	1 - 25	years
Machinery and production equipment	3 - 15	years
Computer equipment and software	2 - 10	years
Office furniture and equipment	3 - 13	years
Other	3 - 13	years

Included in computer equipment and software are Woodward's enterprise resource planning ("ERP") systems, which have an estimated useful life of 10 years. All other computer equipment and software is generally depreciated over three to five years.

Purchase accounting: Business combinations are accounted for using the acquisition method of accounting. Under the acquisition method, assets and liabilities, including intangible assets, are recorded at their fair values as of the acquisition date. Acquisition costs in excess of amounts assigned to assets acquired and liabilities assumed are recorded as goodwill.

Goodwill: Woodward tests goodwill for impairment at the reporting unit level on an annual basis and more often if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Based on the relevant U.S. GAAP authoritative guidance, Woodward sometimes aggregates components of a single operating segment into a reporting unit, if appropriate. The impairment tests consist of comparing the implied fair

value of each reporting unit with its carrying amount including goodwill. If the carrying amount of the reporting unit exceeds its implied fair value, Woodward compares the implied fair value of goodwill with the recorded carrying amount of goodwill. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss would be recognized to reduce the carrying amount to its implied fair value. There was no impairment charge recorded in fiscal years 2014, 2013, or 2012.

Other intangibles: Other intangibles are recognized apart from goodwill whenever an acquired intangible asset arises from contractual or other legal rights, or whenever it is capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged, either individually or in combination with a related contract, asset, or liability. All of Woodward's intangibles have an estimated useful life and are being amortized using patterns that reflect the periods over which the economic benefits of the assets are expected to be realized. Impairment losses are recognized if the carrying amount of an intangible is both not recoverable and exceeds its fair value.

Estimated lives over which intangible assets are amortized at September 30, 2014 were as follows:

Customer relationships	9	-	30	years
Intellectual property	10	-	17	years
Process technology	8	-	30	years
Other	3	-	15	years

Impairment of long-lived assets: Woodward reviews the carrying amount of its long-lived assets or asset groups to be used in operations whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Factors that would necessitate an impairment assessment include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a significant decline in the observable market value of an asset, among others. If such facts indicate a potential impairment, the Company would assess the recoverability of an asset group by determining if the carrying amount of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates that the carrying amount of the asset group is not recoverable, the Company will estimate the fair value of the asset group using appropriate valuation methodologies, which would typically include an estimate of discounted cash flows. Any impairment would be measured as the difference between the asset groups carrying amount and its estimated fair value. There was an impairment charge of $3,138 recorded in fiscal year 2014 related to a write down to fair market value of assets held for sale. There were no impairment charges recorded in fiscal years 2013 or 2012.

Investment in marketable equity securities: Woodward holds marketable equity securities related to its deferred compensation program. Based on Woodward's intentions regarding these instruments, marketable equity securities are classified as trading securities. The trading securities are reported at fair value, with realized gains and losses recognized in "Other (income) expense, net." The trading securities are included in "Other assets." The associated obligation to provide benefits is included in "Other liabilities."

Investments in unconsolidated subsidiaries: Investments in and operating results of entities in which Woodward does not have a controlling financial interest or the ability to exercise significant influence over the operations are included in the financial statements using the cost method of accounting. Investments and operating results of entities in which Woodward does not have a controlling interest but does have the ability to exercise significant influence over operations are included in the financial statements using the equity method of accounting.

Deferred compensation: The Company maintains a deferred compensation plan, or "rabbi trust," as part of its overall compensation package for certain employees.

Deferred compensation obligations will be settled either by delivery of a fixed number of shares of Woodward's common stock (in accordance with certain eligible members' irrevocable elections) or in cash. Woodward has contributed shares of its common stock into a trust established for the future settlement of deferred compensation obligations that are payable in shares of Woodward's common stock. Common stock held by the trust is reflected in the Consolidated Balance Sheet as "Treasury stock held for deferred compensation" and the related deferred compensation obligation is reflected as a separate component of equity in amounts equal to the fair value of the common stock at the dates of contribution. These accounts are not adjusted for subsequent changes in the fair value of the common stock. Deferred compensation obligations that will be settled in cash are accounted for on an accrual basis in accordance with the terms of the underlying contract and are reflected in the Consolidated Balance Sheet as "Other liabilities."

Derivatives: The Company is exposed to various market risks that arise from transactions entered into in the normal course of business. The Company has historically utilized derivative instruments, such as treasury lock agreements to lock in

fixed rates on future debt issuances, which qualify as cash flow or fair value hedges to mitigate the risk of variability in cash flows related to future interest payments attributable to changes in the designated benchmark rate. The Company records all such interest rate hedge instruments on the balance sheet at fair value. Cash flows related to the instrument designated as a qualifying hedge are reflected in the accompanying Consolidated Statements of Cash Flows in the same categories as the cash flows from the items being hedged. Accordingly, cash flows relating to the settlement of interest rate derivatives hedging the forecasted future interest payments on debt have been reflected upon settlement as a component of financing cash flows. The resulting gain or loss from such settlement is deferred to other comprehensive income and reclassified to interest expense over the term of the underlying debt. This reclassification of the deferred gains and losses impacts the interest expense recognized on the underlying debt that was hedged and is therefore reflected as a component of operating cash flows in periods subsequent to settlement. The periodic settlement of interest rate derivatives hedging outstanding variable rate debt is recorded as an adjustment to interest expense and is therefore reflected as a component of operating cash flows.

From time to time, Woodward will enter into foreign currency exchange rate contracts to hedge against changes in foreign currency exchange rates on liabilities expected to be settled at a future date. Woodward has historically not designated these transactions as accounting hedges. The fair value of foreign currency exchange rate contracts held at the end of the period are recognized in the balance sheet and the unrealized gains or losses are recorded to “Other (income) expense, net” in the Consolidated Statements of Earnings. Upon settlement of foreign currency exchange rate contracts, any unrealized gains or losses previously recognized are reversed and the realized gain or loss is recorded to “Other (income) expense, net” in the Consolidated Statement of Earnings. Further information on foreign currency exchange rate contracts can be found at Note 6, Derivative instruments and hedging activities.

Financial instruments: The Company’s financial instruments include cash and cash equivalents, investments in the deferred compensation program, notes receivable from municipalities, and debt. Because of their short-term maturity, the carrying amount of cash and cash equivalents and short-term debt approximate fair value. The fair value of investments in the deferred compensation program are adjusted to fair value based on the quoted market prices for the investments in the various mutual funds owned. The fair value of the long-term notes from municipalities are estimated based on a model that discounts future principal and interest payments received at interest rates available to the Company at the end of the period for similarly rated municipality notes of similar maturity. The fair value of long-term debt is estimated based on a model that discounts future principal and interest payments at interest rates available to the Company at the end of the period for similar debt with the same maturity. Further information on the fair value of financial instruments can be found at Note 5, Financial instruments and fair value measurements.

Financial assets and liabilities recorded at fair value in the Consolidated Balance Sheets are categorized based upon a fair value hierarchy established by U.S. GAAP, which prioritizes the inputs used to measure fair value into the following levels:

Level 1: Inputs based on quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable and can be corroborated by observable market data.

Level 3: Inputs reflect management’s best estimates and assumptions of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the valuation of the instruments.

Postretirement benefits: The Company provides various benefits to certain current and former employees through defined benefit pension and postretirement plans. For financial reporting purposes, net periodic benefits expense and related obligations are calculated using a number of significant actuarial assumptions. Changes in net periodic expense and funding status may occur in the future due to changes in these assumptions. The funded status of defined pension and postretirement plans recognized in the statement of financial position is measured as the difference between the fair market value of the plan assets and the benefit obligation. For a defined benefit pension plan, the benefit obligation is the projected benefit obligation; for any other defined benefit postretirement plan, such as a retiree health care plan, the benefit obligation is the accumulated benefit obligation. Any over-funded status is recognized as an asset and any underfunded status is recognized as a liability.

Projected benefit obligation is the actuarial present value as of the measurement date of all benefits attributed by the plan benefit formula to employee service rendered before the measurement date using assumptions as to future compensation levels if the plan benefit formula is based on those future compensation levels. Accumulated benefit obligation is the actuarial present value of benefits (whether vested or unvested) attributed by the plan benefit formula to employee service rendered before the measurement date and based on employee service and compensation, if applicable, prior to that date. Accumulated benefit obligation differs from projected benefit obligation in that it includes no assumption about future compensation levels.

Note 2. New accounting standards

From time to time, the Financial Accounting Standards Board ("FASB") or other standards setting bodies issue new accounting pronouncements. Updates to the FASB Accounting Standards Codification ("ASC") are communicated through issuance of an Accounting Standards Update ("ASU").

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." The purpose of ASU 2014-09 is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards. The amendments (i) remove inconsistencies and weaknesses in revenue requirements, (ii) provide a more robust framework for addressing revenue issues, (iii) improve comparability of revenue recognition across entities, industries, jurisdictions, and capital markets, (iv) provide more useful information to users of financial statements through improved disclosure requirements, and (v) simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016 (fiscal year 2018 for Woodward), including interim periods within that reporting period. Early adoption is not permitted. An entity should adopt the amendments using one of the following methods: retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application. Woodward has not determined what transition method it will use and is currently assessing the impact that this guidance may have on its Consolidated Financial Statements.

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in financial statements; however, the amendments require companies to provide information about the amounts reclassified out of accumulated comprehensive income by component. ASU 2013-02 requires a company to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated comprehensive income by respective line items of net income, but only if the amount so reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, a company is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. ASU 2013-02 is effective prospectively for annual reporting periods beginning after December 15, 2012 (fiscal year 2014 for Woodward). The disclosure requirement of ASU 2013-02, which Woodward has adopted, had no material impact on its Consolidated Financial Statements.

Note 3. Earnings per share

Basic earnings per share is computed by dividing net earnings available to common stockholders by the weighted-average number of shares of common stock outstanding for the period.

Diluted earnings per share reflects the weighted-average number of shares outstanding after consideration of the dilutive effect of stock options and restricted stock.

The following is a reconciliation of net earnings to basic earnings per share and diluted earnings per share:

	Year Ended September 30,		
	2014	2013	2012
Numerator:			
Net earnings	$ 165,844	$ 145,942	$ 141,589
Denominator:			
Basic shares outstanding	66,432	68,392	68,880
Dilutive effect of stock options and restricted stock	1,344	1,210	1,427
Diluted shares outstanding	67,776	69,602	70,307
Income per common share:			
Basic earnings per share	$ 2.50	$ 2.13	$ 2.06
Diluted earnings per share	$ 2.45	$ 2.10	$ 2.01

The following stock option grants were outstanding during the fiscal years ended September 30, 2014, 2013 and 2012, but were excluded from the computation of diluted earnings per share because their inclusion would have been anti-dilutive:

	Year Ended September 30,		
	2014	2013	2012
Options	12	44	50
Weighted-average option price	$ 44.04	$ 40.21	$ 36.33

The weighted-average shares of common stock outstanding for basic and diluted earnings per share included the weighted-average treasury stock shares held for deferred compensation obligations of the following:

	Year Ended September 30,		
	2014	2013	2012
Weighted-average treasury stock shares held for deferred compensation obligations	216	256	295

Note 4. Business acquisitions

Woodward has recorded the acquisition described below using the acquisition method of accounting and, accordingly, has included the results of operations of the acquired business in its consolidated results as of the date of acquisition. In accordance with authoritative accounting guidance for business combinations, the purchase price for the acquisition is allocated to the tangible assets, liabilities, and intangible assets acquired based on their estimated fair values. The excess purchase price over the respective fair values of assets is recorded as goodwill. Goodwill is not amortized under U.S. GAAP but is tested for impairment at least annually (See Note 10, Goodwill).

Duarte Business Acquisition

On December 27, 2012, Woodward entered into a definitive asset purchase agreement (the "Asset Purchase Agreement") with GE Aviation Systems LLC (the "Seller") and General Electric Company for the acquisition of substantially all of the assets and certain liabilities related to the Seller's thrust reverser actuation systems business located in Duarte, California (the "Duarte Business") for an aggregate purchase price of $200,000. The acquisition was completed on December 28, 2012 and, based on customary purchase price adjustments, Woodward paid cash at closing in the amount of $198,900. Woodward and the Seller have finalized the purchase price adjustment based on the customary post-closing provisions of the Asset Purchase Agreement.

The purchase price of the Duarte Business is as follows:

Cash paid to Seller	$ 198,900
Less cash acquired	(40)
Total purchase price	$ 198,860

The allocation of the purchase price to the assets acquired and liabilities assumed was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, "Business Combinations." Assets acquired and liabilities assumed in the transaction were allocated and recorded at their estimated acquisition date fair values using management's best estimate based on available data. Transaction costs associated with the acquisition were expensed as incurred. The Company incurred transaction costs of $1,944 during the fiscal year ended September 30, 2013, which are included in "Selling, general and administrative expenses" in the Consolidated Statements of Earnings. No additional transaction costs were incurred in the fiscal year ended September 30, 2014.

During the three-months ended December 31, 2013, Woodward completed its purchase accounting valuation estimates and as a result, retrospectively adjusted the valuations of certain liabilities with a corresponding increase to goodwill

and intangible assets as of the acquisition date. The retrospective adjustments amounted to approximately $12,800 and primarily relate to long-term performance obligations and other accrued liabilities. Changes since the acquisition date to the valuations of the assets and liabilities acquired resulted in insignificant changes to Woodward's previously reported earnings and therefore prior reported earnings have not been restated. The allocation of the purchase price to the assets and liabilities assumed was finalized as of December 27, 2013.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition of the Duarte Business:

Accounts receivable	$ 14,245
Inventories	30,149
Other current assets	10,370
Property, plant, and equipment	11,804
Goodwill	98,310
Intangible assets	89,700
Other noncurrent assets	18,097
Total assets acquired	272,675
Other current liabilities	32,509
Other noncurrent liabilities	41,306
Total liabilities assumed	73,815
Net assets acquired	$ 198,860

Goodwill recorded in connection with the acquisition of the Duarte Business, which is deductible for income tax purposes, represents the estimated value of potential expansion with new customers, the opportunity to further develop sales opportunities with new and acquired Duarte Business customers, and other synergies expected to be achieved through the integration of the Duarte Business into Woodward's Aerospace segment.

A summary of the estimated intangible assets acquired, weighted-average useful lives, and amortization methods follows:

	Estimated Amounts	Weighted-Average Useful Life	Amortization Method
Customer relationships and contracts	$ 77,000	20 years	Straight-line
Process technology	5,000	25 years	Straight-line
Backlog	7,700	3 years	Accelerated
Total	$ 89,700		

Assumed liabilities include $4,758 and $17,939 of current and long-term performance obligations, respectively, for contractual commitments that are expected to result in future economic losses.

The Asset Purchase Agreement included commitments for the Duarte Business to continue to provide services to the Seller unrelated to the core business acquired, for which Woodward will continue to be paid by the Seller. Assumed liabilities include $12,985 and $23,215 of current and long-term performance obligations, respectively, for services to be provided to the Seller, offset by $8,103 and $18,097 of current and long-term assets, respectively, related to contractual payments due from the Seller.

Net sales for the Duarte Business subsequent to the date it was acquired by Woodward were $145,998 for the fiscal year ended September 30, 2014 and $111,261 for the fiscal year ended September 30, 2013. Earnings of the Duarte Business subsequent to the date it was acquired by Woodward for the fiscal year ended September 30, 2014 cannot be determined on a stand-alone basis due to the integration of the Duarte Business into Woodward's Aerospace segment. Earnings of the Duarte Business subsequent to the date it was acquired by Woodward for the fiscal year

ended September 30, 2013 were slightly accretive to the consolidated net earnings of Woodward. Due to the timing of the acquisition, there were no net sales or operating expenses from the Duarte Business included in the Consolidated Statements of Earnings for the three-months ended December 31, 2012. Fiscal year 2014 includes a full year of Duarte Business operating results.

Pro forma results for Woodward giving effect to the acquisition of the Duarte Business

The following unaudited pro forma financial information presents the combined results of operations of Woodward and the Duarte Business as if the acquisition had occurred as of October 1, 2011, the beginning of fiscal year 2012. The pro forma information is presented for information purposes only and is not indicative of the results of operations that would have been achieved if the acquisition and the borrowings used to finance it had taken place at the beginning of fiscal year 2012. The pro forma information combines the historical results of Woodward with the historical results of the Duarte Business for that period.

Prior to the acquisition of the Duarte Business, the Duarte Business was a wholly owned business of the Seller, and as such was not a stand-alone entity for financial reporting purposes. Accordingly, the historical operating results of the Duarte Business may not be indicative of the results that might have been achieved, historically or in the future, if the Duarte Business had been a stand-alone entity. The unaudited pro forma results for the fiscal years ended September 30, 2014, September 30, 2013 and September 30, 2012 include amortization charges for acquired intangible assets, eliminations of intercompany transactions, adjustments for depreciation expense for property, plant and equipment, adjustments for acquired performance obligations, transaction costs incurred, adjustments to interest expense, and related tax effects.

The unaudited pro forma results for the fiscal years ended September 30, 2014, September 30, 2013 and September 30, 2012, compared to the actual results reported in these Consolidated Financial Statements, follow:

	Year Ended September 30,					
	2014		2013		2012	
	As reported	Pro forma	As reported	Pro forma	As reported	Pro forma
Net sales	$ 2,001,240	$ 2,001,240	$ 1,935,976	$ 1,966,376	$ 1,865,627	$ 1,978,169
Net earnings	165,844	167,047	145,942	152,431	141,589	131,384
Earnings per share:						
Basic earnings per share	$ 2.50	$ 2.51	$ 2.13	$ 2.23	$ 2.06	$ 1.91
Diluted earnings per share	2.45	2.46	2.10	2.19	2.01	1.87

Note 5. Financial instruments and fair value measurements

Financial assets and liabilities recorded at fair value in the Consolidated Balance Sheets are categorized based upon a fair value hierarchy established by U.S. GAAP.

The table below presents information about Woodward’s financial assets that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques Woodward utilized to determine such fair value. Woodward had no financial liabilities required to be measured at fair value on a recurring basis as of September 30, 2014 or September 30, 2013.

	At September 30, 2014				At September 30, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Cash	$ 92,590	$ -	$ -	$ 92,590	$ 35,839	$ -	$ -	$ 35,839
Investments in money market funds	11,210	-	-	11,210	2,950	-	-	2,950
Investments in reverse repurchase agreements	11,487	-	-	11,487	9,767	-	-	9,767
Equity securities	9,645	-	-	9,645	8,285	-	-	8,285
Total financial assets	$ 124,932	$ -	$ -	$ 124,932	$ 56,841	$ -	$ -	$ 56,841

Investments in money market funds: Woodward sometimes invests excess cash in money market funds not insured by the FDIC. Woodward believes that the investments in money market funds are on deposit with creditworthy financial institutions and that the funds are highly liquid. The investments in money market funds are reported at fair value, with realized gains from interest income realized in earnings and are included in “Cash and cash equivalents.” The fair values of Woodward’s investments in money market funds are based on the quoted market prices for the net asset value of the various money market funds.

Investments in reverse repurchase agreements: Woodward sometimes invests excess cash in reverse repurchase agreements. Under the terms of Woodward’s reverse repurchase agreements, Woodward purchases an interest in a pool of securities and is granted a security interest in those securities by the counterparty to the reverse repurchase agreement. At an agreed upon date, generally the next business day, the counterparty repurchases Woodward’s interest in the pool of securities at a price equal to what Woodward paid to the counterparty plus a rate of return determined daily per the terms of the reverse repurchase agreement. Woodward believes that the investments in these reverse repurchase agreements are with creditworthy financial institutions and that the funds invested are highly liquid. The investments in reverse repurchase agreements are reported at fair value, with realized gains from interest income realized in earnings, and are included in “Cash

and cash equivalents." Since the investments are generally overnight, the carrying value is considered to be equal to the fair value as the amount is deemed to be a cash deposit with no risk of change in value as of the end of each fiscal quarter.

Equity securities: Woodward holds marketable equity securities, through investments in various mutual funds, related to its deferred compensation program. Based on Woodward's intentions regarding these instruments, marketable equity securities are classified as trading securities. The trading securities are reported at fair value, with realized gains and losses recognized in "Other (income) expense, net." The trading securities are included in "Other assets." The fair values of Woodward's trading securities are based on the quoted market prices for the net asset value of the various mutual funds.

Accounts receivable and accounts payable are not remeasured to fair value, as the carrying cost of each approximates its respective fair value. The estimated fair values and carrying costs of other financial instruments that are not required to be remeasured at fair value in the Consolidated Balance Sheets were as follows:

		At September 30, 2014		At September 30, 2013	
	Fair Value Hierarchy Level	Estimated Fair Value	Carrying Cost	Estimated Fair Value	Carrying Cost
Assets:					
Notes receivable from municipalities	2	15,988	15,228	6,718	8,114
Liabilities:					
Long-term debt, including current portion	2	(752,513)	(710,000)	(588,297)	(550,000)

In fiscal years 2014 and 2013, Woodward received long-term notes from a municipality within the state of Illinois in connection with certain economic incentives related to Woodward's development of a second campus in the greater-Rockford, Illinois area for its Aerospace segment. The fair value of the long-term notes was estimated based on a model that discounted future principal and interest payments received at an interest rate available to the Company at the end of the period for similarly rated municipal notes of similar maturity, which is a level 2 input as defined by the U.S. GAAP fair value hierarchy. The interest rates used to estimate the fair value of the long-term notes were 3.2% at September 30, 2014 and 4.3% at September 30, 2013.

In fiscal year 2013, Woodward received a long-term note from a municipality within the state of Colorado in connection with certain economic incentives related to Woodward's development of a new campus at its corporate headquarters in Fort Collins, Colorado. The fair value of the long-term note was estimated based on a model that discounted future principal and interest payments received at an interest rate available to the Company at the end of the period for similarly rated municipal notes of similar maturity, which is a level 2 input as defined by the U.S. GAAP fair value hierarchy. The interest rates used to estimate the fair value of the long-term note were 3.2% at September 30, 2014 and 4.3% at September 30, 2013.

The fair value of long-term debt was estimated based on a model that discounted future principal and interest payments at interest rates available to the Company at the end of the period for similar debt of the same maturity, which is a level 2 input as defined by the U.S. GAAP fair value hierarchy. The weighted-average interest rates used to estimate the fair value of long-term debt were 2.4% as of September 30, 2014 and 2.0% as September 30, 2013.

Note 6. Derivative instruments and hedging activities

Woodward is exposed to global market risks, including the effect of changes in interest rates, foreign currency exchange rates, changes in certain commodity prices and fluctuations in various producer indices. From time to time, Woodward enters into derivative instruments for risk management purposes only, including derivatives designated as accounting hedges and/or those utilized as economic hedges. Woodward uses interest rate related derivative instruments to manage its exposure to fluctuations of interest rates. Woodward does not enter into or issue derivatives for trading or speculative purposes.

By using derivative and/or hedging instruments to manage its risk exposure, Woodward is subject, from time to time, to credit risk and market risk on those derivative instruments. Credit risk arises from the potential failure of the counterparty to perform under the terms of the derivative and/or hedging instrument. When the fair value of a derivative contract is positive, the counterparty owes Woodward, which creates credit risk for Woodward. Woodward mitigates this credit risk by entering into transactions with only creditworthy counterparties. Market risk arises from the potential adverse effects on the value of derivative and/or hedging instruments that result from a change in interest rates, commodity prices, or foreign currency exchange rates. Woodward minimizes this market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Other than the cash flow hedge discussed below, Woodward did not enter into any other derivatives or hedging transactions during the fiscal years ended September 30, 2014, September 30, 2013 and September 30, 2012.

Derivatives in fair value hedging relationships

In 2002, Woodward entered into certain interest rate swaps that were designated as fair value hedges of its long-term debt consisting of senior notes due in October 2011. The discontinuance of these interest rate swaps resulted in gains that were recognized as a reduction of interest expense over the term of the associated debt (10 years) using the effective interest method. The unrecognized portion of the gain was presented as an adjustment to long-term debt.

As of September 30, 2014, September 30, 2013 and September 30, 2012 there was no remaining unrecognized portion of the gain as it became fully amortized during the quarter ended December 31, 2011.

Derivatives in cash flow hedging relationships

In June 2013, in connection with Woodward's expected refinancing of current maturities on its existing long-term debt, Woodward entered into a treasury lock agreement with a notional amount of $25,000 that qualified as a cash flow hedge under ASC Topic 815, "Derivatives and Hedging." The objective of this derivative instrument was to hedge the risk of variability in cash flows attributable to changes in the designated benchmark interest rate over a seven-year period related to the future interest payments on a portion of anticipated future debt issuances. The treasury lock agreement was settled in August 2013 and the resulting gain of $507 is being recognized as a reduction of interest expense over a seven-year period. The unrecognized portion of the gain is recorded in accumulated other comprehensive earnings, net of tax.

In September 2008, the Company entered into treasury lock agreements that qualified as cash flow hedges under authoritative guidance for derivatives and hedging. The objective of this derivative instrument was to hedge the risk of variability in cash flows related to future interest payments of a portion of the anticipated future debt issuances attributable to changes in the designated benchmark interest rate associated with the expected issuance of long-term debt to acquire Techni-Core, Inc. ("Techni-Core") and MPC Products Corporation ("MPC Products" and, together with Techni-Core, "MPC"). The discontinuance of these treasury lock agreements resulted in a gain that is being recognized as a reduction of interest expense over a seven-year period on the hedged Series C and D Notes, which were issued on October 1, 2008, using the effective interest method. The unrecognized portion of the gain is recorded in accumulated other comprehensive earnings, net of tax.

In March 2009, Woodward entered into LIBOR lock agreements that qualified as cash flow hedges under authoritative guidance for derivatives and hedging. The objective of this derivative instrument was to hedge the risk of variability in cash flows over a seven-year period related to future interest payments of a portion of anticipated future debt issuances attributable to changes in the designated benchmark interest rate associated with the then expected issuance of long-term debt to acquire HR Textron Inc. ("HRT"). The discontinuance of the LIBOR lock agreements resulted in a loss that is being recognized as an increase of interest expense over a seven-year period on the hedged Series E and F Notes, which were issued on April 3, 2009, using the effective interest method. The unrecognized portion of the loss is recorded in accumulated other comprehensive earnings, net of tax.

The remaining unrecognized gains and losses in Woodward's Consolidated Balance Sheets associated with derivative instruments that were previously entered into by Woodward, which are classified in accumulated other comprehensive losses ("accumulated OCI"), were net gains of $170 as of September 30, 2014 and $71 as of September 30, 2013.

67

The following tables disclose the impact of derivative instruments on Woodward's Consolidated Statements of Earnings:

		Year ended September 30, 2014		
Derivatives in:	Location of (Gain) Loss Recognized in Earnings	Amount of (Income) Expense Recognized in Earnings on Derivative	Amount of (Gain) Loss Recognized in Accumulated OCI on Derivative	Amount of (Gain) Loss Reclassified from Accumulated OCI into Earnings
Fair value hedging relationships	Interest expense	$ -	$ -	$ -
Cash flow hedging relationships	Interest expense	99	-	99
		$ 99	$ -	$ 99

		Year ended September 30, 2013		
Derivatives in:	Location of (Gain) Loss Recognized in Earnings	Amount of (Income) Expense Recognized in Earnings on Derivative	Amount of (Gain) Loss Recognized in Accumulated OCI on Derivative	Amount of (Gain) Loss Reclassified from Accumulated OCI into Earnings
Fair value hedging relationships	Interest expense	$ -	$ -	$ -
Cash flow hedging relationships	Interest expense	171	(507)	171
		$ 171	$ (507)	$ 171

		Year ended September 30, 2012		
Derivatives in:	Location of (Gain) Loss Recognized in Earnings	Amount of (Income) Expense Recognized in Earnings	Amount of (Gain) Loss Recognized in Accumulated OCI on Derivative	Amount of (Gain) Loss Reclassified from Accumulated OCI into Earnings

		on Derivative		
Fair value hedging relationships	Interest expense	$ (3)	$ -	$ -
Cash flow hedging relationships	Interest expense	174	-	174
		$ 171	$ -	$ 174

Based on the carrying value of the realized but unrecognized gains and losses on terminated derivative instruments designated as cash flow hedges as of September 30, 2014, Woodward expects to reclassify $99 of net unrecognized losses on terminated derivative instruments from accumulated other comprehensive earnings to earnings during the next twelve months.

Note 7. Supplemental statement of cash flows information

	Year Ended September 30,		
	2014	2013	2012
Interest paid, net of amounts capitalized	$ 27,922	$ 26,627	$ 25,665
Income taxes paid	66,477	52,355	52,705
Income tax refunds received	2,303	6,336	3,183
Non-cash activities:			
Purchases of property, plant and equipment on account	13,437	5,345	6,065
Common shares issued from treasury for benefit plans (Note 17)	11,193	9,780	9,335
Notes receivable from municipalities for economic development incentives	6,596	8,114	-
Cashless exercise of stock options	1,286	2,645	-
Settlement of receivable through cashless acquisition of treasury shares in connection with the cashless exercise of stock options	1,736	3,447	-

Note 8. Inventories

	September 30, 2014	September 30, 2013
Raw materials	$ 60,442	$ 67,599
Work in progress	93,836	87,808
Component parts (1)	247,299	229,508
Finished goods	50,367	46,829
	$ 451,944	$ 431,744

(1) Component parts include items that can be sold separately as finished goods or included in the manufacture of other products.

Note 9. Property, plant, and equipment

	September 30, 2014	September 30, 2013
Land and land improvements	$ 66,303	$ 57,562
Buildings and improvements	197,587	195,008
Leasehold improvements	20,026	18,924
Machinery and production equipment	326,403	305,692
Computer equipment and software	103,852	97,538
Office furniture and equipment	20,992	24,400
Other	18,839	14,197
Construction in progress	223,958	81,428
	977,960	794,749
Less accumulated depreciation	(464,681)	(444,701)
Property, plant and equipment, net	$ 513,279	$ 350,048

Included in “Land and land improvements” and “Buildings and improvements” at September 30, 2014 are held for sale assets of $2,465. During the quarter ended September 30, 2014, Woodward recorded an impairment charge of $3,138, which is included in cost of goods sold in the Consolidated Statement of Earnings, related to the write down to fair

market value of certain held for sale assets.

Woodward is developing a second campus in the greater-Rockford, Illinois area for its Aerospace segment in order to address the growth expected over the next ten years and beyond and to support a substantial number of recently awarded new system platforms, particularly on narrow-body aircraft. Included in construction in progress are $85,283 at September 30, 2014 and $15,691 at September 30, 2013, of costs associated with the construction of the second campus and new equipment purchases, including capitalized interest of $2,963 at September 30, 2014 and $444 at September 30, 2013.

Woodward is also developing a new campus at its corporate headquarters in Fort Collins, Colorado to support the continued growth of our Energy segment by supplementing its existing Colorado manufacturing facilities and corporate headquarters. Included in construction in progress are $37,268 at September 30, 2014 and $10,514 at September 30, 2013, of costs associated with the construction of the new campus, including capitalized interest of $2,392 at September 30, 2014 and $394 at September 30, 2013.

In addition, in September 2013, Woodward invested in a building site in Niles, Illinois. Woodward is building a new facility on this site for its Aerospace segment and will relocate some of its operations currently residing in nearby Skokie, Illinois to this new facility. Included in construction in progress are $55,629 at September 30, 2014 and $12,067 at September 30, 2013, of costs associated with the construction of the new facility, including capitalized interest of $1,688 at September 30, 2014 and $0 at September 30, 2013.

For the fiscal years ended September 30, 2014, 2013 and 2012, Woodward had depreciation expense of the following:

	Year Ended September 30,		
	2014	2013	2012
Depreciation expense	$ 43,773	$ 37,254	$ 35,808

For the fiscal years ended September 30, 2014, 2013 and 2012, Woodward capitalized interest that would have otherwise been included in interest expense of the following:

	Year Ended September 30,		
	2014	2013	2012
Capitalized interest	$ 7,282	$ 1,215	$ 658

Note 10. Goodwill

	September 30, 2013	Additions	Effects of Foreign Currency Translation	September 30, 2014
Aerospace	$ 455,107	$ -	$ 316	$ 455,423
Energy	106,351	-	(2,050)	104,301
Consolidated	$ 561,458	$ -	$ (1,734)	$ 559,724

	September 30, 2012	Additions	Effects of Foreign Currency Translation	September 30, 2013
Aerospace	$ 356,773	$ 98,310	$ 23	$ 455,107
Energy	104,601	-	1,750	106,351
Consolidated	$ 461,374	$ 98,310	$ 1,773	$ 561,458

On December 28, 2012, Woodward completed the acquisition of the Duarte Business (Note 4, Business acquisitions), which resulted in the recognition of $98,310 in goodwill. The operations of the Duarte Business have been integrated into Woodward's Aerospace segment.

Woodward tests goodwill for impairment at the reporting unit level on an annual basis and more often if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Based on the relevant U.S. GAAP authoritative guidance, Woodward aggregates components of a

single operating segment into a reporting unit, if appropriate. The impairment tests consist of comparing the implied fair value of each reporting unit with its carrying amount including goodwill. If the carrying amount of the reporting unit exceeds its implied fair value, Woodward compares the implied fair value of goodwill with the recorded carrying amount of goodwill. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss would be recognized to reduce the carrying amount to its implied fair value.

Woodward completed its annual goodwill impairment test as of July 31, 2014 during the quarter ended September 30, 2014. At that date, Woodward determined it was appropriate to aggregate certain components of the same operating segment into a single aggregated reporting unit. The fair value of each of Woodward's reporting units was determined using a discounted cash flow method. This method represents a Level 3 input and incorporates various estimates and assumptions, the most significant being projected revenue growth rates, earnings margins, future tax rates, and the present value, based on an estimated weighted-average cost of capital (or the discount rate) and terminal growth rate, of forecasted cash flows. Management projects revenue growth rates, earnings margins and cash flows based on each reporting unit's current operational results, expected performance and operational strategies over a five or ten-year period. These projections are adjusted to reflect current economic conditions and demand for certain products, and require considerable management judgment.

Forecasted cash flows used in the July 31, 2014 impairment test were discounted using weighted-average cost of capital assumptions ranging from 8.93% to 11.04%. The terminal values of the forecasted cash flows were calculated using the Gordon Growth Model and assumed an annual compound growth rate after five or ten years of 4.20%. These inputs, which are unobservable in the market, represent management's best estimate of what market participants would use in determining the present value of the Company's forecasted cash flows. Changes in these estimates and assumptions can have a significant

impact on the fair value of forecasted cash flows. Woodward evaluated the reasonableness of the reporting unit's resulting fair values utilizing a market multiple method.

The results of Woodward's goodwill impairment tests performed as of July 31, 2014 indicated the estimated fair value of each reporting unit was substantially in excess of its carrying value, and accordingly, no impairment existed.

Note 11. Other intangibles, net

	September 30, 2014			September 30, 2013		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Customer relationships and contracts:						
Aerospace	$ 282,225	$ (97,281)	$ 184,944	$ 282,225	$ (77,288)	$ 204,937
Energy	41,706	(32,032)	9,674	42,008	(29,711)	12,297
Total	$ 323,931	$ (129,313)	$ 194,618	$ 324,233	$ (106,999)	$ 217,234
Intellectual property:						
Aerospace	$ -	$ -	$ -	$ -	$ -	$ -
Energy	19,954	(15,938)	4,016	20,218	(14,722)	5,496
Total	$ 19,954	$ (15,938)	$ 4,016	$ 20,218	$ (14,722)	$ 5,496
Process technology:						
Aerospace	$ 76,605	$ (31,719)	$ 44,886	$ 76,718	$ (26,129)	$ 50,589
Energy	23,078	(13,141)	9,937	23,458	(11,699)	11,759
Total	$ 99,683	$ (44,860)	$ 54,823	$ 100,176	$ (37,828)	$ 62,348
Other intangibles:						
Aerospace	$ 9,100	$ (8,465)	$ 635	$ 47,351	$ (44,572)	$ 2,779
Energy	1,519	(839)	680	2,631	(1,713)	918
Total	$ 10,619	$ (9,304)	$ 1,315	$ 49,982	$ (46,285)	$ 3,697
Total intangibles:						
Aerospace	$ 367,930	$ (137,465)	$ 230,465	$ 406,294	$ (147,989)	$ 258,305
Energy	86,257	(61,950)	24,307	88,315	(57,845)	30,470
Consolidated Total	$ 454,187	$ (199,415)	$ 254,772	$ 494,609	$ (205,834)	$ 288,775

	Year Ended September 30,		
	2014	2013	2012
Amortization expense	$ 33,580	$ 36,979	$ 32,809

Future amortization expense associated with intangibles is expected to be:

Year Ending September 30:	
2015	$ 29,309
2016	27,606
2017	25,862
2018	25,035
2019	23,199
Thereafter	123,761
	$ 254,772

Note 12. Credit facilities, short-term borrowings and long-term debt

As of September 30, 2014, Woodward's short-term borrowings and availability under its various short-term credit facilities follows:

	Total availability	Outstanding letters of credit and guarantees	Outstanding borrowings	Remaining availability
Revolving credit facility	$ 600,000	$ (5,408)	$ (210,000)	$ 384,592
Foreign lines of credit and overdraft facilities	27,959	(86)	-	27,872
Foreign performance guarantee facilities	9,678	(443)	-	9,235
	$ 637,637	$ (5,937)	$ (210,000)	$ 421,699

Revolving credit facility

Woodward maintains a $600,000 revolving credit facility established under a revolving credit agreement between Woodward and a syndicate of lenders led by Wells Fargo Bank, National Association, as administrative agent (the "Revolving Credit Agreement"). The Revolving Credit Agreement provides for the option to increase available borrowings to up to $800,000, subject to lenders' participation, and matures in July 2018. Borrowings under the Revolving Credit Agreement generally bear interest at LIBOR plus 0.85% to 1.65%. Under the Revolving Credit Agreement, there were $210,000 of borrowings outstanding as of September 30, 2014, at an effective interest rate of 1.21%, and no borrowings outstanding as of September 30, 2013. As of September 30, 2014, the entire outstanding balance under the Revolving Credit Agreement was classified as long-term.

The Revolving Credit Agreement contains certain covenants customary with such agreements, which are generally consistent with the covenants applicable to Woodward's long-term debt agreements, and contains customary events of default, including certain cross default provisions related to Woodward's other outstanding debt arrangements in excess of $60,000, the occurrence of which would permit the lenders to accelerate the amounts due thereunder. In addition, the Revolving Credit Agreement includes the following financial covenants: (i) a maximum permitted leverage ratio of consolidated net debt to consolidated earnings before interest, taxes, depreciation, stock-based compensation, and amortization, plus any usual non-cash charges to the extent deducted in computing net income minus any usual non-cash gains to the extent added in computing net income ("Leverage Ratio") for Woodward and its consolidated subsidiaries not to exceed 3.5 to 1.0, which ratio, subject to certain restrictions, may increase to 4.0 to 1.0 for the fiscal quarter (and the immediately following fiscal quarter) during which a permitted acquisition occurs and to 3.75 to 1.0 for the next two succeeding fiscal quarters, and (ii) a minimum consolidated net worth of $800,000, plus 50% of Woodward's positive net income for the prior fiscal year and plus 50% of Woodward's net cash proceeds resulting from certain issuances of stock, subject to certain adjustments.

Woodward's obligations under the Revolving Credit Agreement are guaranteed by Woodward FST, Inc., Woodward MPC, Inc., and Woodward HRT, Inc., each of which is a wholly owned subsidiary of Woodward.

Short-term borrowings

A Chinese subsidiary of Woodward has a local credit facility with the Hong Kong and Shanghai Banking Company under which it has the ability to borrow up to either $22,700, or the local currency equivalent of $22,700. Any cash borrowings under the local Chinese credit facility are secured by a parent guarantee from Woodward. The Chinese subsidiary may utilize the local facility for cash borrowings to support its operating cash needs. Local currency

borrowings on the Chinese credit facility are charged interest at the prevailing interest rate offered by the People's Bank of China on the date of borrowing, plus a margin equal to 25% of that prevailing rate. U.S. dollar borrowings on the credit facility are charged interest at the lender's cost of borrowing rate at the date of borrowing, plus 3%. The Chinese subsidiary had no outstanding cash borrowings against the local credit facility at September 30, 2014 and September 30, 2013.

Woodward also has other foreign lines of credit and foreign overdraft facilities at various financial institutions, which are generally reviewed annually for renewal and are subject to the usual terms and conditions applied by the financial institutions. Pursuant to the terms of the related facility agreements, Woodward's foreign performance guarantee facilities are limited in use to providing performance guarantees to third parties. There were no borrowings outstanding as of September 30, 2014 and September 30, 2013 on Woodward's other foreign lines of credit and foreign overdraft facilities.

Long-term debt

Long-term debt consisted of the following:

	September 30, 2014	September 30, 2013
Revolving credit facility - Floating rate (LIBOR plus 0.85% - 1.65%), due July 2018, unsecured	$ 210,000	$ -
Series B notes – 5.63%, due October 2013; unsecured	-	100,000
Series C notes – 5.92%, due October 2015; unsecured	50,000	50,000
Series D notes – 6.39%, due October 2018; unsecured	100,000	100,000
Series E notes – 7.81%, due April 2016; unsecured	57,000	57,000
Series F notes – 8.24%, due April 2019; unsecured	43,000	43,000
Series G notes – 3.42%, due November 2020; unsecured	50,000	-
Series H notes – 4.03%, due November 2023; unsecured	25,000	-
Series I notes – 4.18%, due November 2025; unsecured	25,000	-
Series J notes – Floating rate (LIBOR plus 1.25%), due November 2020; unsecured	50,000	-
Series K notes – 4.03%, due November 2023; unsecured	50,000	-
Series L notes – 4.18%, due November 2025; unsecured	50,000	-
Long-term borrowings under Line of Credit - Variable rate of 1.06% at September 30, 2013; unsecured	-	200,000
Total debt	710,000	550,000
Less: current portion of long-term debt	-	(100,000)
Long-term debt, excluding current portion	$ 710,000	$ 450,000

The Notes

In October 2008, Woodward entered into a note purchase agreement (the “2008 Note Purchase Agreement”) relating to the Series B, C, and D Notes (the “2008 Notes”). In April 2009, Woodward entered into a note purchase agreement (the “2009 Note Purchase Agreement”) relating to the Series E and F Notes (the “2009 Notes”).

On October 1, 2013, Woodward entered into a note purchase agreement (the “2013 Note Purchase Agreement” and, together with the 2008 Note Purchase Agreement and the 2009 Note Purchase Agreement, the “Note Purchase Agreements”) relating to the sale by Woodward of an aggregate principal amount of $250,000 of its senior unsecured notes in a series of private placement transactions.

Woodward issued the Series G, H and I Notes (the “First Closing Notes”) on October 1, 2013 and used the proceeds to repay all of the outstanding balance on the Series B Notes due October 1, 2013.

Woodward issued the Series J, K and L Notes (the “Second Closing Notes” and, together with the 2008 Notes, 2009 Notes and First Closing Notes, the “Notes”) on November 15, 2013 and used the proceeds to partially repay the uncommitted line of credit as discussed below.

Interest on the 2008 Notes, the First Closing Notes, and the Series K and L Notes is payable semi-annually on April 1 and October 1 of each year until all principal is paid. Interest on the 2009 Notes is payable semi-annually on April 15

and October 15 of each year until all principal is paid. Interest on the Series J Notes is payable quarterly on January 1, April 1, July 1 and October 1 of each year until all principal is paid. As of September 30, 2014, the Series J Notes bore interest at an effective rate of 1.49%.

None of the Notes were registered under the Securities Act of 1933 and they may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. Holders of the Notes do not have any registration rights.

All of the issued Notes are held by multiple institutions.

Woodward's obligations under the Notes are guaranteed by Woodward FST, Inc., Woodward MPC, Inc., and Woodward HRT, Inc., each of which is a wholly owned subsidiary of Woodward. Woodward's obligations under the Notes rank equal in right of payment with all of Woodward's other unsecured unsubordinated debt, including its outstanding debt under its revolving credit facility.

On October 1, 2013, Woodward also entered into amendments to the 2008 Note Purchase Agreement and 2009 Note Purchase Agreement that, among other things, conformed certain of the affirmative and negative covenants in the 2008 Note Purchase Agreement and the 2009 Note Purchase Agreement, respectively, to the corresponding covenant provisions in the 2013 Note Purchase Agreement.

The Note Purchase Agreements contain restrictive covenants customary for such financings, including, among other things, covenants that place limits on Woodward's ability to incur liens on assets, incur additional debt (including a leverage or coverage based maintenance test), transfer or sell Woodward's assets, merge or consolidate with other persons and enter into material transactions with affiliates. Under the financial covenants contained in the Note Purchase Agreements, Woodward's priority debt may not exceed, at any time, 25% of its consolidated net worth. Woodward's Leverage Ratio cannot exceed 4.0 to 1.0 during any material acquisition period, or 3.5 to 1.0 at any other time on a rolling four quarter basis. In the event that Woodward's Leverage Ratio exceeds 3.5 to 1.0 during any material acquisition period, the interest rate on each series of Notes will increase. Further, Woodward's consolidated net worth must at all times equal or exceed $800,000 plus 50% of Woodward's consolidated net earnings for each fiscal year beginning with the fiscal year ending September 30, 2014. The Note Purchase Agreements also contain customary events of default, including certain cross-default provisions related to Woodward's other outstanding debt arrangements in excess of $60,000, the occurrence of which would permit the holders of the respective Notes to accelerate the amounts due.

Woodward, at its option, is permitted at any time to prepay all, or from time to time to prepay any part of, the then outstanding principal amount of any series of the Notes at 100% of the principal amount of the series of Notes to be prepaid (but, in the case of partial prepayment, not less than $1,000), together with interest accrued on such amount to be prepaid to the date of payment, plus any applicable prepayment compensation amount. The prepayment compensation amount, as to the Notes other than the floating rate Notes, is computed by discounting the remaining scheduled payments of interest and principal of the Notes being prepaid at a discount rate equal to the sum of 50 basis points and the yield to maturity of U.S. Treasury securities having a maturity equal to the remaining average life of the Notes being prepaid. The prepayment compensation amount, as to the floating rate Notes, generally is computed as a percentage of the principal amount of such floating rate Notes equal to (a) 2%, on or prior to November 15, 2014, (b) 1%, after November 15, 2014 and on or prior to November 15, 2015, and (c) 0% after November 15, 2015.

Required future principal payments of the Notes as of September 30, 2014 are as follows:

Year Ending September 30:	
2015	$ -
2016	107,000
2017	-
2018	-
2019	143,000
Thereafter	250,000
	$ 500,000

In October 2008, Woodward entered into a term loan credit agreement (the "2008 Term Loan Credit Agreement"). During the second quarter of fiscal year 2013, the remaining outstanding indebtedness under the 2008

Term Loan Credit Agreement, which generally bore interest at LIBOR plus 1.00% to 2.25%, was repaid and terminated, without penalty, and the remaining balance of unamortized debt issuance costs of $128 were written off to interest expense.

Certain financial and other covenants under Woodward's debt agreements contain customary restrictions on the operation of its business. In the event of non-compliance with these covenants, certain additional restrictions might apply, including restrictions on the Company's ability to pay dividends or make distributions on its capital stock. Management believes that Woodward was in compliance with the covenants under the long-term debt agreements at September 30, 2014.

Line of Credit

In connection with the acquisition of the Duarte Business, on December 21, 2012 Woodward entered into a 364 day uncommitted line of credit with JPMorgan Chase Bank, N.A. (the “Line of Credit”). The Line of Credit provided for unsecured loans to Woodward of up to $200,000 on a revolving basis. Loans made under the Line of Credit bore interest at a

floating rate based, at the Company's option, on either the prime rate or an adjusted LIBOR. The Line of Credit was repaid in full and terminated on December 20, 2013.

The proceeds from the Line of Credit were used to finance the acquisition of the Duarte Business as discussed in Note 4, Business acquisitions. The Company incurred no financing fees in association with the Line of Credit.

Woodward classified the $200,000 outstanding on the Line of Credit as long-term as of September 30, 2013 based on its intention to refinance in fiscal year 2014.

Debt Issuance Costs

In connection with the 2013 Note Purchase Agreement, in fiscal year 2014, Woodward incurred $1,297 in financing costs, which are deferred and will be amortized using the straight-line method over the life of the agreement.

In connection with the Revolving Credit Agreement, in fiscal year 2013, Woodward incurred $1,651 in financing costs, which are deferred and will be amortized using the straight-line method over the life of the agreement. Woodward also had remaining $1,529 of deferred financing costs incurred in connection with its prior revolving credit facility, which have been combined with the financing costs associated with the Revolving Credit Agreement and are being amortized using the straight-line method over the life of the Revolving Credit Agreement.

Amounts recognized as interest expense from the amortization of debt issuance costs were $1,014 in fiscal year 2014, $1,045 in fiscal year 2013, and $1,074 in fiscal year 2012. Woodward had $4,276 of unamortized debt issuance costs as of September 30, 2014 and $3,869 of unamortized debt issuance costs as of September 30, 2013. Amortization of debt issuance costs is included in operating activities in the Consolidated Statements of Cash Flows.

Note 13. Accrued liabilities

	At September 30,	
	2014	2013
Salaries and other member benefits	$ 95,031	$ 66,212
Warranties	16,916	15,224
Interest payable	12,487	11,437
Current portion of acquired performance obligations and unfavorable contracts (1)	16,432	23,977
Accrued retirement benefits	2,286	2,276
Deferred revenues	6,108	6,304
Taxes, other than income	8,557	6,504
Other	14,914	29,807
	$ 172,731	$ 161,741

(1) For more information about acquired performance obligations and unfavorable contracts, see Note 4, Business acquisitions.

Warranties

Provisions of Woodward's sales agreements include product warranties customary to these types of agreements. Accruals are established for specifically identified warranty issues that are probable to result in future costs. Warranty costs are accrued on a non-specific basis whenever past experience indicates a normal and predictable pattern exists. Changes in accrued product warranties for the fiscal years ended September 30, 2014, September 30, 2013 and September 30, 2012 were as follows:

	At September 30,		
	2014	2013	2012
Warranties, beginning of period	$ 15,224	$ 15,742	$ 14,083
Expense	10,700	12,037	14,543
Increases due to acquisition of Duarte Business	-	157	-
Reductions for settling warranties	(8,448)	(13,051)	(12,587)
Foreign currency exchange rate changes	(560)	339	(297)
Warranties, end of period	$ 16,916	$ 15,224	$ 15,742

Note 14. Other liabilities

	At September 30,	
	2014	2013
Net accrued retirement benefits, less amounts recognized within accrued liabilities	$ 38,850	$ 39,956
Total unrecognized tax benefits, net of offsetting adjustments	14,707	20,343
Acquired performance obligations and unfavorable contracts (1)	12,792	23,951
Deferred economic incentives (2)	18,408	8,266
Other	16,454	12,994
	$ 101,211	$ 105,510

(1) For more information about acquired performance obligations and unfavorable contracts, see Note 4, Business acquisitions.

(2) Woodward receives certain economic incentives from various state and local taxing authorities not included in income tax expense related to capital expansion projects. Such amounts are initially recorded as deferred credits and will be recognized as a reduction to expense over the economic lives of the related capital expansion projects.

Note 15. Other (income) expense, net

	Year Ended September 30,		
	2014	2013	2012
Net (gain) loss on sale of assets	$ 166	$ (100)	$ 16
Rent income	(565)	(555)	(504)
Net gain on investments in deferred compensation program	(794)	(946)	(1,052)
Other	(107)	(21)	(40)
	$ (1,300)	$ (1,622)	$ (1,580)

Note 16. Income taxes

Income taxes consisted of the following:

	Year Ended September 30,		
	2014	2013	2012
Current:			
Federal	$ 48,327	$ 29,438	$ 47,862
State	5,752	4,760	4,452
Foreign	16,594	10,612	11,594
Deferred:			
Federal	(4,378)	13,904	(9,632)
State	(2,966)	885	(200)
Foreign	(1,929)	(5,970)	2,142
	$ 61,400	$ 53,629	$ 56,218

Earnings before income taxes by geographical area consisted of the following:

	Year Ended September 30,		
	2014	2013	2012
United States	$ 148,837	$ 148,604	$ 146,535
Other countries	78,407	50,967	51,272
	$ 227,244	$ 199,571	$ 197,807

Significant components of deferred income taxes presented in the Consolidated Balance Sheets are related to the following:

	At September 30,	
	2014	2013
Deferred tax assets:		
Defined benefit plans, Other postretirement	$ 10,762	$ 10,563
Foreign net operating loss carryforwards	5,552	7,058
Inventory	21,608	16,944
Deferred and stock-based compensation	24,987	18,657
Defined benefit pension	227	866
Other reserves	10,513	9,055
Credits and incentives	8,178	8,046
Other	11,422	10,584
Valuation allowance	(9,486)	(11,783)
Total deferred tax assets, net of valuation allowance	83,763	69,990
Deferred tax liabilities:		
Goodwill and intangibles - net	(96,493)	(97,804)
Property, plant and equipment	(18,288)	(17,175)
Other	(7,419)	(3,391)
Total deferred tax liabilities	(122,200)	(118,370)
Net deferred tax liabilities	$ (38,437)	$ (48,380)

Woodward has recorded a net operating loss ("NOL") deferred tax asset of $5,552 as of September 30, 2014 and $7,058 as of September 30, 2013. A portion of these carryforwards will expire by 2020 and are currently offset by a valuation allowance, while the remaining portion has an indefinite carryforward period and has no valuation allowance against it.

Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Both positive and negative evidence are considered in forming Woodward's judgment as to whether a valuation allowance is appropriate, and more weight is given to evidence that can be objectively verified. Valuation allowances are reassessed whenever there are changes in circumstances that may cause a change in judgment. The change in the valuation allowance was primarily the result of current year earnings in a wholly owned subsidiary that had net operating losses subject to a full valuation allowance, and a change in judgment about the utilization of tax credits in various jurisdictions.

At September 30, 2014, Woodward has not provided for taxes on undistributed foreign earnings of $253,797 that it considered indefinitely reinvested. These earnings could become subject to income taxes if they are remitted as dividends, are loaned to Woodward or any of Woodward's subsidiaries located in the United States, or if Woodward sells its stock in the foreign subsidiaries. Any additional U.S. taxes could be offset, in part or in whole, by foreign tax credits. The amount of such taxes and application of tax credits would be dependent on the income tax laws and other circumstances at the time these amounts are repatriated. Based on these variables, it is impractical to determine the income tax liability that might be incurred if these funds were to be repatriated.

77

The following is a reconciliation of the U.S. Federal statutory tax rate of 35 percent to Woodward's effective income tax rate:

	Year Ending September 30,		
Percent of pretax earnings	2014	2013	2012
Statutory tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	1.3	1.8	1.6
Taxes on international activities	(3.7)	(1.7)	(3.3)
Research credit	(0.7)	(3.1)	(0.8)
Retroactive extension of research credit	-	(2.5)	-
Domestic production activities deduction	(1.3)	(2.0)	(1.9)
Adjustments of prior period tax items	(2.9)	(0.6)	(1.5)
Other items, net	(0.7)	-	(0.7)
Effective tax rate	27.0 %	26.9 %	28.4 %

In determining the tax amounts in Woodward's financial statements, estimates are sometimes used that are subsequently adjusted in the actual filing of tax returns or by updated calculations. In addition, we occasionally have resolutions of tax items with tax authorities related to prior years due to the conclusion of audits and the lapse of applicable statutes of limitations. Such adjustments are included in the "Adjustments of prior period tax items" line in the above table. The majority of the fiscal year 2014 adjustments are related to the conclusion of audits, effective settlement, and lapse of applicable statutes of limitations in various tax jurisdictions.

On January 2, 2013, the American Taxpayer Relief Act of 2012 (the "Taxpayer Relief Act") was enacted, which retroactively extended the U.S. research and experimentation tax credit through December 31, 2013. As a result, income taxes for the year ended September 30, 2013 included a net expense reduction related to the retroactive impact from the last three quarters of fiscal year 2012 of the U.S. research and experimentation tax credit pursuant to the Taxpayer Relief Act.

Income taxes for the year ended September 30, 2012 included a tax benefit of $3,326 related to a reduction in the anticipated amount of undistributed earnings of certain of Woodward's foreign subsidiaries that were previously expected to be repatriated to the United States within the foreseeable future. Woodward anticipates that a portion of those earnings will remain indefinitely invested outside the United States and accordingly it reversed the deferred tax liability associated with repatriating those earnings. This item is included in the "Taxes on international activities" line in the rate reconciliation above.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits follows:

	Year Ending September 30,		
	2014	2013	2012
Beginning balance	$ 22,694	$ 18,069	$ 16,931
Additions to current year tax positions	8,830	5,587	1,444
Reductions to prior year tax positions	(9,684)	-	(169)
Additions to prior year tax positions	1,844	1,079	-
Lapse of applicable statute of limitations	(997)	(2,041)	(137)

Ending balance	$ 22,687	$ 22,694	$ 18,069

Included in the balance of unrecognized tax benefits are $12,807 as of September 30, 2014 and $17,838 as of September 30, 2013 of tax benefits that, if recognized, would affect the effective tax rate. At this time, Woodward estimates that it is reasonably possible that the liability for unrecognized tax benefits will decrease by as much as $114 in the next twelve months due to the completion of reviews by tax authorities and the expiration of certain statutes of limitations. Woodward accrues for potential interest and penalties related to unrecognized tax benefits in tax expense. Woodward had accrued interest and penalties of $1,158 as of September 30, 2014 and $2,066 as of September 30, 2013.

Woodward's tax returns are audited by U.S., state, and foreign tax authorities, and these audits are at various stages of completion at any given time. Reviews of tax matters by authorities and lapses of the applicable statutes of limitations may result in changes to tax expense. With a few exceptions, Woodward's fiscal years remaining open to examination in the United States include fiscal years 2011 and thereafter, and fiscal years remaining open to examination in significant foreign jurisdictions include 2005 and thereafter.

Note 17. Retirement benefits

Woodward provides various benefits to eligible members of the Company, including contributions to various defined contribution plans, pension benefits associated with defined benefit plans, postretirement medical benefits and postretirement life insurance benefits. Eligibility requirements and benefit levels vary depending on employee location.

Defined contribution plans

Most of the Company's U.S. employees are eligible to participate in the U.S. defined contribution plan. The U.S. defined contribution plan allows employees to defer part of their annual income for income tax purposes into their personal 401(k) accounts. The Company makes contributions to eligible employee accounts, which are also deferred for employee personal income tax purposes. Certain foreign employees are also eligible to participate in foreign plans.

Most of Woodward's U.S. employees with at least two years of service receive an annual contribution of Woodward stock, equal to 5% of their eligible prior year wages, to their personal Woodward Retirement Savings Plan accounts. In the second quarter of fiscal years 2014, 2013, and 2012, Woodward fulfilled the annual Woodward stock contribution using shares held in treasury stock by issuing 260 shares of common stock for a total value of $11,193 in fiscal year 2014, 250 shares of common stock for a total value of $9,780 in fiscal year 2013, and 209 shares of common stock for a total value of $9,335 in fiscal year 2012. The Woodward Retirement Savings Plan held 5,176 shares of Woodward stock as of September 30, 2014 and 5,681 shares as of September 30, 2013.

The amount of expense associated with defined contribution plans was as follows:

	Year Ended September 30,		
	2014	2013	2012
Company costs	$ 24,921	$ 20,012	$ 18,296

Defined benefit plans

Woodward has defined benefit plans that provide pension benefits for certain retired employees in the United States, the United Kingdom, and Japan. During the fourth quarter of fiscal year 2014, a defined benefit pension plan for certain employees in California was amended. The amendment froze the benefits of certain members and resulted in a curtailment gain in the U.S. During the third quarter of fiscal year 2014, Woodward terminated it defined benefit pension plan in Switzerland due to workforce reductions related to the closure of Woodward's Swiss facility in connection with the realignment of the renewable power business that occurred in the third quarter of fiscal year 2013. Woodward also provides other postretirement benefits to its employees including postretirement medical benefits and life insurance benefits. Postretirement medical benefits are provided to certain current and retired employees and their covered dependants and beneficiaries in the United States and the United Kingdom. Life insurance benefits are provided to certain retirees in the United States under frozen plans, which are no longer available to current employees. A September 30 measurement date is utilized to value plan assets and obligations for all of Woodward's defined benefit pension and other postretirement benefit plans.

In connection with the acquisition of the Duarte Business (see Note 4, Business acquisitions), Woodward did not assume the Seller's postretirement benefit obligations under the Duarte Business' defined benefit pension plan as they existed at the time of closing of the transaction. Under the terms of the Asset Purchase Agreement, Woodward established a new defined benefit pension plan for the Duarte Business employees who were beneficiaries of the Seller's defined benefit pension plan (the "Duarte Pension Plan"). Subsequently, Woodward and the Duarte Union agreed that, effective as of the close of business on July 31, 2013, the Duarte Pension Plan was amended to cease all future benefit accruals to current participants in the plan. In addition, the Duarte Pension Plan was frozen to new entrants as of July 31, 2013.

In addition to the Duarte Pension Plan, excluding the Woodward HRT Plan, the defined benefit plans in the United States were frozen in fiscal year 2007 and no additional employees may participate in the U.S. plans and no additional service costs will be incurred.

Pension plans

The actuarial assumptions used in measuring the net periodic benefit cost and plan obligations of retirement pension benefits were as follows:

	2014	2013	2012
United States:			
Weighted-average assumptions to determine benefit obligation at September 30:			
Discount rate	4.40 %	5.15 %	4.10 %
Rate of compensation increase	3.50	3.50	3.50
Weighted-average assumptions to determine periodic benefit costs for years ended September 30:			
Discount rate	5.15	4.10	5.55
Rate of compensation increase	3.50	3.50	4.00
Long-term rate of return on plan assets	7.62	7.59	7.89
United Kingdom:			
Weighted-average assumptions to determine benefit obligation at September 30:			
Discount rate	4.10 %	4.50 %	4.60 %
Rate of compensation increase	3.50	3.50	3.90
Weighted-average assumptions to determine periodic benefit costs for years ended September 30:			
Discount rate	4.50	4.60	5.10
Rate of compensation increase	3.50	3.90	4.30
Long-term rate of return on plan assets	5.50	5.50	6.00
Japan:			
Weighted-average assumptions to determine benefit obligation at September 30:			
Discount rate	1.10 %	1.25 %	1.50 %
Rate of compensation increase	2.00	2.00	2.00
Weighted-average assumptions to determine periodic benefit costs for years ended September 30:			
Discount rate	1.25	1.50	1.50
Rate of compensation increase	2.00	2.00	2.00
Long-term rate of return on plan assets	3.00	2.80	2.80
Switzerland:			
Weighted-average assumptions to determine benefit obligation at September 30:			
Discount rate	n/a	2.25 %	1.75 %
Rate of compensation increase	n/a	2.00	2.00
Weighted-average assumptions to determine periodic benefit costs for years ended September 30:			
Discount rate	2.25	1.75	2.50
Rate of compensation increase	2.00	2.00	2.00
Long-term rate of return on plan assets	2.25	1.75	2.50

The discount rate assumption is intended to reflect the rate at which the retirement benefits could be effectively settled based upon the assumed timing of the benefit payments. In the United States, Woodward used a bond portfolio matching analysis based on recently traded, non-callable bonds rated AA or better that have at least $50 million outstanding. In the United Kingdom and Japan, Woodward used cash flow matching to develop a single rate equivalent for a theoretical portfolio of non-callable, AA-rated bonds for each jurisdiction. In Switzerland, Woodward used high quality swap rates plus a credit spread of 0.20% in fiscal year 2013 and 0.46% in fiscal year 2012, as high quality swaps are available in Switzerland at various durations and trade at higher volumes than bonds. Woodward's assumed rate in Switzerland did not differ significantly from this benchmark.

Compensation increase assumptions are based upon historical experience and anticipated future management actions.

In determining the long-term rate of return on plan assets, Woodward assumes that the historical long-term compound growth rates of equity and fixed-income securities will predict the future returns of similar investments in the plan portfolio. Investment management and other fees paid out of the plan assets are factored into the determination of asset return assumptions.

Net periodic benefit costs consist of the following components reflected as expense in Woodward's Consolidated Statements of Earnings:

	Year Ended September 30,								
	United States			Other Countries			Total		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Service cost	$ 3,516	$ 4,608	$ 3,530	$ 988	$ 1,052	$ 1,136	$ 4,504	$ 5,660	$ 4,666
Interest cost	6,382	5,569	5,816	2,410	2,113	2,280	8,792	7,682	8,096
Expected return on plan assets	(9,813)	(8,183)	(7,008)	(3,070)	(2,610)	(2,584)	(12,883)	(10,793)	(9,592)
Amortization of:									
Net (gains) losses	330	1,374	524	655	465	665	985	1,839	1,189
Net prior service (benefit) cost	97	75	75	(4)	(8)	(9)	93	67	66
Settlement costs	-	-	-	-	37	56	-	37	56
Curtailment (benefits)	(6,624)	-	-	(915)	-	-	(7,539)	-	-
Net periodic (benefit) cost	$ (6,112)	$ 3,443	$ 2,937	$ 64	$ 1,049	$ 1,544	$ (6,048)	$ 4,492	$ 4,481

The curtailment gain in "United States" in the year ended September 30, 2014 pertained to amendments made to one of Woodward's plans that resulted in a freeze to the benefits of certain U.S. employees in California.

The curtailment gain in "Other Countries" in the year ended September 30, 2014 pertained to workforce reductions related to the closure of Woodward's Swiss facility in connection with the realignment of the renewable power business that occurred in the third quarter of fiscal year 2013.

Settlement costs were expensed in fiscal years 2013 and 2012 as a result of normal attrition among participants in the Company's defined benefit plan in Switzerland.

The following tables provide a reconciliation of the changes in the projected benefit obligation and fair value of assets for the defined benefit pension plans:

	At or for the Year Ended September 30,					
	United States		Other Countries		Total	
	2014	2013	2014	2013	2014	2013
Changes in projected benefit obligation:						
Projected benefit obligation at beginning of year	$ 126,532	$ 137,639	$ 63,891	$ 60,837	$ 190,423	$ 198,476
Service cost	3,516	4,608	988	1,052	4,504	5,660
Interest cost	6,382	5,569	2,410	2,113	8,792	7,682
Net actuarial (gains) losses	12,446	(18,165)	3,015	5,550	15,461	(12,615)
Contribution by participants	-	12	91	241	91	253
Benefits paid	(3,732)	(3,131)	(2,318)	(2,605)	(6,050)	(5,736)
Amounts paid by Company for Pension Protection Fund levy	-	-	(13)	(2)	(13)	(2)
Plan amendments	3,355	-	-	-	3,355	-
Settlements	-	-	(1,985)	(406)	(1,985)	(406)
Curtailments	(10,759)	-	(1,499)	(271)	(12,258)	(271)
Foreign currency exchange rate changes	-	-	(1,045)	(2,618)	(1,045)	(2,618)
Projected benefit obligation at end of year	$ 137,740	$ 126,532	$ 63,535	$ 63,891	$ 201,275	$ 190,423
Changes in fair value of plan assets:						
Fair value of plan assets at beginning of year	$ 129,518	$ 105,966	$ 60,657	$ 55,537	$ 190,175	$ 161,503
Actual return on plan assets	15,764	10,621	5,212	6,541	20,976	17,162
Contributions by the company	540	16,050	2,422	3,187	2,962	19,237
Contributions by plan participants	-	12	91	241	91	253
Benefits paid	(3,732)	(3,131)	(2,318)	(2,605)	(6,050)	(5,736)
Settlements	-	-	(1,985)	(406)	(1,985)	(406)
Foreign currency exchange rate changes	-	-	(1,008)	(1,838)	(1,008)	(1,838)
Fair value of plan assets at end of year	$ 142,090	$ 129,518	$ 63,071	$ 60,657	$ 205,161	$ 190,175
Net over/(under)funded status at end of year	$ 4,350	$ 2,986	$ (464)	$ (3,234)	$ 3,886	$ (248)

At September 30, 2014, the Company's defined benefit pension plans in the United Kingdom represented $52,710 of the total projected benefit obligation and in Japan represented $10,825 of the total projected benefit obligation. At September 30, 2014, the United Kingdom represented $52,260 of the total fair value of plan assets and Japan represented $10,811 of the total fair value of plan assets.

The accumulated benefit obligations of the Company's defined benefit pension plans in the United States was $137,423 and in Other Countries was $61,041 at September 30, 2014, and in the United States was $116,061 and in Other Countries was $60,701 at September 30, 2013.

	Plans with accumulated benefit obligation in excess of plan assets		Plans with accumulated benefit obligation less than plan assets	
	At September 30,		At September 30,	
	2014	2013	2014	2013
Projected benefit obligation	$ (25,955)	$ (38,473)	$ (175,320)	$ (151,950)
Accumulated benefit obligation	(25,955)	(36,739)	(172,509)	(140,023)
Fair value of plan assets	24,671	34,717	180,490	155,458

The following tables provide the amounts recognized in the statement of financial position and accumulated comprehensive income for the defined benefit pension plans:

	At or for the Year Ended September 30,					
	United States		Other Countries		Total	
	2014	2013	2014	2013	2014	2013
Amounts recognized in statement of financial position consist of:						
Other non-current assets	$ 5,634	$ 4,154	$ -	$ -	$ 5,634	$ 4,154
Other non-current liabilities	(1,284)	(1,168)	(464)	(3,234)	(1,748)	(4,402)
Net over/(under)funded status at end of year	$ 4,350	$ 2,986	$ (464)	$ (3,234)	$ 3,886	$ (248)
Amounts recognized in accumulated other comprehensive income consist of:						
Unrecognized net prior service (benefit) cost	$ 4,624	$ 1,367	$ -	$ (4)	$ 4,624	$ 1,363
Unrecognized net (gains) losses	9,867	7,841	11,902	12,371	21,769	20,212
Total amounts recognized	14,491	9,208	11,902	12,367	26,393	21,575
Deferred taxes	(5,527)	(3,499)	(4,131)	(4,203)	(9,658)	(7,702)
Amounts recognized in accumulated other comprehensive income	$ 8,964	$ 5,709	$ 7,771	$ 8,164	$ 16,735	$ 13,873

Other changes in plan assets and benefit obligations recorded in accumulated other comprehensive income were as follows:

	Year Ended September 30,					
	United States		Other Countries		Total	
	2014	2013	2014	2013	2014	2013
Net (gain) loss	$ (4,269)	$ (20,604)	$ (622)	$ 1,349	$ (4,891)	$ (19,255)
Prior service cost	3,355	-	-	-	3,355	$ -
Loss (gain) due to settlement or curtailment arising during the period	6,624	-	915	(36)	7,539	(36)
Amortization of:						
Net gains (losses)	(330)	(1,374)	(655)	(464)	(985)	(1,838)
Prior service benefit (cost)	(97)	(75)	4	7	(93)	(68)
Foreign currency exchange rate changes	-	-	(107)	(673)	(107)	(673)
Total recorded in accumulated other comprehensive loss (income)	$ 5,283	$ (22,053)	$ (465)	$ 183	$ 4,818	$ (21,870)

The amounts expected to be amortized from Accumulated Other Comprehensive Income and reported as a component of net periodic benefit cost during fiscal year 2015 are as follows:

	United States	Other Countries	Total
Prior service (benefit) cost	$ 383	$ -	$ 383
Net actuarial (gains) losses	396	466	862

Pension benefit payments are made from the assets of the pension plans. Using foreign exchange rates as of September 30, 2014 and expected future service assumptions, it is anticipated that the future benefit payments will be as follows:

Year Ending September 30,	United States	Other Countries	Total
2015	$ 4,760	$ 2,353	$ 7,113
2016	5,291	2,363	7,654
2017	5,897	2,554	8,451
2018	6,520	2,574	9,094
2019	7,154	3,036	10,190
2020 – 2024	43,682	14,756	58,438

Woodward expects its pension plan contributions in fiscal year 2015 will be $21 in the United States, $1,507 in the United Kingdom, and $1,045 in Japan.

Pension plan assets

The overall investment objective of the pension plan assets is to earn a rate of return over time which, when combined with Company contributions, satisfies the benefit obligations of the pension plans and maintains sufficient liquidity to pay benefits.

As the timing and nature of the plan obligations varies for each Company sponsored pension plan, investment strategies have been individually designed for each pension plan with a common focus on maintaining diversified investment portfolios that provide for long-term growth while minimizing the risk to principal associated with short-term market behavior. The strategy for each of the plans balances the requirements to generate returns, using investments expected to produce higher returns, such as equity securities, with the need to control risk within the pension plans using less volatile investment assets, such as debt securities. A strategy of more equity-oriented allocation is adopted for those plans which have a longer-term investment plan based on the timing of the associated benefit obligations.

A pension oversight committee is assigned by the Company to each pension plan. Among other responsibilities, each committee is responsible for all asset class allocation decisions. Asset class allocations, which are reviewed by the respective pension committee on at least an annual basis, are designed to meet or exceed certain market benchmarks which align with each plan's investment objectives. In evaluating the asset allocation choices, consideration is given to the proper long-term level of risk for each plan, particularly with respect to the long-term nature of each plan's liabilities, the impact of asset allocation on investment results and the corresponding impact on the volatility and magnitude of plan contributions and expense and the impact certain actuarial techniques may have on the plans' recognition of investment experience. From time to time, the plans may move outside the prescribed asset class allocation in order to meet significant liabilities with respect to one or more individuals approaching retirement.

Risks associated with the plan assets include interest rate fluctuation risk, market fluctuation risk, risk of default by debt issuers and liquidity risk. To manage these risks, the assets are managed by established, professional investment firms and performance is evaluated regularly by the Company's pension oversight committee against specific

benchmarks and each plan's investment objectives. Liability management and asset class diversification are central to the Company's risk management approach and overall investment strategy.

The assets of the U.S. plans are invested in actively managed mutual funds. The assets of the plan in Japan and the plan in the United Kingdom are invested in actively managed pooled investment funds. Each individual mutual fund or pooled investment fund has been selected based on the investment strategy of the related plan, which mirrors a specific asset class within the associated target allocation. The assets of the plan in Switzerland were insured through an insurance contract that guaranteed a federally mandated annual rate of return. Pension plan assets at September 30, 2014 and 2013 do not include any direct investment in Woodward's common stock.

The asset allocations are monitored and rebalanced regularly by investment managers assigned to the individual pension plans. The actual allocations of pension plan assets and target allocation ranges by asset class, are as follows:

	At September 30, 2014		2013	
	Percentage of Plan Assets	Target Allocation Ranges	Percentage of Plan Assets	Target Allocation Ranges
United States:				
Asset Class				
Equity Securities	60.0%	40.7% - 80.7%	61.7%	40.7% - 80.7%
Debt Securities	39.8%	29.3% - 49.3%	38.1%	29.3% - 49.3%
Other	0.2%	0.0%	0.2%	0.0%
	100.0%		100.0%	
United Kingdom:				
Asset Class				
Equity Securities	48.2%	40.0% - 70.0%	48.4%	40.0% - 70.0%
Debt Securities	51.7%	35.0% - 65.0%	51.5%	35.0% - 65.0%
Other	0.1%	0.0%	0.1%	0.0%
	100.0%		100.0%	
Japan:				
Asset Class				
Equity Securities	40.7%	36.0% - 44.0%	41.3%	36.0% - 44.0%
Debt Securities	58.4%	55.0% - 63.0%	57.8%	55.0% - 63.0%
Other	0.9%	0.0% - 2.0%	0.9%	0.0% - 2.0%
	100.0%		100.0%	
Switzerland:				
Asset Class				
Equity Securities	n/a	n/a	0.0%	0.0%
Debt Securities	n/a	n/a	0.0%	0.0%
Other	n/a	n/a	100.0%	100.0%
			100.0%	

Actual allocations to each asset class can vary from target allocations due to periodic market value fluctuations, investment strategy changes, and the timing of benefit payments and contributions.

The following table presents Woodward's pension plan assets using the fair value hierarchy established by U.S. GAAP as of September 30, 2014.

	At September 30, 2014						
	Level 1		Level 2		Level 3		
	United States	Other Countries	United States	Other Countries	United States	Other Countries	Total
Asset Category:							
Cash and cash equivalents	$ 316	$ 168	$ -	$ -	$ -	$ -	$ 484
Mutual funds:							
U.S. corporate bond fund	56,559	-	-	-	-	-	56,559
U.S. equity large cap fund	49,220	-	-	-	-	-	49,220
International equity large cap growth fund	35,995	-	-	-	-	-	35,995
Pooled funds:							
Japanese equity securities	-	-	-	2,330	-	-	2,330
International equity securities	-	-	-	2,067	-	-	2,067
Japanese fixed income securities	-	-	-	4,676	-	-	4,676
International fixed income securities	-	-	-	1,638	-	-	1,638
Global target return equity/bond fund	-	-	-	12,327	-	-	12,327
Index linked U.K. equity fund	-	-	-	6,240	-	-	6,240
Index linked international equity fund	-	-	-	6,593	-	-	6,593
Index linked U.K. corporate bonds fund	-	-	-	16,897	-	-	16,897
Index linked U.K. government securities fund	-	-	-	4,566	-	-	4,566
Index linked U.K. long-term government securities fund	-	-	-	5,569	-	-	5,569
Total assets	$ 142,090	$ 168	$ -	$ 62,903	$ -	$ -	$ 205,161

	At September 30, 2013						
	Level 1		Level 2		Level 3		
	United States	Other Countries	United States	Other Countries	United States	Other Countries	Total
Asset Category:							
Cash and cash equivalents	$ 273	$ 149	$ -	$ -	$ -	$ -	$ 422
Mutual funds:							
U.S. corporate bond fund	49,328	-	-	-	-	-	49,328
U.S. equity large cap fund	44,140	-	-	-	-	-	44,140
International equity large cap growth fund	35,777	-	-	-	-	-	35,777
Pooled funds:							
Japanese equity securities	-	-	-	2,269	-	-	2,269
International equity securities	-	-	-	1,989	-	-	1,989
Japanese fixed income securities	-	-	-	4,414	-	-	4,414
International fixed income securities	-	-	-	1,535	-	-	1,535
Global target return equity/bond fund	-	-	-	11,324	-	-	11,324
Index linked U.K. equity fund	-	-	-	6,060	-	-	6,060

Index linked international equity fund	-	-	-	6,047	-	-	6,047
Index linked U.K. corporate bonds fund	-	-	-	15,810	-	-	15,810
Index linked U.K. government securities fund	-	-	-	4,176	-	-	4,176
Index linked U.K. long-term government securities fund	-	-	-	4,908	-	-	4,908
Insurance backed assets:							
Insurance backed assets	-	-	-	-	-	1,976	1,976
Total assets	$ 129,518	$ 149	$ -	$ 58,532	$ -	$ 1,976	$ 190,175

Cash and cash equivalents: Cash and cash equivalents held by the Company's pension plans are held on deposit with creditworthy financial institutions. The fair value of the cash and cash equivalents are based on the quoted market price of the respective currency in which the cash is maintained.

Pension assets invested in mutual funds: The assets of the Company's U.S. pension plans are invested in various mutual funds which invest in both equity and debt securities. The fair value of the mutual funds is determined based on the quoted market price of each fund.

Pension assets invested in pooled funds: The assets of the Company's Japan and United Kingdom pension plans are invested in pooled investment funds, which include both equity and debt securities. The assets of the United Kingdom pension plan are invested in index-linked pooled funds which aim to replicate the movements of an underlying market index to which the fund is linked. Fair value of the pooled funds is based on the net asset value of shares held by the plan as reported by the fund sponsors. All pooled funds held by plans outside of the United States are considered to be invested in international equity and debt securities. Although the underlying securities may be largely domestic to the plan holding the investment assets, the underlying assets are considered international from the perspective of the Company.

Pension assets invested in insurance backed assets: A reputable Swiss insurer insured the assets of the Company's Swiss pension plan. The insurance contract guaranteed a federally mandated annual rate of return. The value of the plan assets was effectively the value of the insurance contract. The performance of the underlying assets held by the insurance company had no direct impact on the surrender value of the insurance contract. The insurance backed assets were not traded and therefore had no active market.

There were no transfers into or out of Level 3 assets in fiscal years 2014 or 2013.

Other postretirement benefit plans

Woodward provides other postretirement benefits to its employees including postretirement medical benefits and life insurance benefits. Postretirement medical benefits are provided to certain current and retired employees and their covered dependants and beneficiaries in the United States and the United Kingdom. Benefits include the option to elect company provided medical insurance coverage to age 65 and a Medicare supplemental plan after age 65. Life insurance benefits are provided to certain retirees in the United States under frozen plans which are no longer available to current employees. A September 30 measurement date is utilized to value plan assets and obligations for Woodward's other postretirement benefit plans.

The postretirement medical benefit plans, other than the plan assumed in an acquisition in fiscal year 2009, were frozen in fiscal year 2006 and no additional employees may participate in the plans. Generally, employees who had attained age 55 and had rendered 10 or more years of service before the plans were frozen were eligible for these postretirement medical benefits.

Certain participating retirees are required to contribute to the plans in order to maintain coverage. The plans provide postretirement medical benefits for approximately 900 retired employees and their covered dependants and beneficiaries and may provide future benefits to approximately 45 active employees and their covered dependants and beneficiaries, upon retirement, if the employees elect to participate. All the postretirement medical plans are fully insured for retirees who have attained age 65.

The actuarial assumptions used in measuring the net periodic benefit cost and plan obligations of postretirement benefits were as follows:

	2014	2013	2012
Weighted-average discount rate used to determine benefit obligation at September 30	4.40 %	5.14 %	4.11 %
Weighted-average discount rate used to determine net periodic benefit cost for years ended September 30	5.14	4.11	5.54

The discount rate assumption is intended to reflect the rate at which the postretirement benefits could be effectively settled based upon the assumed timing of the benefit payments. In the United States, Woodward used a bond portfolio matching analysis based on recently traded, non-callable bonds rated AA or better that have at least $50 million outstanding. In the United Kingdom Woodward used cash flow matching to develop a single rate equivalent for a theoretical portfolio of non-callable, AA-rated bonds.

Assumed healthcare cost trend rates at September 30, were as follows:

	2014	2013
Health care cost trend rate assumed for next year	7.00 %	7.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00 %	5.00 %
Year that the rate reaches the ultimate trend rate	2023	2022

Healthcare costs have generally trended upward in recent years, sometimes by amounts greater than 5%. Assumed health care cost trend rates have a significant effect on the amounts reported for postretirement medical plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% increase	1% decrease
Effect on projected fiscal year 2015 service and interest cost	$ 121	$ (106)
Effect on accumulated postretirement benefit obligation at September 30, 2014	2,658	(2,336)

Net periodic benefit costs consist of the following components reflected as expense in Woodward's Consolidated Statements of Earnings:

	Year Ended September 30,		
	2014	2013	2012
Service cost	$ 47	$ 71	$ 70
Interest cost	1,432	1,244	1,798
Amortization of:			
Net (gains) losses	(200)	(68)	91
Net prior service (benefit) cost	(158)	(158)	(550)
Net periodic (benefit) cost	$ 1,121	$ 1,089	$ 1,409

The following table provides a reconciliation of the changes in the accumulated postretirement benefit obligation and fair value of assets for the postretirement benefits for the fiscal years ended September 30:

	Year Ended September 30,	
	2014	2013
Changes in accumulated postretirement benefit obligation:		

Accumulated postretirement benefit obligation at beginning of year	$ 28,996	$ 37,550
Service cost	47	71
Interest cost	1,432	1,244
Premiums paid by plan participants	1,843	1,837
Net actuarial (gains) losses	1,145	(7,501)
Benefits paid	(4,243)	(4,206)
Foreign currency exchange rate changes	5	1
Accumulated postretirement benefit obligation at end of year	$ 29,225	$ 28,996
Changes in fair value of plan assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Contributions by the company	2,400	2,369
Premiums paid by plan participants	1,843	1,837
Benefits paid	(4,243)	(4,206)
Fair value of plan assets at end of year	$ -	$ -
Funded status at end of year	$ (29,225)	$ (28,996)

The Company's postretirement medical plan in the United Kingdom represents $438 of the total benefit obligation at September 30, 2014. The Company paid $10 in medical benefits to participants of the United Kingdom postretirement medical plan in fiscal year 2014.

The following tables provide the amounts recognized in the statement of financial position and accumulated comprehensive loss (income) for the postretirement plans:

	Year Ended September 30,	
	2014	2013
Amounts recognized in statement of financial position consist of:		
Accrued liabilities	$ (2,262)	$ (2,231)
Other non-current liabilities	(26,963)	(26,765)
Funded status at end of year	$ (29,225)	$ (28,996)
Amounts recognized in accumulated other comprehensive loss (income) consist of:		
Unrecognized net prior service (benefit) cost	$ (635)	$ (794)
Unrecognized net (gains) losses	(3,031)	(4,379)
Total amounts recognized	(3,666)	(5,173)
Deferred taxes	1,388	1,970
Amounts recognized in accumulated other comprehensive loss (income)	$ (2,278)	$ (3,203)

Woodward pays plan benefits from its general funds; therefore, there are no segregated plan assets as of September 30, 2014 or September 30, 2013.

The accumulated benefit obligations of the Company's postretirement plans were $29,225 at September 30, 2014 and $28,996 at September 30, 2013.

Other changes in plan assets and benefit obligations recorded in accumulated other comprehensive income were as follows:

	Year Ended September 30,	
	2014	2013
Net (gain) loss	$ 1,145	$ (7,501)
Amortization of:		
Net gains (losses)	200	68
Prior service benefit (cost)	159	158
Foreign currency exchange rate changes	3	-
Total recorded in accumulated other comprehensive loss (income)	$ 1,507	$ (7,275)

Using foreign currency exchange rates as of September 30, 2014 and expected future service, it is anticipated that the future Company contributions to pay benefits, excluding participate contributions, will be as follows:

Year Ending September 30,	
2015	$ 3,778
2016	3,802
2017	3,760
2018	3,715
2019	3,686
2020 – 2024	17,264

Multiemployer defined benefit plans

Woodward operates two multiemployer defined benefit plans for certain employees in the Netherlands and Japan. The amounts of contributions associated with the multiemployer plans were as follows:

	Year Ended September 30,		
	2014	2013	2012
Company contributions	$ 728	$ 797	$ 792

The plan in the Netherlands is a quasi-mandatory plan that covers all of Woodward's employees in the Netherlands and is part of the Dutch national pension system.

The Company may elect to withdraw from its multiemployer plan in Japan, although it has no plans to do so. If the Company elects to withdraw from the Japanese plan, it would incur a one-time contribution cost of between $500 and $1,500. Changes in Japanese regulations could trigger reorganization of or abolishment of the Japanese multiemployer plan, which could impact future funding levels.

Note 18. Stockholders' equity

Common Stock

Holders of Woodward's common stock are entitled to receive dividends when and as declared by the Board of Directors and have the right to one vote per share on all matters requiring stockholder approval.

Dividends declared and paid during the 2014, 2013 and 2012 fiscal years were:

	Year Ended September 30,		
	2014	2013	2012
Dividends declared and paid	$ 21,263	$ 21,866	$ 21,351
Dividend per share amount	0.32	0.32	0.31

Stock Repurchase Program

In July 2010, the Board of Directors authorized the repurchase of up to $200,000 of Woodward's outstanding shares of common stock on the open market or in privately negotiated transactions over a three-year period that ended in July 2013 (the "2010 Authorization"). Under the 2010 Authorization, Woodward purchased a total of 1,233 shares of its common stock with an aggregate purchase price of $45,754 in fiscal year 2013 and 1,132 shares of its common stock with an aggregate purchase price of $44,110 in fiscal year 2012.

On July 24, 2013, Woodward's Board of Directors approved a new stock repurchase plan, that replaced the 2010 Authorization, that authorizes the repurchase of up to $200,000 of its outstanding shares of common stock on the open market or in privately negotiated transactions over a three-year period that will end in July 2016 (the "2013 Authorization"). In fiscal year 2014, Woodward purchased a total of 3,272 shares of its common stock with an aggregate purchase price of $141,488 under the 2013 Authorization.

Stock-based compensation

Non-qualified stock option awards and restricted stock awards are granted to key management members and directors of the Company. The grant date for these awards is used for the measurement date. Vesting would be accelerated in the event of retirement, disability, or death of a participant, or change in control of the Company, as defined in the individual stock option agreements. These awards are valued as of the measurement date and are amortized on a straight-line basis over the requisite vesting period for all awards, including awards with graded vesting. Stock for exercised stock options and for restricted stock awards is issued from treasury stock shares.

Provisions governing the outstanding awards are included in the 2006 Omnibus Incentive Plan (the "2006 Plan") and the 2002 Stock Option Plan (the "2002 Plan"). The 2006 Plan was approved by stockholders and became effective on January 25, 2006. No further grants will be made under the 2002 Plan. The 2006 Plan made 7,410 shares of Woodward's common stock available for grants made on or after January 25, 2006, to members and directors of the Company, subject to annual award limits as specified in the 2006 Plan. There were 2,455 shares of Woodward's common stock available for future grants as of September 30, 2014.

Stock-based compensation expense recognized was as follows:

	Year Ended September 30,		
	2014	2013	2012
Employee stock-based compensation expense	$ 11,241	$ 9,414	$ 8,628

Stock options

The 2006 Plan provides for the grant of up to 7,410 shares of Woodward's common stock, including in the form of stock options, to its employees and directors. Woodward believes that these stock options align the interests of its employees and directors with those of its stockholders. Stock option awards are granted with an exercise price equal to the market price of Woodward's stock at the date of grant, a ten-year term, and generally a four-year vesting schedule at a rate of 25% per year.

The fair value of options granted was estimated on the date of grant using the Black-Scholes-Merton option-valuation model using the assumptions in the following table. Woodward calculates the expected term, which represents the period of time that stock options granted are expected to be outstanding, based upon historical experience of plan participants. Expected volatility is based on historical volatility using daily stock price observations. The estimated dividend yield is based upon Woodward's historical dividend practice and the market value of its common stock. The risk-free rate is based on the U.S. treasury yield curve, for periods within the contractual life of the stock option, at the time of grant.

	Year Ended September 30,		
	2014	2013	2012
Expected term (years)	5.8 - 8.6	5.8 - 8.6	5.9 - 8.5
Estimated volatility	38.5%	48.7% - 54.9%	48.9% - 55.6%
Estimated dividend yield	0.8%	0.8% - 1.0%	0.7% - 1.1%
Risk-free interest rate	1.7% - 2.5%	0.8% - 1.3%	0.8% - 1.6%

The weighted average grant date fair value of options granted follows:

	Year Ended September 30,		
	2014	2013	2012
Weighted-average grant date fair value of options	$ 15.63	$ 15.84	$ 12.14

The following is a summary of the activity for stock option awards during the fiscal year ended September 30, 2014:

	Number	Weighted-Average Exercise Price
Balance at September 30, 2013	4,423	$ 25.06
Options granted	694	40.99
Options exercised	(562)	19.67
Options forfeited	(54)	34.06
Balance at September 30, 2014	4,501	28.08

Exercise prices of stock options outstanding as of September 30, 2014 range from $11.86 to $44.54.

Changes in non-vested stock options during the fiscal year ended September 30, 2014 were as follows:

	Number	Weighted-Average Exercise Price
Balance at September 30, 2013	1,737	$ 29.97
Options granted	694	40.99
Options vested	(698)	28.97
Options forfeited	(54)	33.40
Balance at September 30, 2014	1,679	34.83

Information about stock options that have vested, or are expected to vest, and are exercisable at September 30, 2014 was as follows:

	Number	Weighted-Average Exercise Price	Weighted-Average Remaining Life in Years	Aggregate Intrinsic Value
Options outstanding	4,501	$ 28.08	5.6	$ 87,923
Options vested and exercisable	2,822	24.07	4.1	66,458
Options vested and expected to vest	4,419	27.92	5.5	87,066

Other information follows:

	Year Ended September 30,		
	2014	2013	2012
Total fair value of stock options vested	$ 9,459	$ 7,271	$ 5,907
Total intrinsic value of options exercised	14,549	19,692	12,521
Cash received from exercises of stock options	9,772	8,272	6,180
Excess tax benefit realized from exercise of stock options	3,751	5,154	3,990

Restricted Stock

In the first quarter of fiscal year 2014, Woodward granted an award of 24 shares of restricted stock to its Chief Executive Officer and President, Thomas A. Gendron. Subject to Mr. Gendron's continued employment by the Company, these shares of restricted stock will vest 100% following the end of the Company's fiscal year 2017 if a specified cumulative earnings per share ("EPS") target is met or exceeded for fiscal years 2014 through 2017. If this EPS target is not met, all shares of restricted stock will be forfeited by Mr. Gendron.

The shares of restricted stock were awarded to Mr. Gendron pursuant to a form restricted stock agreement approved by Woodward's Compensation Committee (the "Committee"), which generally provides that: if the recipient of a restricted stock award is terminated from the Company for any reason other than death or disability during the restricted period, all shares of restricted stock will be immediately forfeited; if the recipient dies or becomes permanently disabled prior to the recipient's termination and during the restricted period, all restrictions will lapse and the shares of restricted stock will fully vest immediately; similarly, in the event of a Change in Control (as defined in the form of restricted stock agreement) of the Company during the restricted period and prior to the recipient's termination for any reason, all restrictions will lapse and the shares of restricted stock will fully vest immediately; during the restricted period, a recipient may exercise full voting rights with respect to the shares of restricted stock; dividends on the shares of restricted stock will accrue, but will not be paid, during the restricted period; and all dividends accrued during the restricted period will be paid upon any vesting of the shares of restricted stock, without payment of interest, provided that if the shares of restricted stock are forfeited for any reason, all accrued dividends will likewise be forfeited. The form of restricted stock agreement also includes adjustment provisions in the event the Company engages in certain recapitalization or similar transactions or in the event of a change of law or

regulation. Upon vesting, shares become freely transferrable.

A summary of the activity for restricted stock awards in the fiscal year ended September 30, 2014 follows:

	Number	Fair Value per Share
Balance at September 30, 2013	-	$ n/a
Shares granted	24	39.43
Shares vested	-	n/a
Shares forfeited	-	n/a
Balance at September 30, 2014	24	39.43

Woodward recognizes stock-based compensation on a straight-line basis over the requisite service period. Pursuant to the form stock option agreements, the requisite service period can be less than the four year vesting period due to grantee's retirement eligibility. As such, the recognition of stock-based compensation expense associated with some grants can be accelerated to a period of less than four years, including immediate recognition of stock-based compensation on the date of grant.

At September 30, 2014, there was approximately $11,516 of total unrecognized compensation cost related to non-vested stock-based compensation arrangements, both stock options and restricted stock awards, granted under the 2002 Plan (for which no further grants will be made) and the 2006 Plan. The pre-vesting forfeiture rates for purposes of determining stock-based compensation cost recognized were estimated to be 0% for members of Woodward's board of directors and 9.0% for all others. The remaining unrecognized compensation cost is expected to be recognized over a weighted-average period of approximately 1.7 years.

Note 19. Commitments and contingencies

Woodward has entered into operating leases for certain facilities and equipment with terms in excess of one year under agreements that expire at various dates. Some leases require the payment of property taxes, insurance, and maintenance costs in addition to rental payments. Future minimum rental payments required under these leases, excluding available option renewals, are as follows:

Year Ending September 30,	
2015	$ 6,393
2016	4,327
2017	3,264
2018	2,548
2019	1,377
Thereafter	1,430
Total	$ 19,339

Rent expense for all operating leases totaled:

	Year Ended September 30,		
	2014	2013	2012
Rent expense	$ 10,897	$ 10,243	$ 10,247

Woodward enters into unconditional purchase obligation arrangements (i.e. issuance of purchase orders, obligations to transfer funds in the future for fixed or minimum quantities of goods or services at fixed or minimum prices, such as "take-or-pay" contracts) in the normal course of business to ensure that adequate levels of sourced product are available to Woodward. Future minimum unconditional purchase obligations are as follows:

Year Ending September 30,	
2015	$ 331,300
2016	11,445
2017	-
2018	-
2019	-
Thereafter	-
Total	$ 342,745

Woodward also has construction related contractual obligations of approximately $100,000 as of September 30, 2014 related to the development of a second campus in the greater-Rockford, Illinois area, a new campus at its corporate headquarters in Fort Collins, Colorado, and a new facility in Niles, Illinois.

The U.S. Government, and other governments, may terminate any of Woodward's government contracts (and, in general, subcontracts) at their convenience, as well as for default based on specified performance measurements. If any of Woodward's government contracts were to be terminated for convenience, the Company generally would be entitled to receive payment for work completed and allowable termination or cancellation costs. If any of Woodward's government contracts were to be terminated for Woodward's default, the U.S. Government generally would pay only for the work accepted, and could require Woodward to pay the difference between the original contract price and the cost to re-procure the contract items, net of the work accepted from the original contract. The U.S. Government could also hold Woodward liable for damages resulting from the default.

Woodward is currently involved in claims, pending or threatened litigation or other legal proceedings, investigations and/or regulatory proceedings arising in the normal course of business, including, among others, those relating to product liability claims, employment matters, worker's compensation claims, contractual disputes, product warranty claims and alleged violations of various laws and regulations. Woodward accrues for known individual matters where it believes that it is probable the matter will result in a loss when ultimately resolved using estimates of the most likely amount of loss.

Legal costs are expensed as incurred and are classified in "Selling, general and administrative expenses" on the Consolidated Statements of Earnings.

Woodward is partially self-insured in the United States for healthcare and worker's compensation up to predetermined amounts, above which third party insurance applies. Management regularly reviews the probable outcome of these claims and proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and the established accruals for liabilities.

While the outcome of pending claims, legal and regulatory proceedings, and investigations cannot be predicted with certainty, management believes that any liabilities that may result from these claims, proceedings and investigations will not have a material effect on Woodward's liquidity, financial condition, or results of operations.

In the event of a change in control of Woodward, as defined in change-in-control agreements with its current corporate officers, Woodward may be required to pay termination benefits to such officers.

Note 20. Segment information

Woodward serves the aerospace market and the energy market through its two reportable segments - Aerospace and Energy. Woodward's reportable segments are aggregations of Woodward's operating segments. Woodward uses reportable segment information internally to manage its business, including the assessment of business segment performance and decisions for the allocation of resources between segments.

The accounting policies of the reportable segments are the same as those of the Company. Woodward evaluates segment profit or loss based on internal performance measures for each segment in a given period. In connection with that assessment, Woodward excludes matters such as charges for restructuring costs, interest income and expense, and certain gains and losses from asset dispositions.

A summary of consolidated net sales and earnings by segment follows:

	Year Ended September 30,		
	2014	2013	2012
Segment external net sales:			
Aerospace	$ 1,084,025	$ 1,061,477	$ 896,083
Energy	917,215	874,499	969,544
Total consolidated net sales	$ 2,001,240	$ 1,935,976	$ 1,865,627
Segment earnings:			

Aerospace	$ 159,200	$ 166,122	$ 130,192
Energy	134,278	98,940	126,441
Total segment earnings	293,478	265,062	256,633
Nonsegment expenses	(43,701)	(39,061)	(33,365)
Interest expense, net	(22,533)	(26,430)	(25,461)
Consolidated earnings before income taxes	$ 227,244	$ 199,571	$ 197,807

Segment assets consist of accounts receivable, inventories, property, plant, and equipment, net, goodwill, and other intangibles, net. A summary of consolidated total assets, consolidated depreciation and amortization and consolidated capital expenditures follows:

	Year Ended September 30,		
	2014	2013	2012
Segment assets:			
Aerospace	$ 1,440,355	$ 1,361,861	$ 1,059,754
Energy	610,345	599,007	605,842
Total segment assets	2,050,700	1,960,868	1,665,596
Unallocated corporate property, plant and equipment, net	72,992	50,115	15,763
Other unallocated assets	273,510	207,535	178,605
Consolidated total assets	$ 2,397,202	$ 2,218,518	$ 1,859,964
Segment depreciation and amortization:			
Aerospace	$ 46,895	$ 49,887	$ 43,840
Energy	22,672	20,890	21,738
Total segment depreciation and amortization	69,567	70,777	65,578
Unallocated corporate amounts	7,786	3,456	3,039
Consolidated depreciation and amortization	$ 77,353	$ 74,233	$ 68,617
Segment capital expenditures:			
Aerospace	$ 134,307	$ 74,964	$ 32,244
Energy	55,780	28,137	22,590
Total segment capital expenditures	190,087	103,101	54,834
Unallocated corporate amounts	17,019	38,499	10,066
Consolidated capital expenditures	$ 207,106	$ 141,600	$ 64,900

Sales to General Electric were made by all of Woodward's reportable segments and totaled approximately 15% of net sales in fiscal year 2014, 15% of net sales in fiscal year 2013, and 14% of net sales in fiscal year 2012. Accounts receivable from General Electric totaled approximately 12% of accounts receivable at September 30, 2014 and 11% of accounts receivable at September 30, 2013.

U.S. Government related sales from Woodward's reportable segments were as follows:

	Direct U.S. Government Sales	Indirect U.S. Government Sales	Total U.S. Government Related Sales
Fiscal year ended September 30, 2014			

Aerospace	$ 76,982	$ 254,806	$ 331,788
Energy	2,517	5,588	8,105
Total net external sales	$ 79,499	$ 260,394	$ 339,893
Percentage of total net sales	4%	13%	17%
Fiscal year ended September 30, 2013			
Aerospace	$ 104,410	$ 289,197	$ 393,607
Energy	3,649	8,106	11,755
Total net external sales	$ 108,059	$ 297,303	$ 405,362
Percentage of total net sales	6%	15%	21%
Fiscal year ended September 30, 2012			
Aerospace	$ 78,075	$ 254,636	$ 332,711
Energy	3,904	7,228	11,132
Total net external sales	$ 81,979	$ 261,864	$ 343,843
Percentage of total net sales	4%	14%	18%

Accounts receivable from the U.S. Government totaled approximately 2% of accounts receivable at September 30, 2014 and 4% of accounts receivable at September 30, 2013.

The customers who account for approximately 10% or more of sales to each of Woodward's reporting segments for the fiscal year ended September 30, 2014 follow:

	Customer
Aerospace	United Technologies, Boeing, General Electric
Energy	General Electric, Weichai Westport

Net sales by geographical area, as determined by the location of the customer invoiced, were as follows:

	Year Ended September 30,		
	2014	2013	2012
United States	$ 1,025,149	$ 1,058,912	$ 927,345
Europe (1)	519,721	480,922	542,753
Asia	299,755	287,742	288,738
Other countries	156,615	108,400	106,791
Consolidated net sales	$ 2,001,240	$ 1,935,976	$ 1,865,627

(1) As a percentage of consolidated net sales, net sales to customers in Germany accounted for 9% for the year ended September 30, 2014, 9% for the year ended September 30, 2013 and 13% for the year ended September 30, 2012.

Property, plant, and equipment, net by geographical area, as determined by the physical location of the assets, were as follows:

	At September 30,	
	2014	2013
United States	$ 457,563	$ 285,038
Germany	26,898	29,619
Other countries	28,818	35,391
Consolidated property, plant and equipment, net	$ 513,279	$ 350,048

Note 21. Supplemental quarterly financial data (Unaudited)

Quarterly results for the fiscal years ended September 30, 2014 and September 30, 2013 follow:

	2014 Fiscal Quarters			
	First	Second	Third	Fourth
Net sales	$ 429,042	$ 482,467	$ 524,284	$ 565,447
Gross margin (1)	113,576	142,439	151,713	167,673
Earnings before income taxes	32,944	56,756	62,468	75,076
Net earnings	23,383	44,798	46,001	51,662
Earnings per share				
Basic earnings per share	0.35	0.67	0.70	0.79
Diluted earnings per share	0.34	0.66	0.69	0.77
Cash dividends per share	0.08	0.08	0.08	0.08

	2013 Fiscal Quarters			
	First	Second	Third	Fourth
Net sales	$ 408,339	$ 485,513	$ 483,759	$ 558,365
Gross margin (1)	118,766	137,413	134,277	169,249
Earnings before income taxes	38,537	50,336	35,497	75,201
Net earnings	27,368	42,446	23,663	52,465
Earnings per share				
Basic earnings per share	0.40	0.62	0.35	0.77
Diluted earnings per share	0.39	0.61	0.34	0.76
Cash dividends per share	0.08	0.08	0.08	0.08

Notes:

1. Gross margin represents net sales less cost of goods sold excluding amortization expense.

Quarterly results by segment for the fiscal years ended September 30, 2014 and September 30, 2013 follow:

	2014 Fiscal Quarters			
	First	Second	Third	Fourth
Segment external net sales:				
Aerospace	$ 229,872	$ 261,021	$ 274,923	$ 318,209
Energy	199,170	221,446	249,361	247,238
Total	$ 429,042	$ 482,467	$ 524,284	$ 565,447
Segment earnings:				
Aerospace	$ 22,549	$ 40,289	$ 39,357	$ 57,005
Energy	27,071	31,888	40,203	35,116
Total	$ 49,620	$ 72,177	$ 79,560	$ 92,121
Earnings reconciliation:				
Total segment earnings	$ 49,620	$ 72,177	$ 79,560	$ 92,121
Nonsegment expenses	(10,673)	(9,293)	(11,193)	(12,542)
Interest expense, net	(6,003)	(6,128)	(5,899)	(4,503)
Consolidated earnings before income taxes	$ 32,944	$ 56,756	$ 62,468	$ 75,076

	2013 Fiscal Quarters			
	First	Second	Third	Fourth
Segment external net sales:				
Aerospace	$ 211,389	$ 270,493	$ 272,218	$ 307,377
Energy	196,950	215,020	211,541	250,988
Total	$ 408,339	$ 485,513	$ 483,759	$ 558,365
Segment earnings:				
Aerospace	$ 31,568	$ 41,223	$ 38,949	$ 54,382
Energy	23,908	24,235	12,430	38,367
Total	$ 55,476	$ 65,458	$ 51,379	$ 92,749
Earnings reconciliation:				
Total segment earnings	$ 55,476	$ 65,458	$ 51,379	$ 92,749
Nonsegment expenses	(10,551)	(8,174)	(9,227)	(11,109)
Interest expense, net	(6,388)	(6,948)	(6,655)	(6,439)
Consolidated earnings before income taxes	$ 38,537	$ 50,336	$ 35,497	$ 75,201

Item 9.Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no disagreements or any reportable events requiring disclosure under Item 304(b) of Regulation S-K.

Item 9A.Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures, which are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 (the "Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Act is accumulated and communicated to management, including our Principal Executive Officer (Thomas A. Gendron, Chairman of the Board, Chief Executive Officer and President) and Principal Financial and Accounting Officer (Robert F. Weber, Jr., Vice Chairman, Chief Financial Officer and Treasurer), as appropriate, to allow timely decisions regarding required disclosures.

Thomas A. Gendron and Robert F. Weber, Jr., evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Form 10-K. Based on their evaluations, they concluded that our disclosure controls and procedures were effective as of September 30, 2014.

Furthermore, there have been no changes in our internal control over financial reporting during the fourth fiscal quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting for the Company. We have evaluated the effectiveness of internal control over financial reporting using the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and, based on that evaluation, have concluded that the Company's internal control over financial reporting was effective as of September 30, 2014, the end of the Company's most recent fiscal year.

Deloitte & Touche, LLP, an independent registered public accounting firm, conducted an audit of Woodward's internal control over financial reporting as of September 30, 2014, as stated in their report included in "Item 9A. – Controls and Procedures."

Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

•Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

•Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are

being made only in accordance with authorization of management and directors of the company; and

•Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

There have been no changes in our internal control over financial reporting during the fourth fiscal quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Woodward, Inc.
Fort Collins, Colorado

We have audited the internal control over financial reporting of Woodward, Inc. and subsidiaries (the "Company") as of September 30, 2014, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2014, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended September

30, 2014 of the Company and our report dated November 12, 2014 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Denver, Colorado
November 12, 2014

Item 9B.Other Information

On November 12, 2014, the Board of Directors the Company amended and restated the Company's Bylaws to provide that nominees for director must be elected by a majority of the votes cast in person or by proxy, other than with respect to contested elections. In addition, the amended Bylaws provide that in order for any incumbent director to become a nominee for the Board of Directors, such director must submit an irrevocable resignation contingent on (1) that person not receiving a majority of the votes cast in an election that is not a contested election and (2) acceptance of the resignation by the Board of Directors.

The Bylaws of the Company, as amended and restated on November 12, 2014, are filed as Exhibit 3.2 hereto and are hereby incorporated by reference.

PART III

Item 10.Directors, Executive Officers and Corporate Governance

The information required by this item relating to our directors and nominees, regarding compliance with Section 16(a) of the Securities Act of 1934, and regarding our Audit Committee is included under the captions "Board of Directors," "Board Meetings and Committees – Audit Committee" (including information with respect to audit committee financial experts), "Stock Ownership of Management," and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement related to the Annual Meeting of Stockholders to be held January 21, 2015 and is incorporated herein by reference. There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors.

The information required by this item relating to the identities and background of our executive officers and other corporate officers is included under the caption "Executive Officers of the Registrant" in Item 1 of this report.

We have adopted a code of ethics that applies to all of our employees, including our principal executive officer and our principal financial and accounting officer. This code of ethics is posted on our Website. The Internet address for our Website is www.woodward.com, and the code of ethics may be found from our main Web page by clicking first on "Investors" and then on "Corporate Governance," and then on "Woodward Codes of Business Conduct and Ethics."

We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information to our Website, at the address and location specified above.

Item 11.Executive Compensation

Information regarding executive compensation is under the captions "Board Meetings and Committees – Director Compensation," "Board Meetings and Committees – Compensation Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis," "Compensation Committee Report on Compensation Discussion and Analysis," "Executive Compensation" and "Board Meetings and Committees – Compensation Committee – Risk Assessment" in our Proxy Statement for the Annual Meeting of Stockholders to be held January 21, 2015, and is incorporated herein by reference, except the section captioned "Compensation Committee Report on Compensation Discussion and Analysis" is hereby "furnished" and not "filed" with this Form 10-K.

Item 12.Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of certain beneficial owners and management and related stockholder matters is under the tables captioned “Stock Ownership of Management,” “Persons Owning More Than Five Percent of Woodward Stock,” and “Executive Compensation – Equity Compensation Plan Information” in our Proxy Statement for the Annual Meeting of Stockholders to be held January 21, 2015, and is incorporated herein by reference.

Item 13.Certain Relationships and Related Transactions, and Director Independence

The information set forth under “Board Meetings and Committees – Related Person Transaction Policies and Procedures,” “Board of Directors” and “Audit Committee Report to Stockholders” in our Proxy Statement for the Annual Meeting of the Stockholders to be held January 21, 2015 is incorporated herein by reference except the section captioned “Audit Committee Report” is hereby “furnished” and not “filed” with this Form 10-K.

Item 14.Principal Accountant Fees and Services

Information regarding principal accountant fees and services is under the captions “Audit Committee Report to Stockholders – Audit Committee’s Policy on Pre-Approval of Services Provided by Independent Registered Public Accounting Firm” and “Audit Committee Report to Stockholders – Fees Paid to Independent Registered Public Accounting Firm” in our Proxy Statement for the Annual Meeting of Stockholders to be held January 21, 2015, and is incorporated herein by reference.

PART IV

Item 15.Exhibits and Financial Statement Schedules

		Page Number in Form 10-K
(a) (1)	Consolidated Financial Statements:	
	Report of Independent Registered Public Accounting Firm	51
	Consolidated Statements of Earnings for the fiscal years ended September 30, 2014, 2013, and 2012	52
	Consolidated Statements of Comprehensive Earnings for the fiscal years ended September 30, 2014, 2013, and 2012	53
	Consolidated Balance Sheets at September 30, 2014 and 2013	54
	Consolidated Statements of Cash Flows for the fiscal years ended September 30, 2014, 2013, and 2012	55
	Consolidated Statements of Stockholders' Equity for the fiscal years ended September 30, 2014, 2013, and 2012	56
	Notes to Consolidated Financial Statements	57
(a) (2)	Consolidated Financial Statement Schedule:	
	Valuation and Qualifying Accounts	108

Financial statements and schedules other than those listed above are omitted for the reason that they are not applicable, are not required, or the information is included in the financial statements or the footnotes.

(a) (3) Exhibits Filed as Part of This Report:

‡ 3.1 Restated Certificate of Incorporation, as amended October 3, 2007, filed as Exhibit 3(i)(a) to Annual Report on Form 10-K filed November 20, 2008

* 3.2 Bylaws of Woodward, Inc., as amended and restated on November 12, 2014

‡ 3.3 Certificate of Amendment of Certificate of Incorporation, dated January 23, 2008, filed as Exhibit 3(i)(b) to Annual Report on Form 10-K filed November 20, 2008

‡ 3.4 Certificate of Amendment of the Restated Certificate of Incorporation, dated January 26, 2011, filed as Exhibit 3.1 to Current Report on Form 8-K filed January 28, 2011

†‡ 10.1 Long-Term Management Incentive Compensation Plan, filed as Exhibit 10(c) to Annual Report on Form 10-K filed December 22, 2000

†‡ 10.2 Summary Description of Management Incentive Plan, filed as Exhibit 10.2 to Annual Report on Form 10-K filed November 18, 2010

†‡ 10.3 2002 Stock Option Plan, effective January 1, 2002, filed as Exhibit 10(iii) to Quarterly Report on Form 10-Q filed May 9, 2002

†‡ 10.4 Form of Outside Director Stock Purchase Agreement with James L. Rulseh, filed as Exhibit 10(j) to Annual Report on Form 10-K filed December 9, 2002

†‡ 10.5 2006 Omnibus Incentive Plan, effective January 25, 2006, filed as Exhibit 4.1 to Registration Statement on Form S-8 filed April 28, 2006

†‡10.6	Amendment No. 1 to the Woodward, Inc. 2006 Omnibus Incentive Plan, effective as of January 26, 2011, filed as Exhibit 10.10 to Annual Report on Form 10-K filed November 16, 2011
†‡10.7	Material Definitive Agreement with A. Christopher Fawzy, filed as Exhibit 10.12 to Quarterly Report on Form 10-Q filed July 25, 2007
†‡10.8	Form of Non-Qualified Stock Option Agreement, filed as Exhibit 99.2 to Current Report on Form 8-K filed November 21, 2007
†‡10.9	Form of Non-Qualified Stock Option Agreement, filed as Exhibit 10.12 to Annual Report on Form 10-K filed November 15, 2012

†‡10.10	Form of Non-Qualified Stock Option Agreement, filed as Exhibit 10.13 to Annual Report on Form 10-K filed November 14, 2013
†‡10.11	Form of Restricted Stock Agreement, filed as Exhibit 10.1 to Quarterly Report on Form 10-Q filed January 22, 2014
‡10.12	Credit Agreement, dated as of July 10, 2013, by and among the Company, the foreign subsidiary borrowers party thereto, the institutions party thereto as lenders, and Wells Fargo Bank, National Association, as administrative agent, filed as Exhibit 10.1 to Current Report on Form 8-K filed July 16, 2013
†‡10.13	Dennis Benning Post Retirement Relocation Agreement, filed as Exhibit

		10.17 to Annual Report on Form 10-K filed November 29, 2007
†‡	10.14	Dennis Benning Promotion Letter dated October 1, 2008, filed as Exhibit 10.18 to Annual Report on Form 10-K filed November 20, 2008
†‡	10.15	Chad Preiss Promotion Letter dated October 1, 2008, filed as Exhibit 10.19 to Annual Report on Form 10-K filed November 20, 2008
‡	10.16	Term Loan Credit Agreement, dated October 1, 2008, by and among the Company, the institutions from time to time parties thereto as lenders and JPMorgan Chase Bank, National Association, as administrative agent, filed as Exhibit 10.1 to Current Report

	on Form 8-K filed October 7, 2008
‡10.17	Amendment No. 1 to Term Loan Credit Agreement, dated as of March 30, 2009, by and among the Company, the financial institutions party to credit agreement referenced therein, and JPMorgan Chase Bank, National Association, as administrative agent, filed as Exhibit 10.2 to Quarterly Report on Form 10-Q filed April 23, 2009
‡10.18	Amendment No. 2 to Term Loan Credit Agreement, dated as of January 4, 2012, by and among the Company, the financial institutions party to the credit agreement referenced therein, and JPMorgan Chase Bank, N.A., as administrative agent, filed as

	Exhibit 10.2 to Current Report on Form 8-K filed January 10, 2012
‡10.19	Note Purchase Agreement, dated October 1, 2008, by and among the Company and the purchasers named therein, filed as Exhibit 10.2 to Current Report on Form 8-K filed October 7, 2008
‡10.20	Amendment No. 1 to 2008 Note Purchase Agreement, dated as of October 1, 2013, by and among the Company and the noteholders named therein, filed as Exhibit 10.2 to Current Report on Form 8-K filed October 4, 2013
‡10.21	Note Purchase Agreement, dated April 3, 2009, by and among the Company and the purchasers named therein, filed as Exhibit 10.2 to Current Report on Form 8-K filed April 8, 2009

‡	10.22	Amendment No. 1 to 2009 Note Purchase Agreement, dated as of October 1, 2013, by and among the Company and the noteholders named therein, filed as Exhibit 10.3 to Current Report on Form 8-K filed October 4, 2013
‡	10.23	Note Purchase Agreement, dated October 1, 2013, by and among the Company and the purchasers named therein, filed as Exhibit 10.1 to Current Report on Form 8-K filed October 4, 2013
‡	10.24	Asset Purchase Agreement, dated as of December 27, 2012, by and among the Company, Woodward HRT, Inc. GE Aviation Systems LLC and General Electric Company, filed as Exhibit 10.1 to Current Report on

	Form 8-K filed December 28, 2012
†*10.25	Form of Change in Control Agreement for the Company's principal executive officer and other executive officers other than the Company's principal financial officer
†*10.26	Form of Change in Control Agreement for the Company's principal financial officer
†‡10.27	Executive Benefit Plan, as amended and restated as of September 18, 2013, filed as Exhibit 10.31 to Annual Report on Form 10-K filed November 14, 2013
†‡10.28	Dennis Benning Confirmation of Assignment Extension Letter dated November 17, 2010, filed as Exhibit 10.28 to Annual Report on

	Form 10-K filed November 18, 2010
†‡10.29	James D. Rudolph Promotion Letter, dated February 10, 2011, filed as Exhibit 10.1 to Quarterly Report on Form 10-Q filed April 27, 2011
†‡10.30	Mr. Martin V. Glass employment letter, dated April 27, 2011, filed as Exhibit 10.1 to Quarterly Report on Form 10-Q filed July 26, 2011
†‡10.31	Sagar Patel employment letter, dated June 17, 2011, filed as Exhibit 10.2 to Quarterly Report on Form 10-Q filed July 26, 2011
†‡10.32	Gerhard Lauffer Supplemental Agreement, dated September 25, 2012, filed as Exhibit 10.30 to Annual Report on Form 10-K filed

	November 15, 2012
†‡10.33	Woodward Retirement Savings Plan, as amended and restated effective as of January 1, 2008, filed as Exhibit 99.1 to Registration Statement on Form S-8 filed January 31, 2012 (File No. 333-179248)
†‡10.34	Amendment No. 1 to the Woodward Retirement Savings Plan, dated as of April 21, 2010, filed as Exhibit 99.2 to Registration Statement on Form S-8 filed January 31, 2012 (File No. 333-179248)
†‡10.35	Amendment No. 2 to the Woodward Retirement Savings Plan, dated as of April 21, 2009, filed as Exhibit 99.3 to Registration Statement on Form S-8 filed January 31, 2012 (File No. 333-179248)
†‡10.36	Amendment No. 3 to the Woodward Retirement

	Savings Plan, dated as of November 8, 2009, filed as Exhibit 99.4 to Registration Statement on Form S-8 filed January 31, 2012 (File No. 333-179248)
†‡10.37	Amendment No. 4 to the Woodward Retirement Savings Plan, dated as of December 1, 2010, filed as Exhibit 99.5 to Registration Statement on Form S-8 filed January 31, 2012 (File No. 333-179248)
†‡10.38	Amendment No. 5 to the Woodward Retirement Savings Plan, dated as of December 1, 2010, filed as Exhibit 99.6 to Registration Statement on Form S-8 filed January 31, 2012 (File No. 333-179248)

†‡	10.39	Amendment No. 6 to the Woodward Retirement Savings Plan, dated as of November 8, 2011, filed as Exhibit 99.7 to Registration Statement on Form S-8 filed January 31, 2012 (File No. 333-179248)
†‡	10.40	Amendment No. 7 to the Woodward Retirement Savings Plan, dated as of March 1, 2013, filed as Exhibit 10.1 to Quarterly Report on Form 10-Q filed July 26, 2013
*	21.1	Subsidiaries
*	23.1	Consent of Independent Registered Public Accounting Firm
*	31.1	Rule 13a-14(a)/15d-14(a) certification of Thomas A. Gendron
*	31.2	Rule 13a-14(a)/15d-14(a) certification of Robert F. Weber, Jr.
*	32.1	Section 1350 certifications
*	101.INS	XBRL Instance Document.
*	101.SCH	XBRL Taxonomy Extension Schema Document
*	101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*	101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*	101.LAB	XBRL Taxonomy Extension Label

		Linkbase Document
*	101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Attached as Exhibit 101 to this report are the following materials from Woodward, Inc.'s Annual Report on Form 10-K for the year ended September 30, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Earnings, (ii) the Consolidated Statements of Comprehensive Earnings, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Stockholders' Equity, and (vi) the Notes to the Consolidated Financial Statements.

†	Management contract or compensatory plan or
‡	arrangement
	Incorporated by reference as an exhibit to this Report (file number 000-08408, unless otherwise indicated).
*	Filed as an exhibit to this Report

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

WOODWARD, INC.

Date: November 12, 2014	/s/ Thomas A. Gendron Thomas A. Gendron Chairman of the Board, Chief Executive Officer, and President (Principal Executive Officer)
Date: November 12, 2014	/s/ Robert F. Weber, Jr. Robert F. Weber, Jr. Vice Chairman, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John D. Cohn John D. Cohn	Director	November 12, 2014
/s/ Paul Donovan Paul Donovan	Director	November 12, 2014
/s/ Thomas A. Gendron Thomas A. Gendron	Chairman of the Board and Director	November 12, 2014
/s/ John A. Halbrook John A. Halbrook	Director	November 12, 2014
/s/ Mary L. Petrovich Mary L. Petrovich	Director	November 12, 2014
/s/ Larry E. Rittenberg Larry E. Rittenberg	Director	November 12, 2014
/s/ James R. Rulseh James R. Rulseh	Director	November 12, 2014
/s/ Ronald M. Sega Ronald M. Sega	Director	November 12, 2014
/s/ Gregg C. Sengstack Gregg C. Sengstack	Director	November 12, 2014

WOODWARD, INC. AND SUBSIDIARIES

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

For the years ended September 30, 2014, 2013, and 2012

(in thousands)

Column A	Column B	Column C Additions		Column D	Column E
Description	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts (a)	Deductions (b)	Balance at End of Year
Fiscal year 2014					
Allowance for doubtful accounts	$ 8,872	$ 1,283	$ 916	$ (3,993)	$ 7,078
Deferred tax asset valuation allowance	11,783	271	-	(2,568)	9,486
Fiscal year 2013					
Allowance for doubtful accounts	7,217	3,408	5	(1,758)	8,872
Deferred tax asset valuation allowance	2,752	9,031	-	-	11,783
Fiscal year 2012					
Allowance for doubtful accounts	2,322	4,139	1,074	(318)	7,217
Deferred tax asset valuation allowance	3,201	7	-	(456)	2,752

Notes:

(a) Includes recoveries of accounts previously written off.

(b) Represents accounts written off and foreign currency exchange rate adjustments. Currency translation adjustments resulted in a decrease in the reserves of $704 in fiscal year 2014, an increase in the reserve of $155 in fiscal year 2013, and an increase in the reserve of $4 in fiscal year 2012.