WOODWARD

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Cautionary

Information in this presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, including, but not limited to, statements about the continued and expected or potential effects of the COVID-19 pandemic and new COVID-19 viral variants on our business, and the management of our business, including our operations and strategy, as well as any potential benefits with respect to a vaccine or therapeutics for COVID-19; the markets in which we compete and the effect of COVID-19 and other factors on such markets, and our strategies and investments, including our intended strategic and operational focus; and expected improvements in aircraft production rates. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Factors that could cause actual results and the timing of certain events to differ materially from the forward-looking statements include, but are not limited to, the COVID-19 pandemic and related public health measures, as well as the resulting volatility in financial, commodities (including oil and gas) and other markets and industries (including the aviation industry), a decline in our customers' business, or our business with, or financial distress of, Woodward's significant customers; global economic uncertainty and instability in the financial markets; Woodward's ability to manage product liability claims, product recalls or other liabilities associated with the products and services that Woodward provides; Woodward's ability to obtain financing, on acceptable terms or at all, to implement its business plans, complete acquisitions, or otherwise take advantage of business opportunities or respond to business pressures; Woodward's long sales cycle, customer evaluation process, and implementation period of some of its products and services; Woodward's ability to implement and realize the intended effects of any restructuring and alignment efforts; Woodward's ability to successfully manage competitive factors, including prices, promotional incentives, competitor product development, industry consolidation, and commodity and other input cost increases; Woodward's ability to manage expenses and product mix while responding to sales increases or decreases; the ability of Woodward's subcontractors to perform contractual obligations and its suppliers to provide Woodward with materials of sufficient quality or quantity required to meet Woodward's production needs at favorable prices or at all; Woodward's ability to monitor its technological expertise and the success of, and/or costs associated with, its product development activities; consolidation in the aerospace market and our participation in a strategic joint venture with General Electric Company may make it more difficult to secure long-term sales in certain aerospace markets; Woodward's debt obligations, debt service requirements, and ability to operate its business, pursue its business strategies and incur additional debt in light of covenants contained in its outstanding debt agreements; Woodward's ability to manage additional tax expense and exposures; risks related to Woodward's 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 Woodward participates; changes in government spending patterns, priorities, subsidy programs and/or regulatory requirements; future impairment charges resulting from changes in the estimates of fair value of reporting units or of long-lived assets; future results of Woodward's subsidiaries; environmental liabilities related to manufacturing activities and/or real estate acquisitions; Woodward's continued access to a stable workforce and favorable labor relations with its employees; physical and other risks related to Woodward's operations and suppliers, including natural disasters and COVID-19 related impacts, which could disrupt production; Woodward's ability to successfully manage regulatory, tax, and legal matters; changes in accounting standards that could adversely impact our profitability or financial position; risks related to Woodward's common stock, including changes in prices and trading volumes; impacts of tariff regulations; 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 Woodward operates; fair value of defined benefit plan assets and assumptions used in determining Woodward's retirement pension and other postretirement benefit obligations and related expenses; industry risks, including increases in natural gas prices, unforeseen events that may reduce commercial aviation, such as diseases, epidemics, pandemics and natural disasters, and increasing emissions standards; any adverse effects on Woodward's operations due to information systems interruptions or intrusions; certain provisions of Woodward's charter documents and Delaware law that could discourage or prevent others from acquiring the company; and other risk factors described in Woodward's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended September 30, 2020, and any subsequently filed Quarterly Reports on Form 10-Q, as well as other risks described in Woodward's filings with the Securities and Exchange Commission.

Woodward Overview

2020 Financial Results Significantly Impacted by COVID

Strong cash generation!

2020 SALES	2020 ADJUSTED EPS[1]	2020 FREE CASH FLOW[1]
$2.5B ▼	$3.96 ▼	$302M ▲

2019 SALES	2019 ADJUSTED EPS	2019 Adjusted Free Cash Flow[1]
$2.9B	$4.88	$292M

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COVID-19 and Oil Price Decline

Focused on the safety of our members and communities while maintaining financial strength

Strategically adjusted our business to align with customer expectations

Managing cash and de-risking the balance sheet

- Strong liquidity with approximately $1.2 billion of combined cash on hand and revolver capacity
- Lowered leverage to 1.7x EBITDA[1] at end of Q1

Our team has executed well throughout the evolving landscape

Continuing to invest for the future and position Woodward to emerge stronger

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Celebrated 150 Years in 2020

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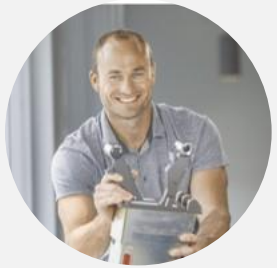
Woodward on a Page

We design and manufacture **control system solutions** and components for the **aerospace and industrial markets**.

Innovative flow, combustion, electrical, and motion control systems help our customers offer cleaner, more reliable, and more efficient equipment.

Our customers are **leading original equipment manufacturers** and end users of their products.



We have **>7,200 members** worldwide.

We have operations and offices in **13 countries.**

We're making our mark on the aerospace and industrial markets.

Always innovating for a better future.

Commitment to Sustainability

Focuses on environmental stewardship and social responsibility

This commitment to improving the global environment is reflected in our brand promise,

"Always innovating for a better future".

The Woodward Value Proposition

Aerospace Growth

Strong commercial and defense OEM platforms

Growing aftermarket entitlement

Attractive Industrial Markets

Gaining share in markets driven by fuel efficiency and emissions

Increasing content on existing and new platforms

High Impact R&D Investment

World class technology – leveraged across company

Consistently investing 5-6% of sales

Accelerating True North

Targeting world class operating performance

Expanding net operating margins

Strong free cash flow generation

Preserving and managing cash flow

Opportunistic M&A, dividend growth, and share repurchases

Driving value to shareholders through capital allocation

Double digit dividend growth

Share repurchases

Leverage, excluding M&A, at or below 2.0x debt/EBITDA

Pursuit of robust M&A to accelerate growth

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Compelling Strategy

Leader in niche markets | Partner with industry leaders

Indispensable to our customers | Disciplined capital deployment

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Attractive Markets
Positive Growth Drivers

Global Infrastructure

- Transportation of goods and people
- Power generation and control
- Energy extraction and distribution

Emissions reductions

- Tightening global regulations
- Shift to cleaner fuels

High Performance

- Energy/fuel efficiency
- Harsh conditions
- Consistent, safe operations

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Competitive Advantages

World-class technology leveraged across the company

High barriers to entry: certifications (FAA, emissions), significant investment, pedigree/field experience

Complex solutions drive customer value; highly integrated

Operational excellence

Sole source positions

Operational Excellence

True North Journey – Perfect Safety, Quality and Delivery

Value stream mapping/analysis

Resource planning and scheduling

Productivity improvements

Lead time reductions

Layout and flow improvements

Employee satisfaction

Better quality and delivery

Customer satisfaction

Increasing margins

Improved working capital leverage

Strong cash flow generation

Significant shareholder value

Driving customer satisfaction and significant long-term free cash flow and shareholder value

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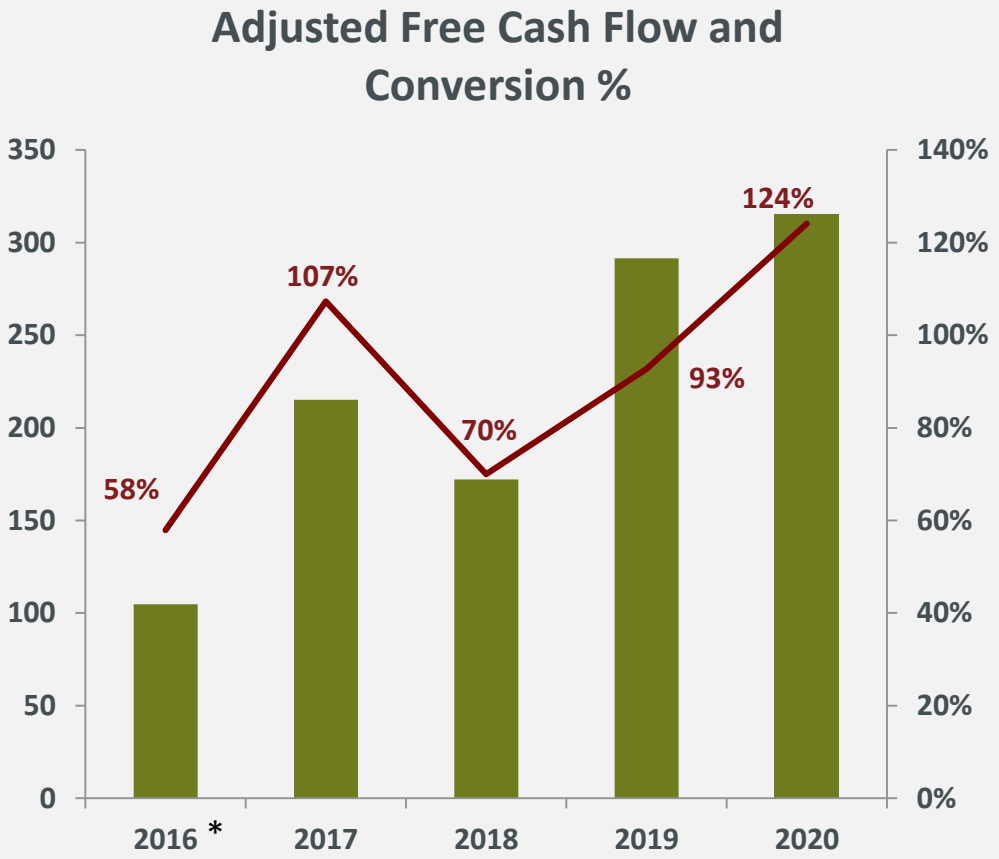
Strong Cash Generation

Target conversion of 100%+

Heavy investment cycle 2013 – 2016 due to content wins

Strong cash flow through pandemic



2016 excludes $155M of after-tax proceeds from formation of joint venture with GE

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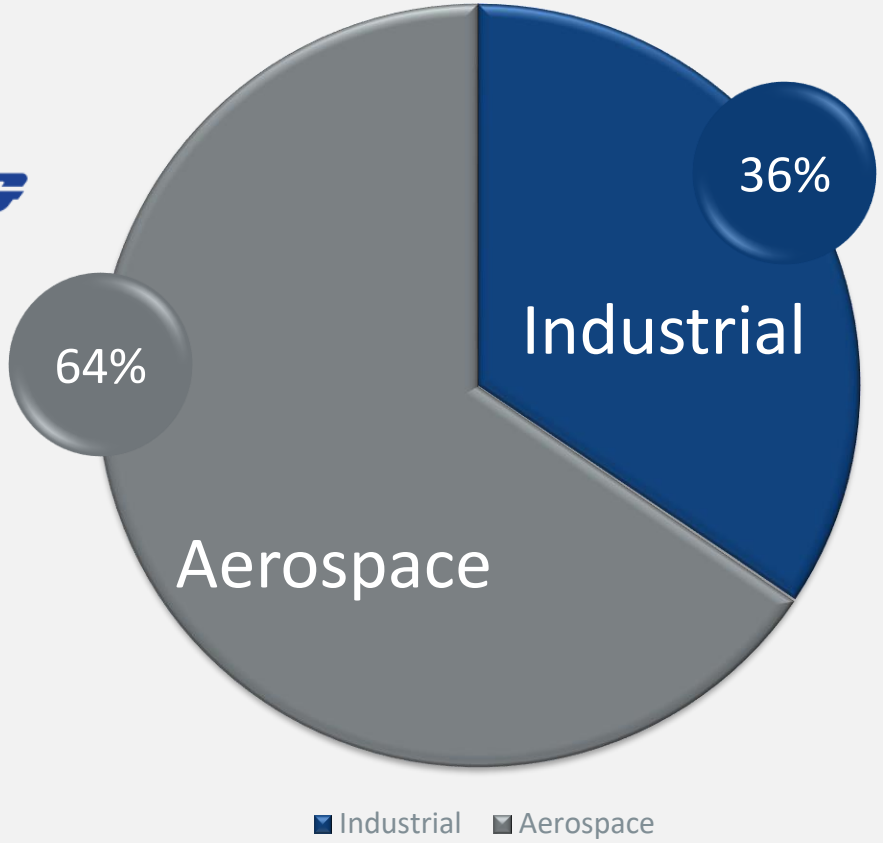
Financials

A Partner with Industry Leaders

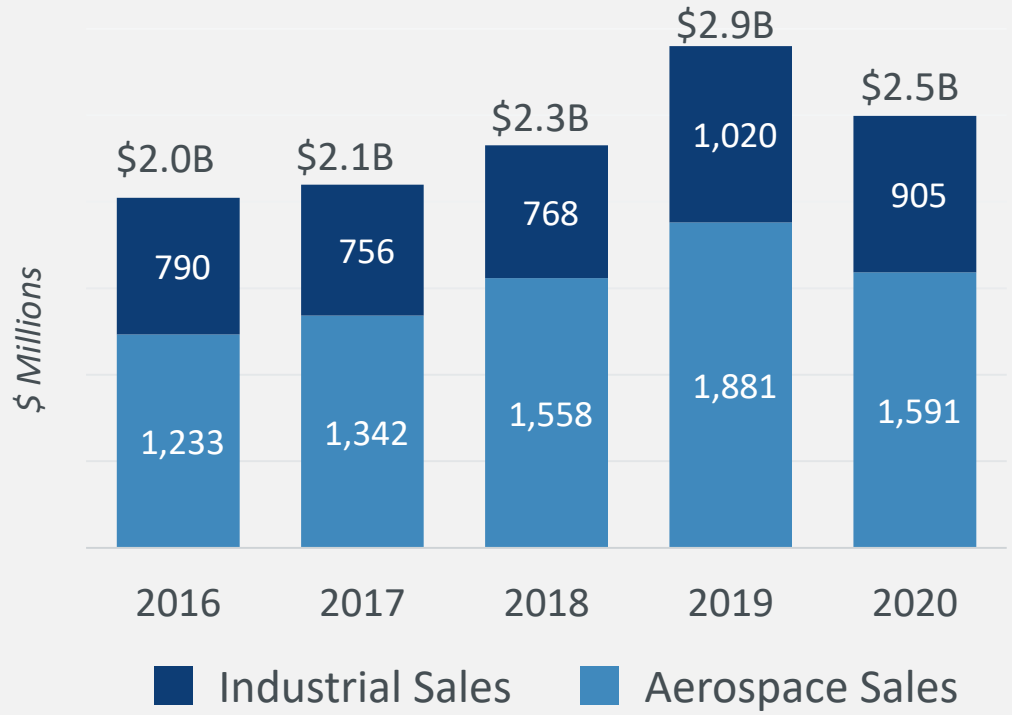
Total FY2020 Sales: $2.5 billion



Sales and Earnings

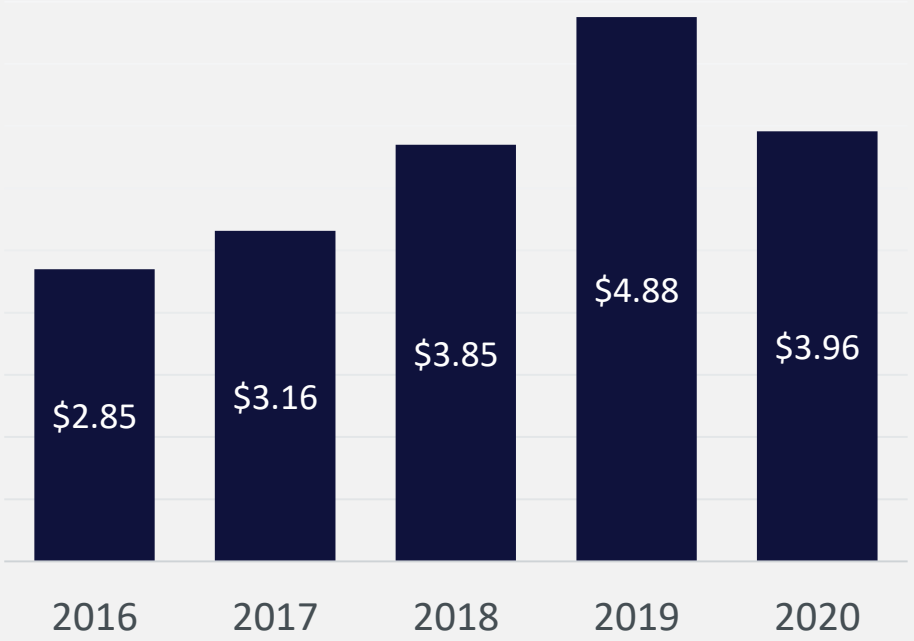
Total Sales

CAGR* 4.1%



Adjusted Earnings per Share

CAGR 7.5%



*Compounded annual growth rate

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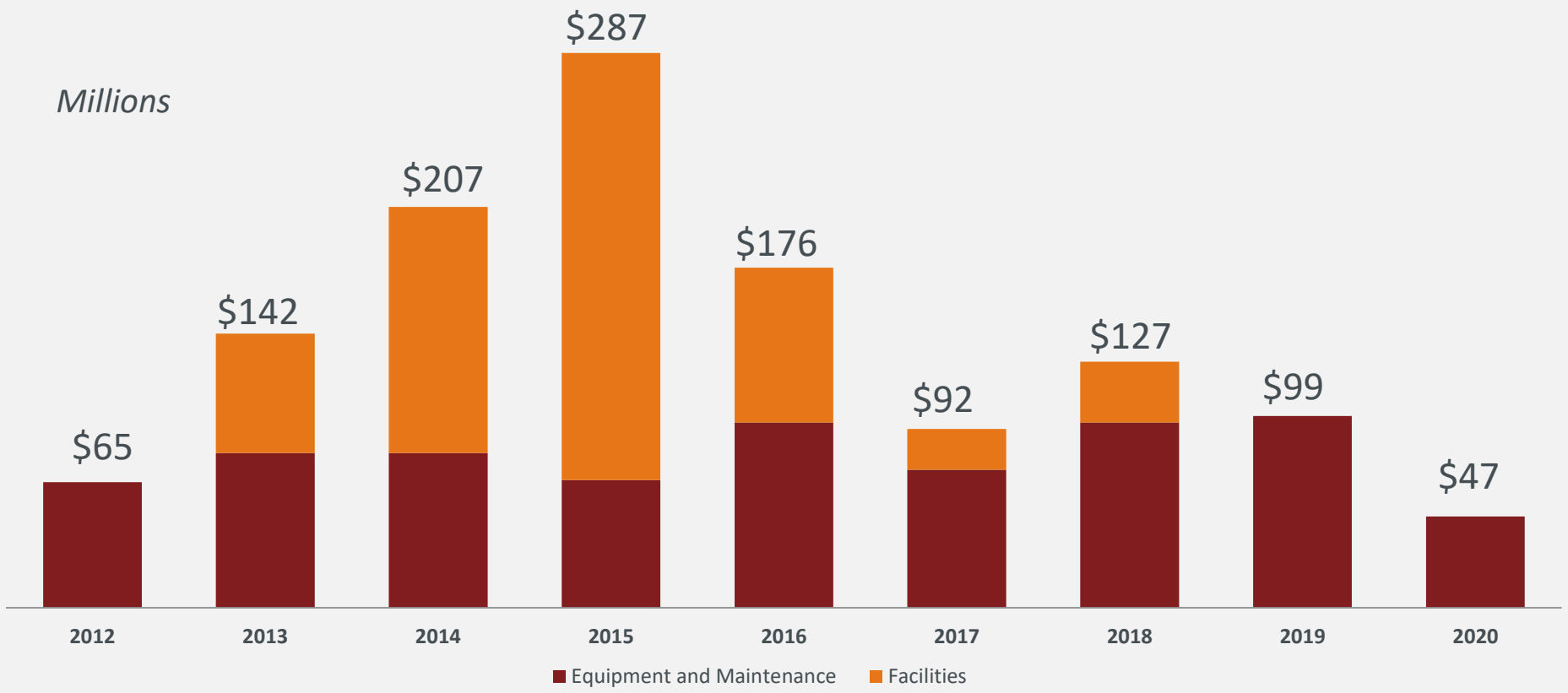
Capital Expenditures Declining



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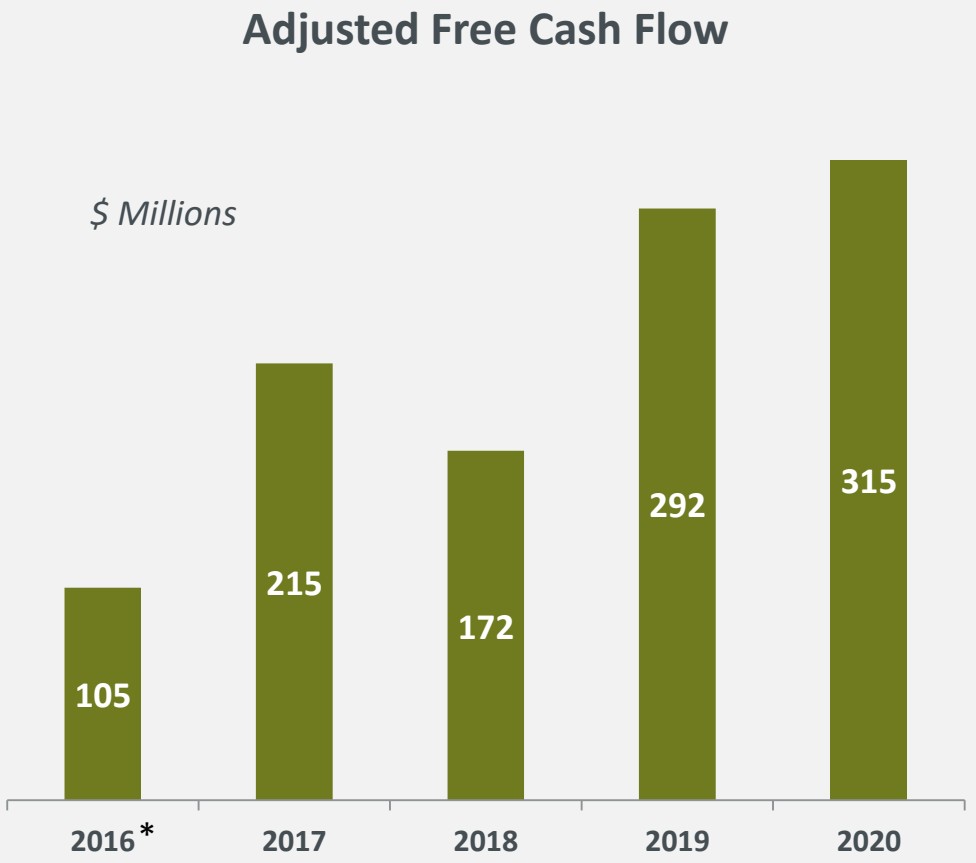
Driving Free Cash Flow

Heavy investment cycle 2013 – 2016 due to content wins

Capex level moderating

Significant cash flow for capital deployment strategy



*2016 excludes $155M of after-tax proceeds from formation of joint venture with GE

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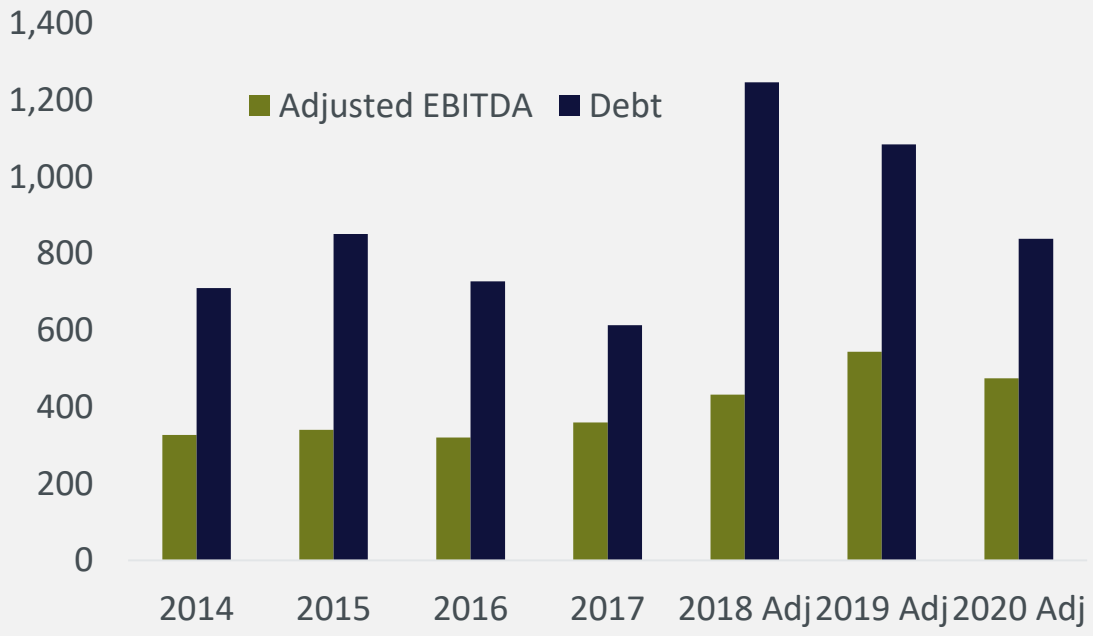
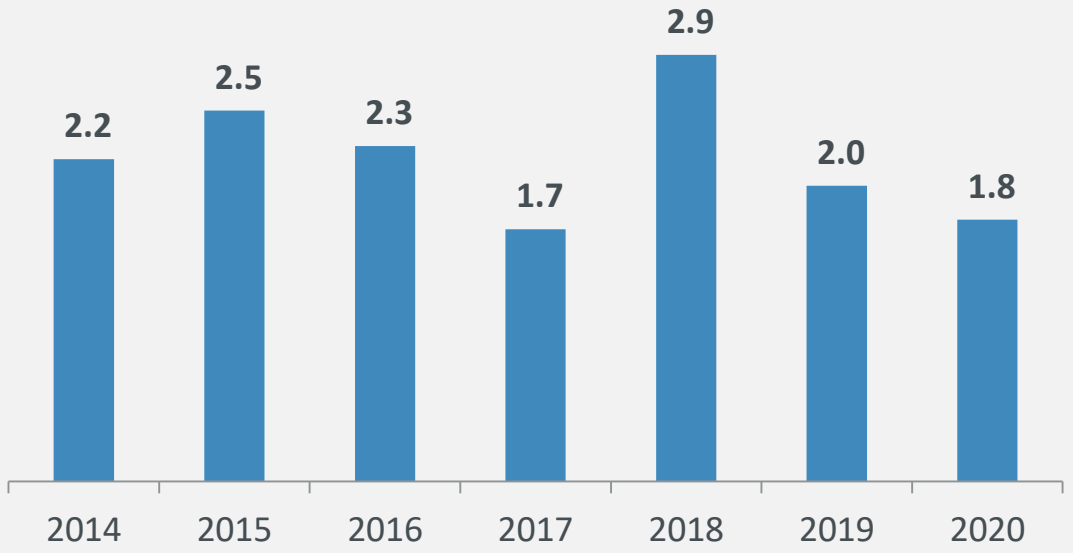
Very Strong Balance Sheet

Debt and EBITDA[1] (in millions)



Debt to EBITDA Leverage

(x times EBITDA)



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Disciplined Capital Management

Creating shareholder value

50% of net earnings to shareholders

- Dividends (increasing 10-15% annually)
- Share repurchases

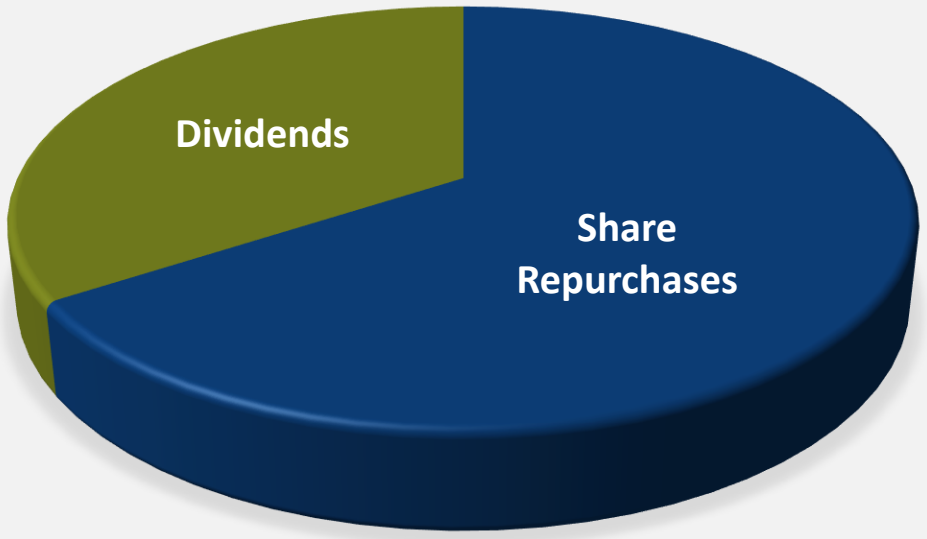
Balance to

- Grow the core
- Strengthen the core
- Expand into adjacencies

Inorganic growth opportunities

- Good long-term markets & fundamentals in both aerospace and industrial

RETURNED TO SHAREHOLDERS
FY2016 - 2020



Returned ~$500M to shareholders

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Long-Term Financial Targets

Organic[1] sales growth

Segment margins

- Aerospace 20%+
- Industrial 16%+

Earnings per share growth

- ~2x sales growth

Free cash flow

- 100% conversion

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Fiscal Year 2021 Outlook

The dynamic and volatile nature of the COVID-19 global pandemic has continued to cause uncertainty in many of our markets.

While the ongoing rollout of vaccines across the globe has begun, new viral variants and regional resurgences make forecasting the future of our business challenging in the near-term.

Given this uncertainty, and the protracted nature of this crisis, we will not be providing financial guidance at this time, although we are optimistic that ongoing stabilization will lead to recovery across the globe.

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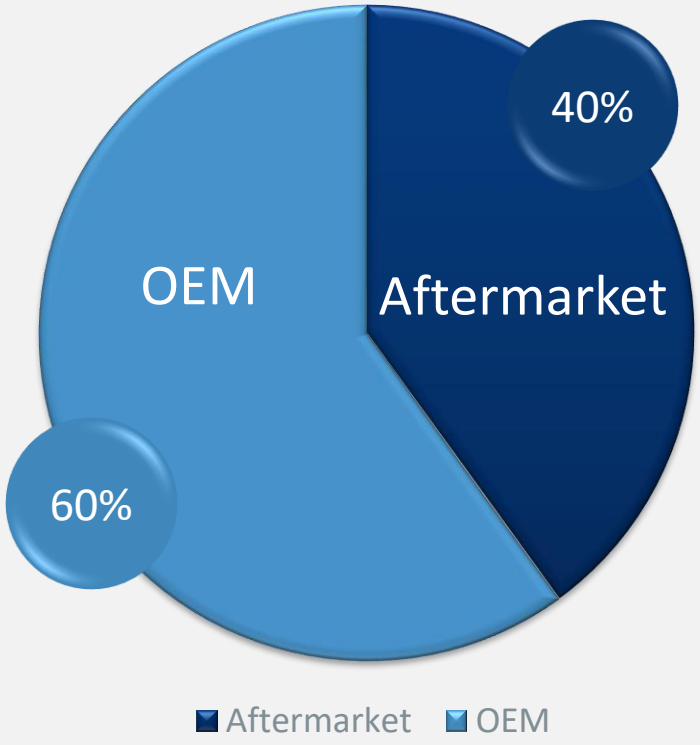
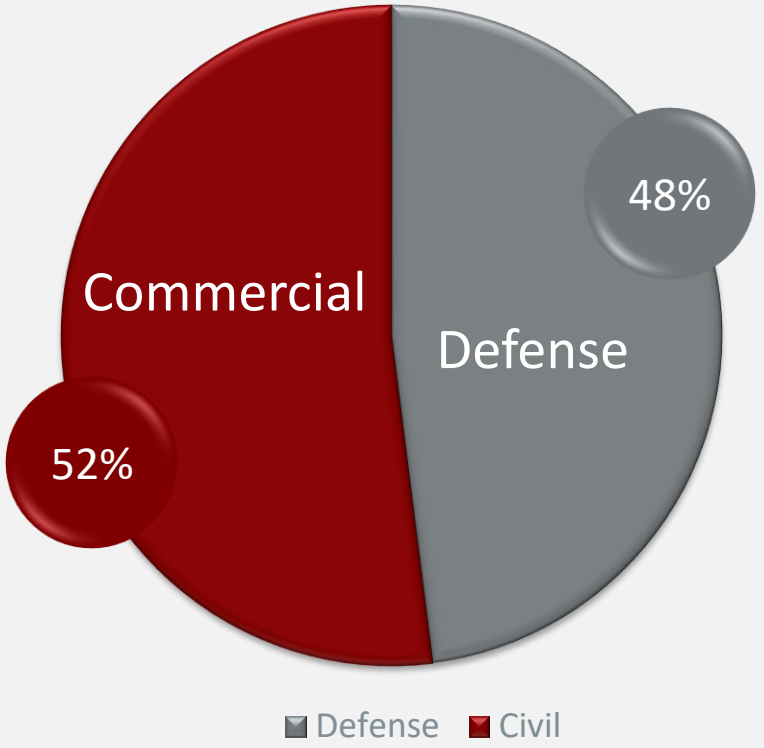
Aerospace Segment Overview

Aerospace Sales

$1.6 Billion FY2020 Sales





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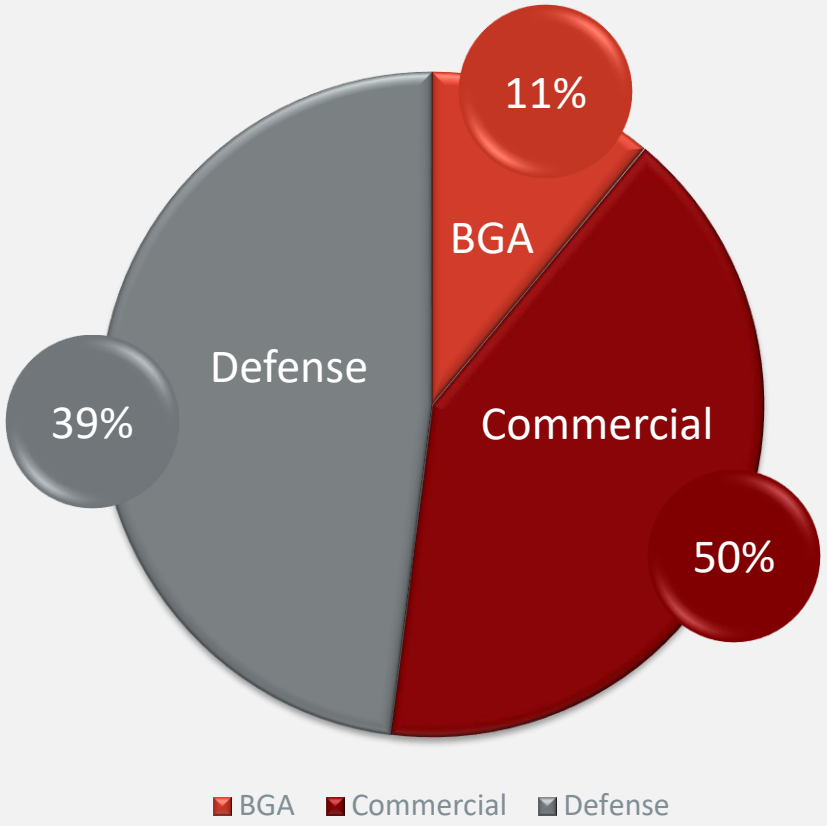
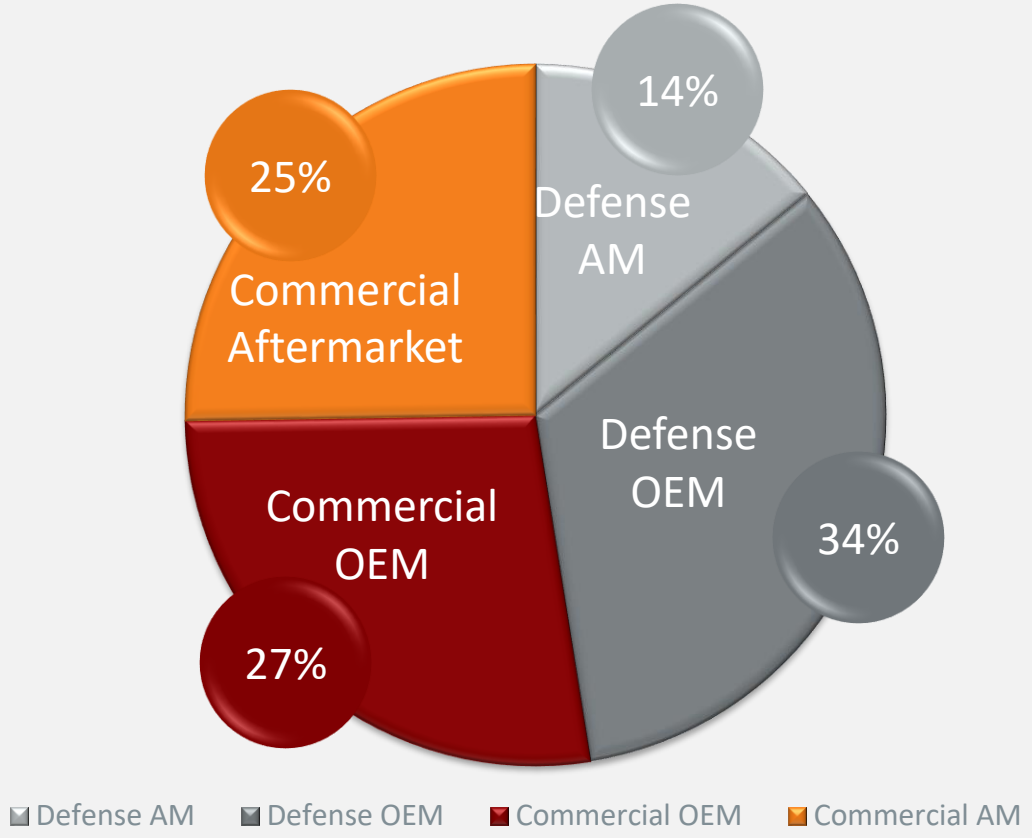
Aerospace Sales

$1.6 Billion FY2020 Sales





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Market Outlook
Commercial Aerospace Market

- Significant long-term impact from COVID-19
- Traffic and flight miles down 40-100% from 2019 levels
- OEM build rates being impacted
- Aftermarket activity declined significantly but expected to begin recovery the quickest

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Boeing 737 MAX Update

FAA approval received December 2020

Anticipating production rates to increase to ~31/month by end of calendar 2021

Initial provisioning returning as new aircraft are delivered

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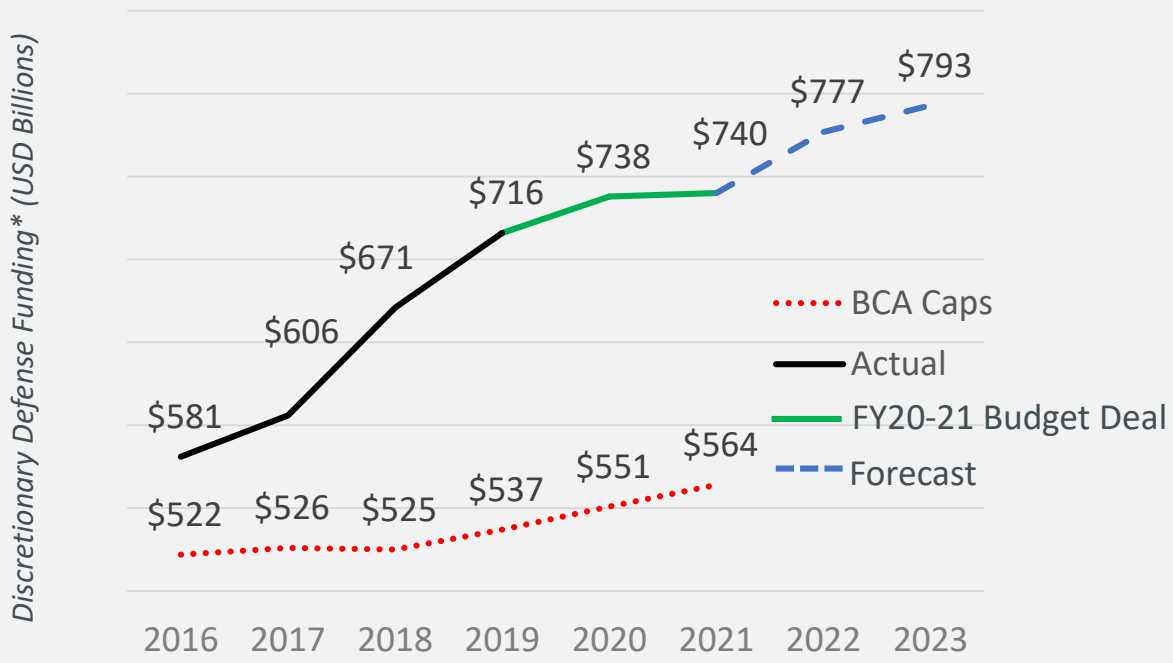
Market Outlook
Defense Market



*Base + OCO
Source: Renaissance Strategic Advisors, WWD

- Expect defense to stay healthy during COVID-19 crisis and related economic downturn
- US Defense: update (maintenance) and modernize (technology)
- Global budgets growing in response to geopolitical threats
- Growing international demand

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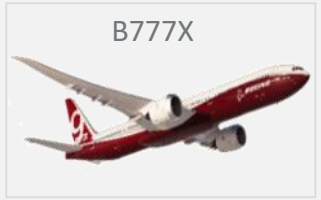
Significant Capture Rate Over the Last Decade

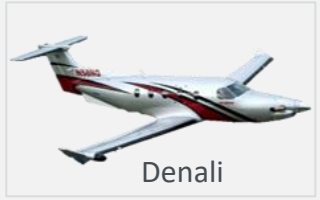
Commercial and Regional Jet



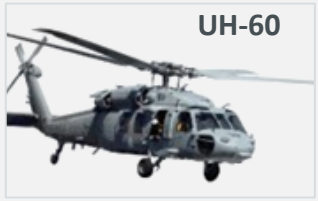
Woodward's successful execution of innovation, customer, & acquisition strategies have resulted in significant content wins on major programs over the last 10 years

Business Jet Turboprop/Turboshaft

PC-12 NGX


Denali

Military



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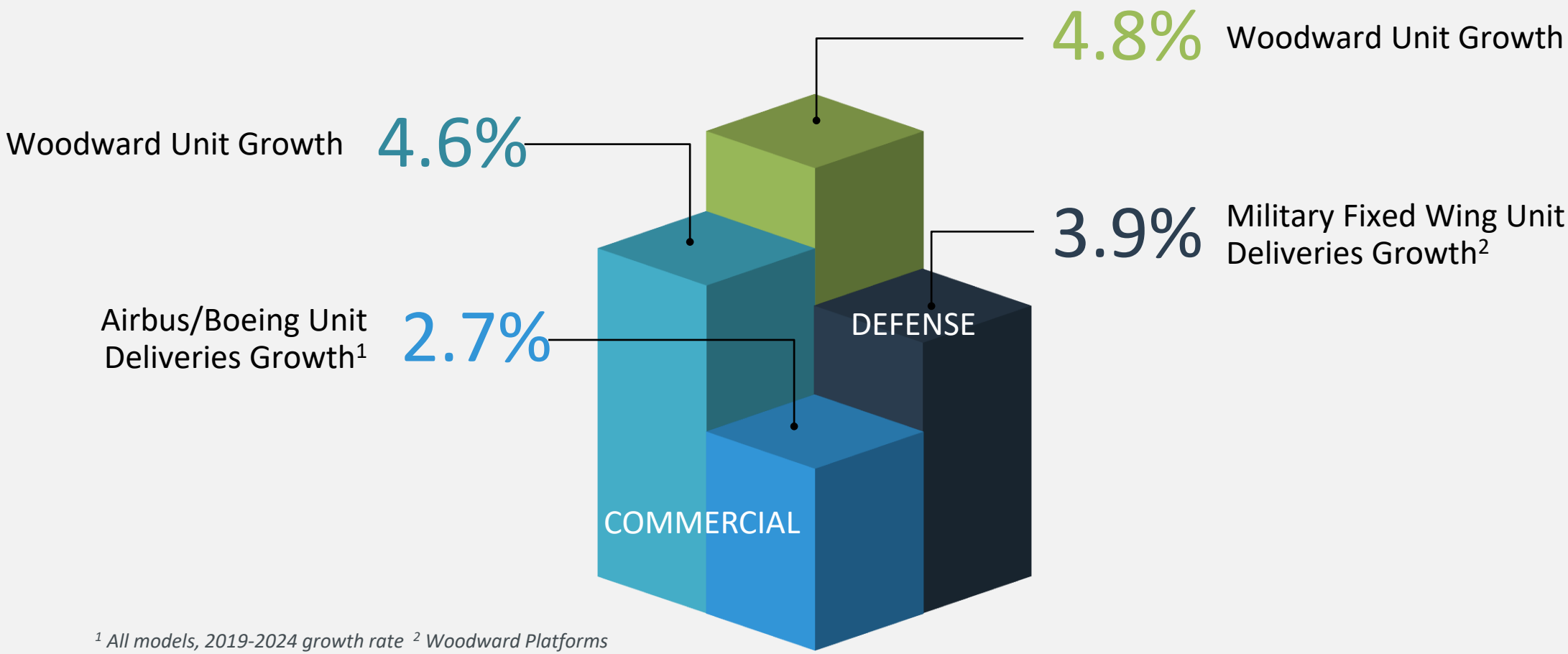
Content Gains Driving Above Market Growth Rate 2019-2024 *(Data is pre-COVID-19 impacts)*



[1] All models, 2019-2024 growth rate [2] Woodward Platforms

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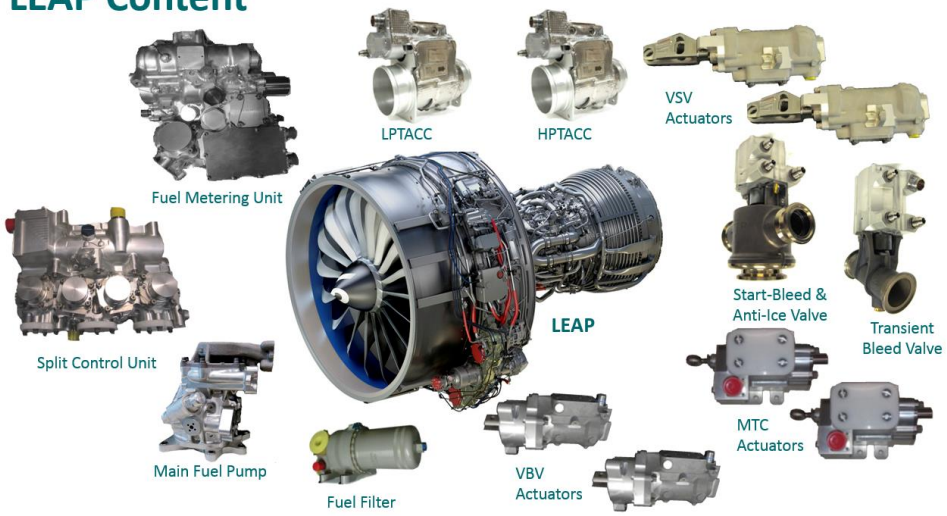
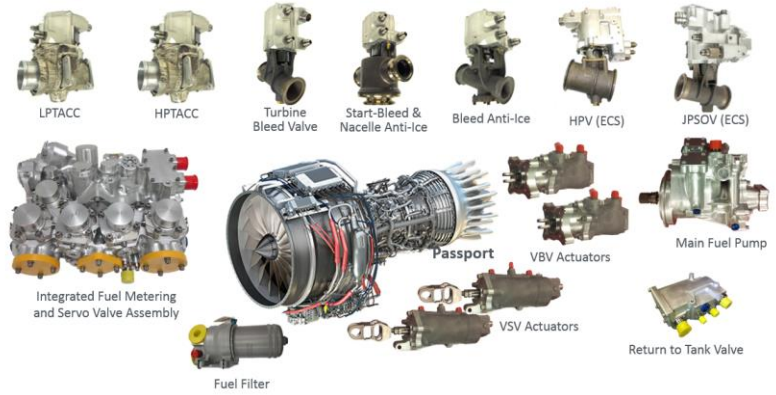
Engine Content - Narrowbody

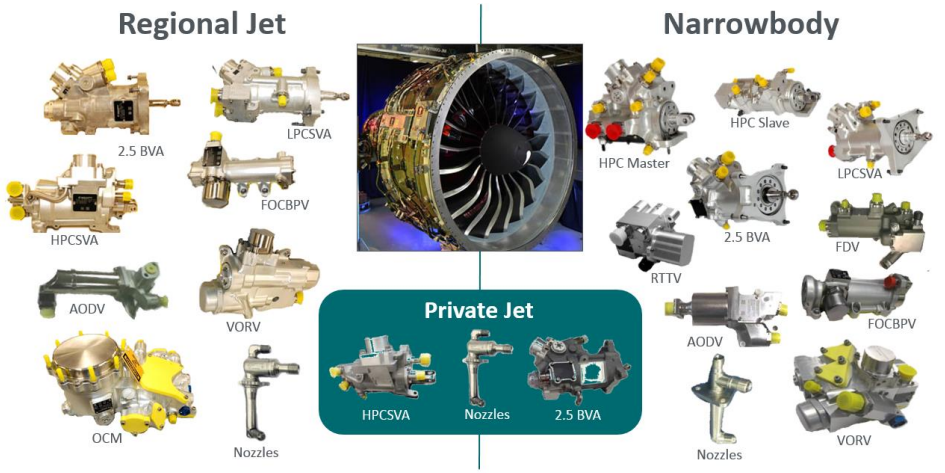
LEAP Content



Passport 20 Content



Geared Turbofan (GTF) Content



Silvercrest Content

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Airframe Content - Narrowbody

Boeing 737 MAX

Airbus A320neo

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Key Content - Narrowbody

737NG ~$125,000

A320 ~$80,000

CRJ ~$110,000

EJet ~$165,000[1]

737 MAX ~$275,000

A320neo ~$230,000[2]

A220 ~$240,000

EJets E2 ~$185,000

Content may vary based on options selected
[1] Representative of delivery profile – 70-seat and 90-seat
[2]Content does not include thrust reverser actuation system for new nacelle version

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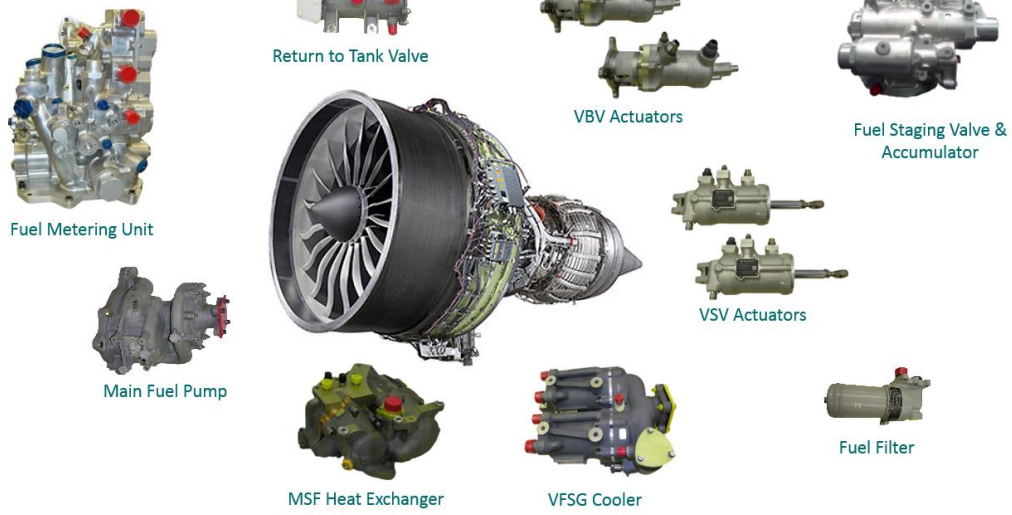
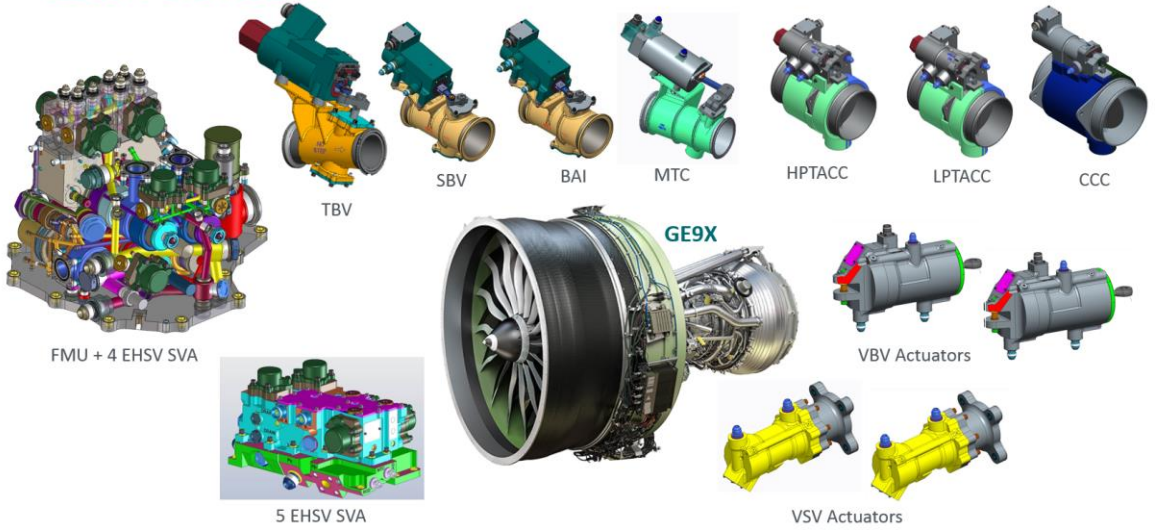
Engine Content - Widebody

GEnx Content



GE9X Content



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Airframe Content - Widebody

Boeing 777X

Airbus A330neo

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Key Content - Widebody

767 ~$25,000

747-8 ~$800,000

A330 ~$40,000

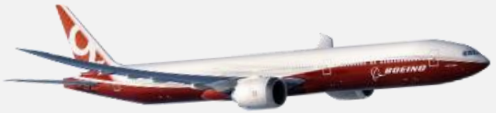
777 ~$285,000

A380 ~$360,000[1]

787 ~$210,000 [2]

A350 ~$46,000

A330neo ~$200,000[3]



777X ~$430,000[3]

Content may vary based on options selected

[1] GP7200 engine option

[2] GEnx engine option

[3] Estimated content

Key Content - Defense

F-16 ~$125,000

F/A-18 ~$335,000

Black Hawk ~$55,000

F-35 ~$300,000

V-22 ~$645,000

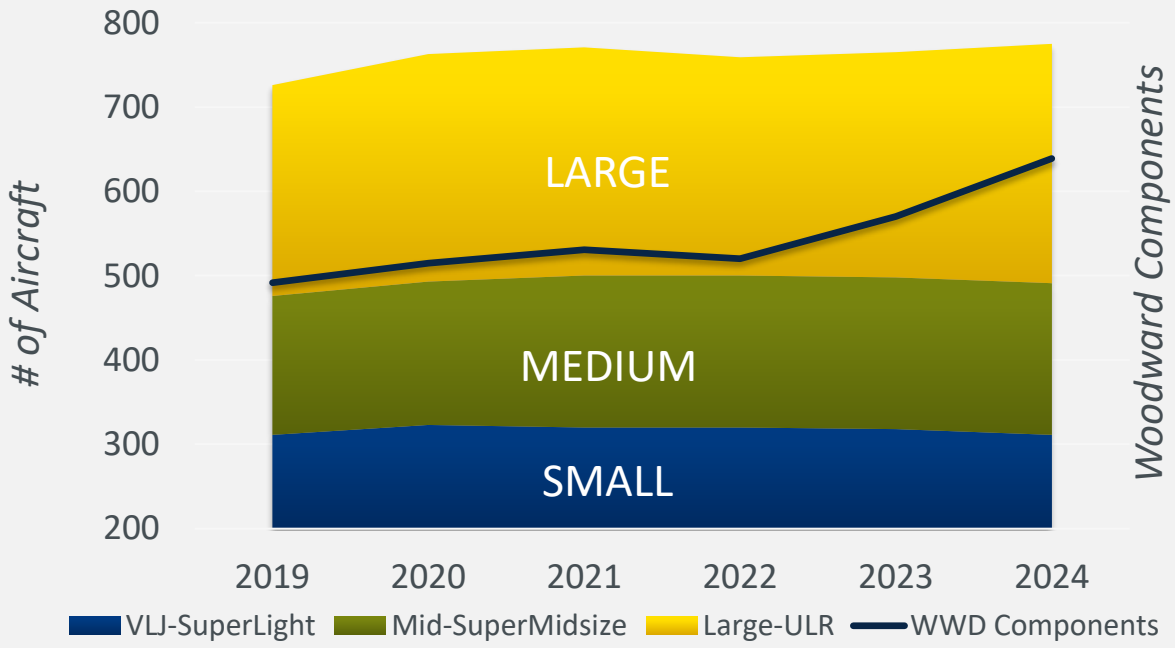
Apache ~$145,000

KC-46 Tanker ~$545,000

Content may vary based on options selected

Business and General Aviation

(Data is pre-COVID-19 impacts)



Gulfstream G500

Bombardier Global 7500

BGA expected to be significantly impacted by COVID-19

**Compound annual growth rate*

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Key Content – Business Jets

Global Express ~$230,000

Global 7500 ~$365,000

G550 ~$185,000

G500/G600 ~$180,000

G700 ~$119,000

G650 ~$210,000

HondaJet ~$90,000

Content may vary based on options selected

What We Do
Aerospace

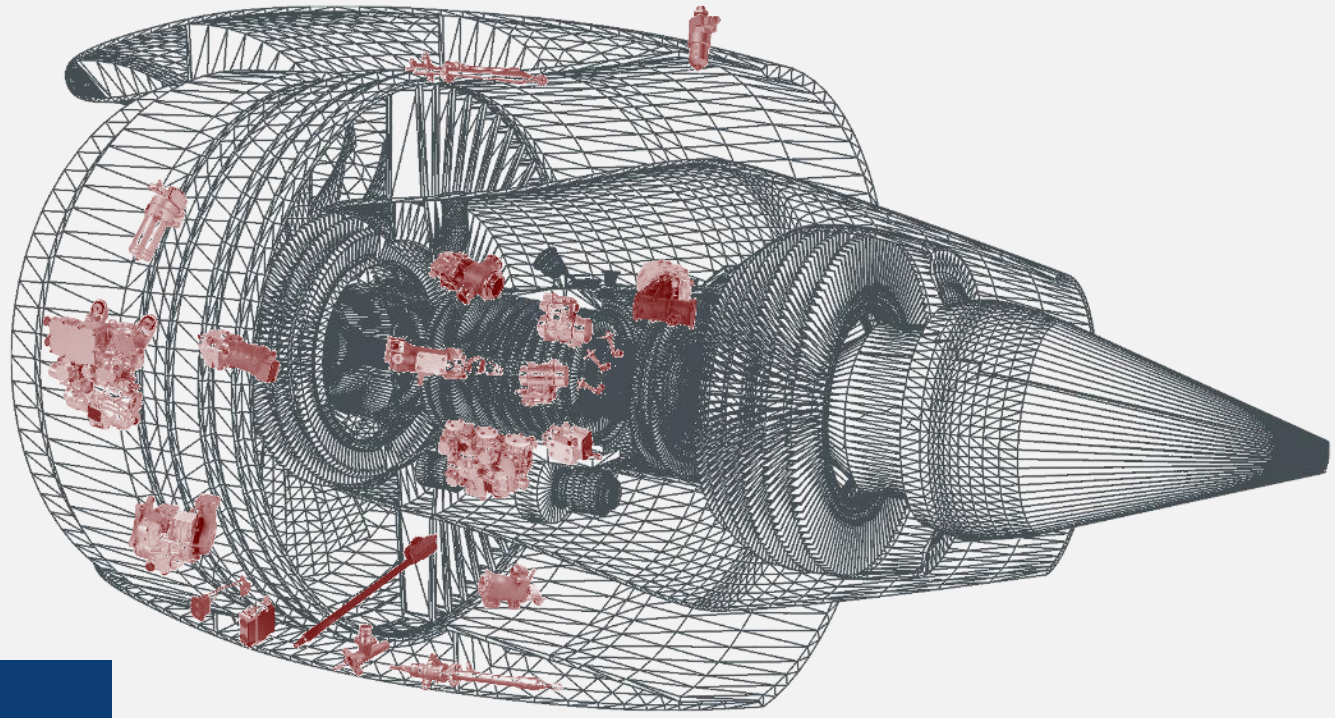
Fuel Systems

Engine Actuation

Thrust Reverser Actuation

Fuel Injection & Ignition

Oil & Air Management



Integrated Propulsion Systems

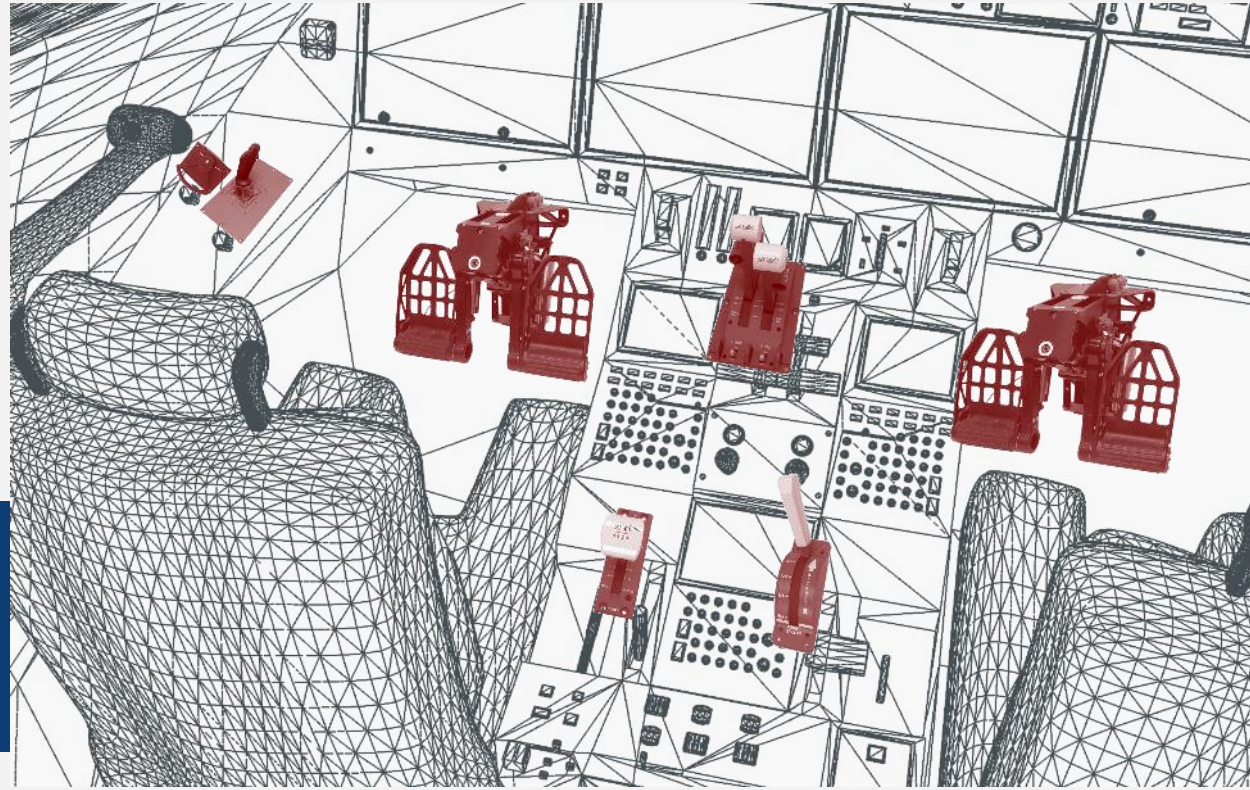
What We Do
Aerospace

Side Sticks

Throttles

Pedals

Flap Levers



Flight Deck Controls

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What We Do
Aerospace

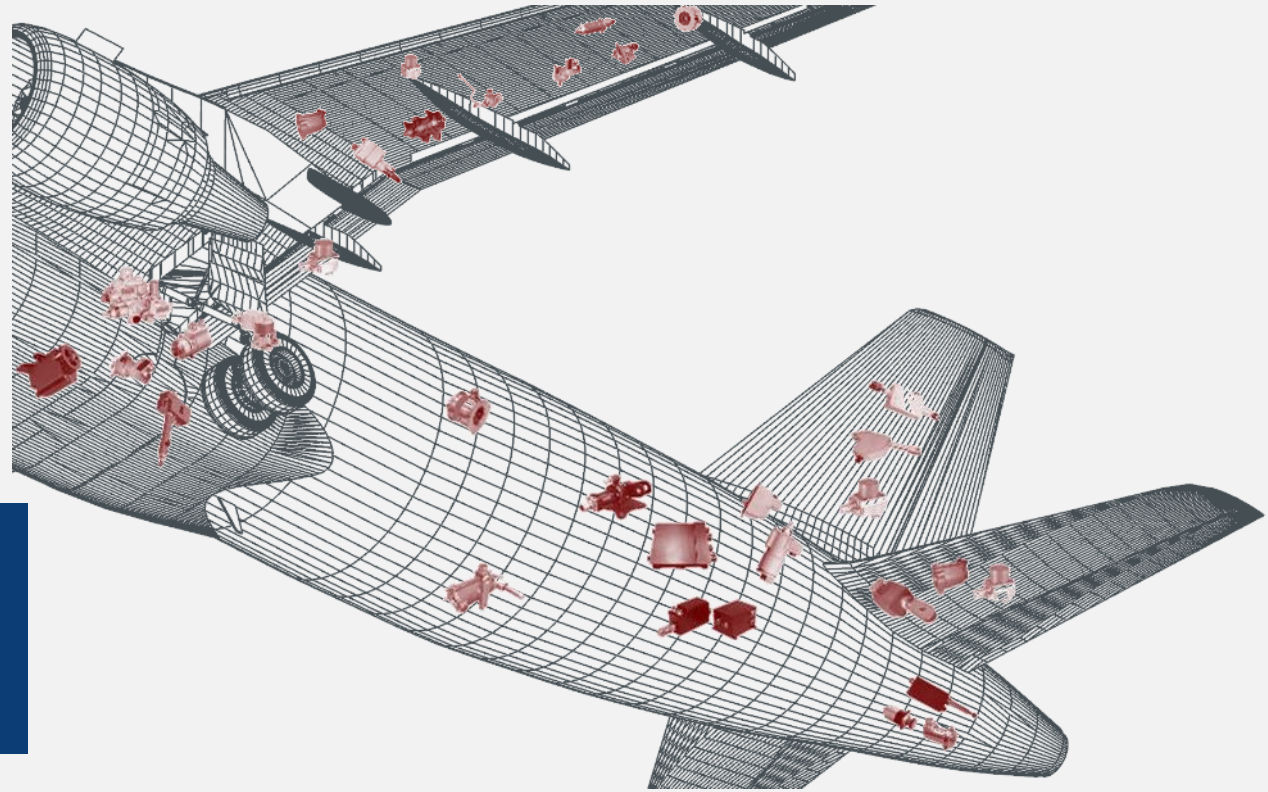
Electromechanical Actuation

Hydraulic Actuation

Precision Motors

Servo Controls

Sensors



Aircraft Actuation and Control

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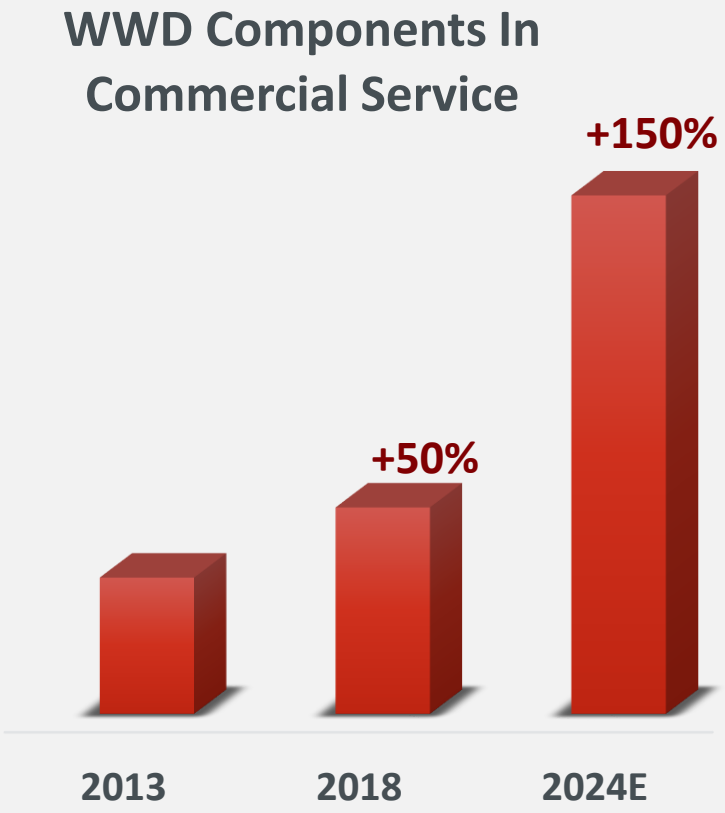
Installed Base Growth

Driving robust, long-term aftermarket

(Data is pre-COVID-19 impacts)



Significant number of A320 aircraft have not had first engine overhaul

Significant initial provisioning sales as new LEAP engines are delivered on new aircraft

Number of Woodward components in service increasing 4X from 2013 to 2024

WOODWARD

Executing the Strategy
Continuing to Win

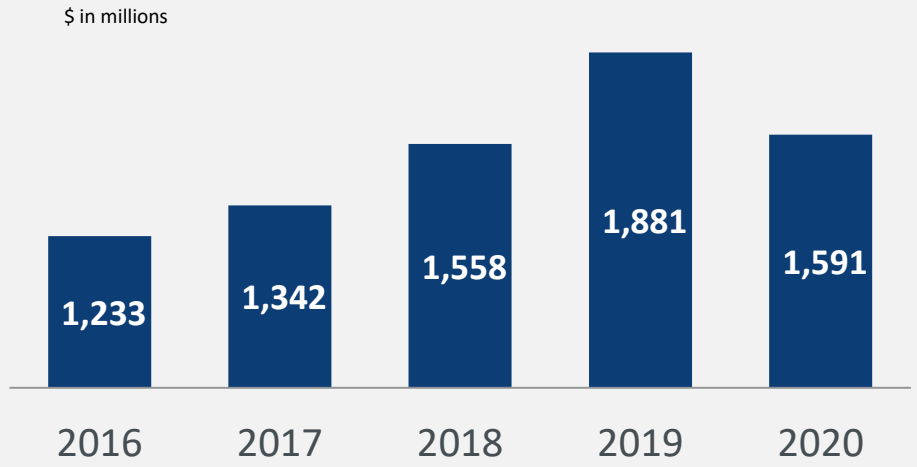
In Defense, propulsion and motion controls for recent awards in rotorcraft and trainers

In Commercial Aviation, new customers and customer relationships paving the way to new and displacement products

Continuing product line platform extension for Business Aviation

Aerospace Financials

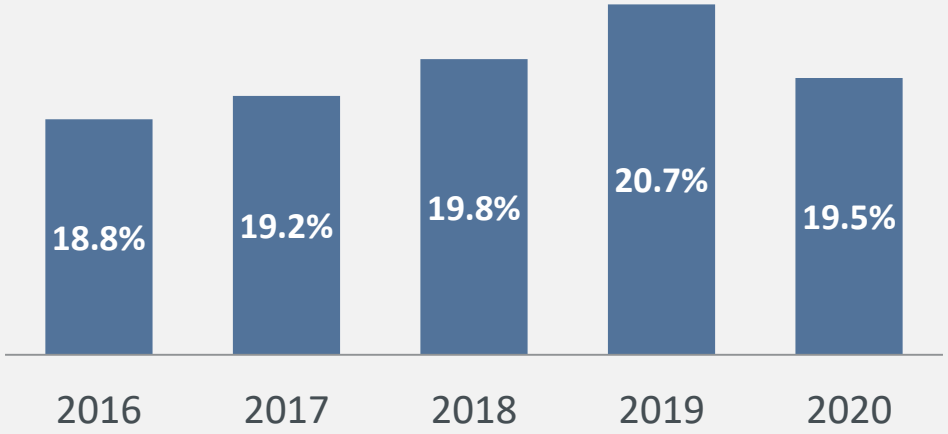
Aerospace Sales



Significant impact from pandemic in 2020

Higher content on new aircraft such as the Boeing 737 MAX and A320neo to drive future growth

Aerospace Margins



Margins negatively impacted in 2020 by lower sales volume as a result of the pandemic

Strong defense sales as well as cost reductions contributing to margins

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Industrial Segment Overview

Macro Trends

Global population and wealth

Increased demand for power

Increased global trade

Energy Independence

Fuel flexibility and reliability

Emissions reduction

Lower greenhouse gases

Higher efficiency

Macro Trends

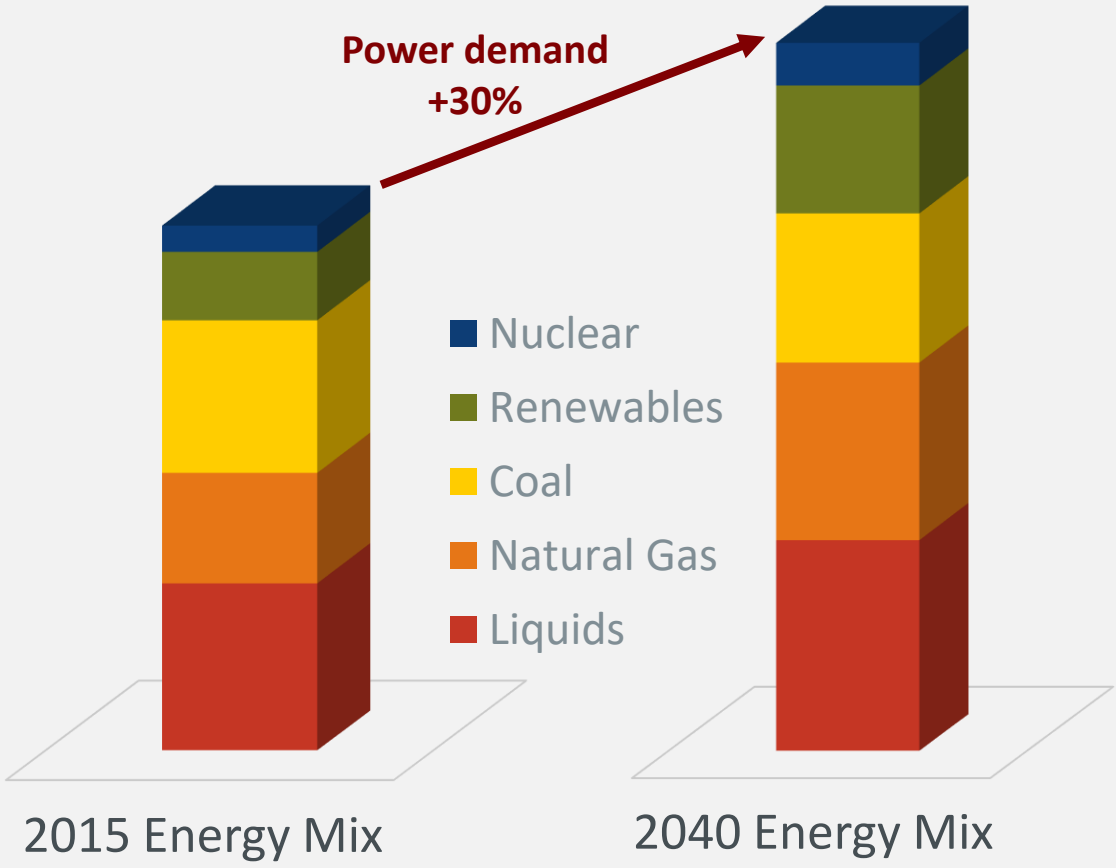
Energy outlook: Golden Age of Gas is Here

(Data is pre-COVID-19 impacts)

Projected sources of power through 2040

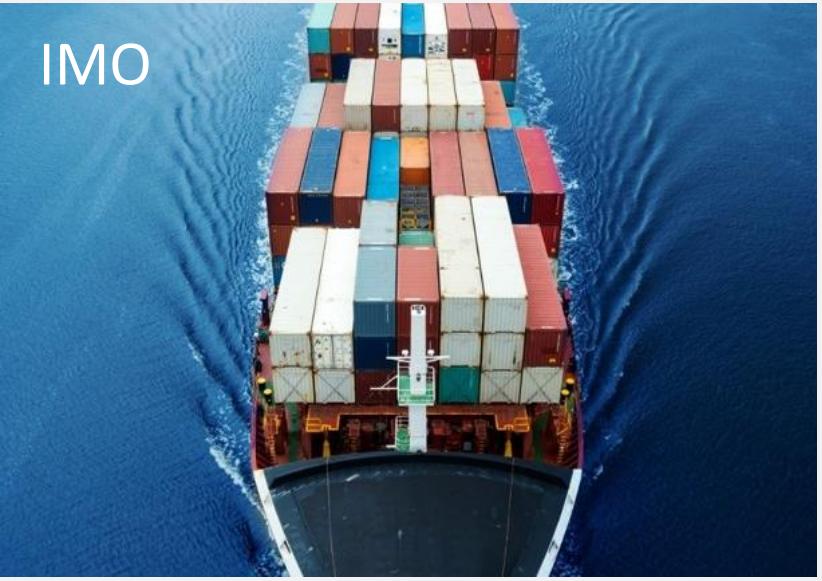
- Liquids remain number #1
- Natural gas projected to grow significantly and become #2
- Liquids and natural gas represent 54% of total energy used

Significant growth in energy demand, with gas and renewables increasing share



Company estimates based on several external studies

Emissions regulations are driving requirements in power, oil & gas, and transportation



In every one of our markets, emissions are driving demand for our products

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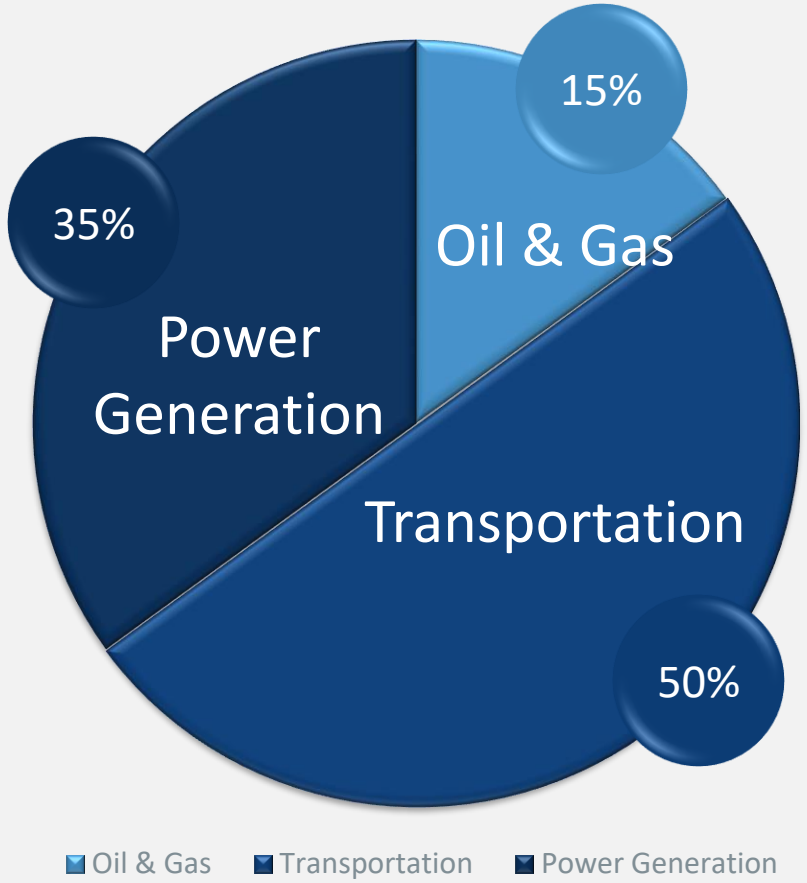
Industrial Sales by End Market

$905 Million FY2020 Sales



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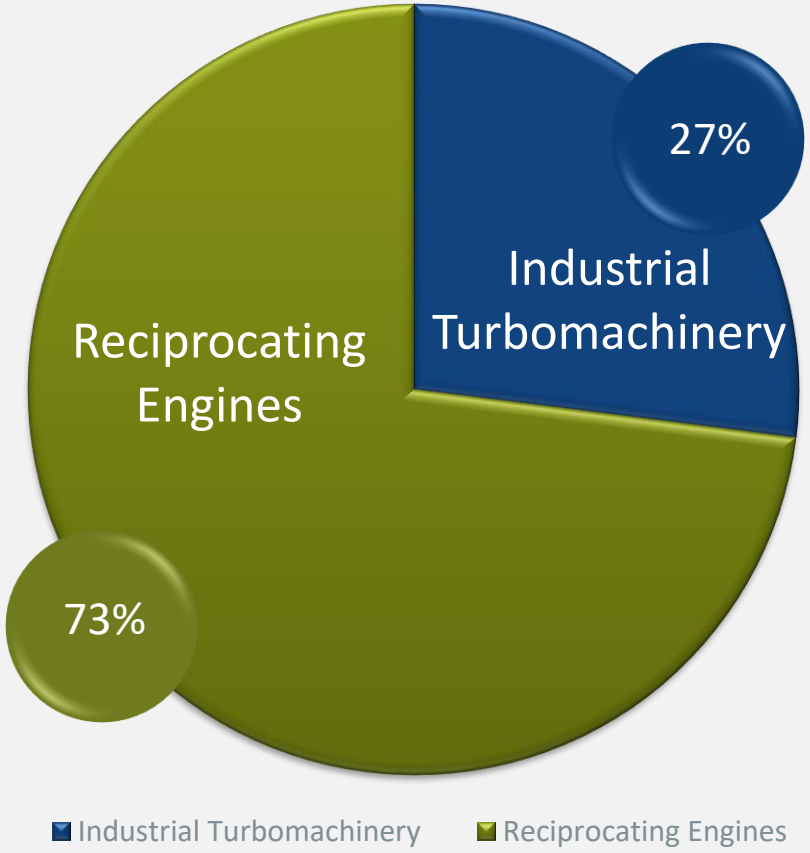
A Partner with Industry Leaders

$905 Million FY2020 Sales



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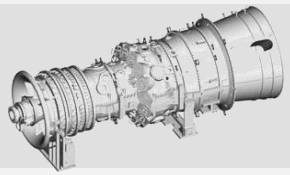
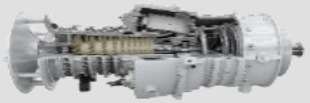
Turbine Market

	TYPE	VOLUMES* (units)	APPLICATIONS	CUSTOMERS	CONTENT* ($)
	Heavy Frame	100 - 200	Power generation Process | O&G	GE | MHI Siemens	250,000 – 1,200,000
	Aero Derivative	50 - 100	Power generation Process | O&G Marine | Offshore	GE | Baker Hughes MHPS | Siemens	50,000 – 250,000
	Small Industrial	250 - 350	Power generation Process | O&G Marine | Offshore	Solar | GE Siemens	25,000 – 50,000

**Volumes are annual and company estimates.*
Content is per unit and approximate.

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Engine Market

**Volumes are annual and company estimates.*
Content is per unit and is approximate.

	TYPE	VOLUMES* (units)	APPLICATIONS	CUSTOMERS	CONTENT* ($)
	Low Speed	100 - 200	Marine	WinGD MAN	30,000 - 200,000
	Medium Speed	4,000 - 5,000	Power generation Marine	Wartsila | Himsen MAN | CAT-MAK HHI | Hyundai	20,000 – 100,000
	High Speed High Horsepower	25,000 - 30,000	Locomotive O&G, Mining Power generation Marine On- highway Industrial Agriculture Material handling	RRPS-MTU MHI Cummins CAT-MWM Caterpillar Liebherr	4,000 – 50,000
	High Speed Mid Range	400,000 – 500,000		Cummins Yuchai Caterpillar Doosan Weichai MHI Deere RRPS-MTU	2,000 – 5,000
	High Speed Small Industrial	>1,000,000		Weichai | Yanmar Kubota | Cummins	<250

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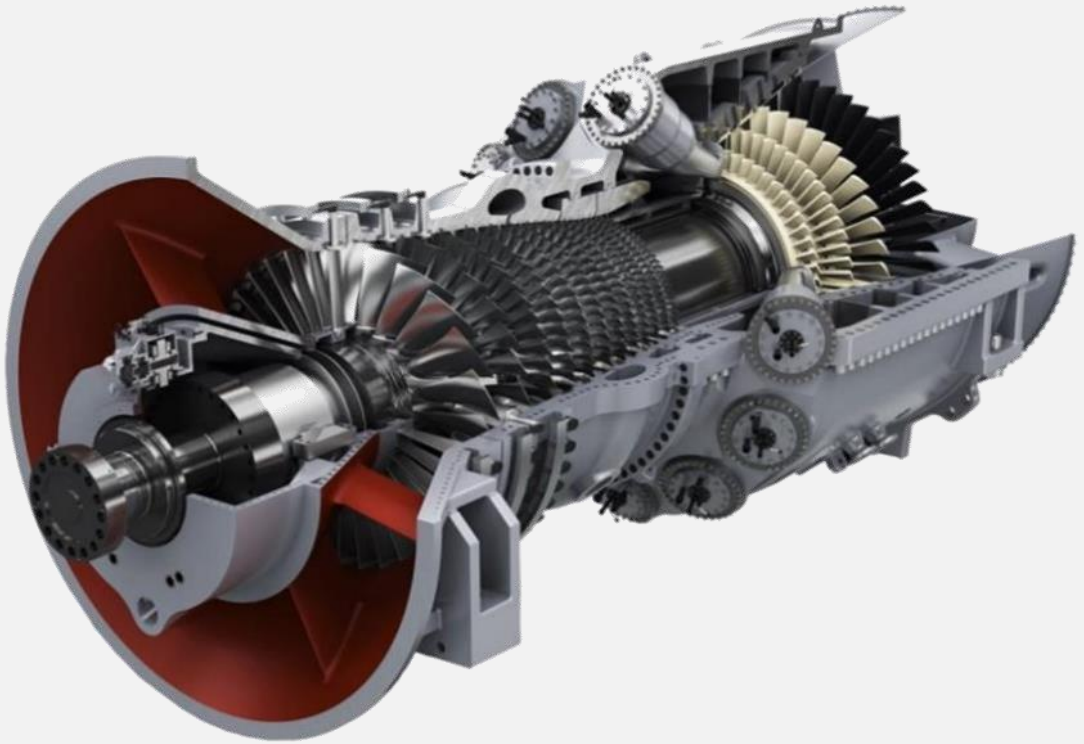
Market Update
Power Generation

Gas turbine improving

- Demand for cleaner power
- Replacing coal plants in U.S.

Distributed power poised for growth due to lower cost and increased flexibility



Higher efficiency, lower emissions and increased complexity driving significant Woodward content increases on new engines and turbines

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Market Update
Transportation - Marine

COVID-19 resulting in slower global economic activity and less commerce and freight, and ship utilization

LNG becoming a global commodity

International Marine Organization (IMO) driving higher emissions regulations

- IMO III
  - Marine, GHG reduction – 50% by 2050
- Drives demand for complex fuel injection and gaseous systems

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Market Update
Transportation—China Natural Gas

Strong enforcement of emissions & truck weight limits

Retirement of 1m+ non-compliant diesel trucks

Restrictions on heavy duty diesel trucks in city centers and harbors

Transition to China VI for diesel engines delayed to July 2021 due to pandemic

Favorable natural gas pricing enables
~6 month payback on natural gas truck

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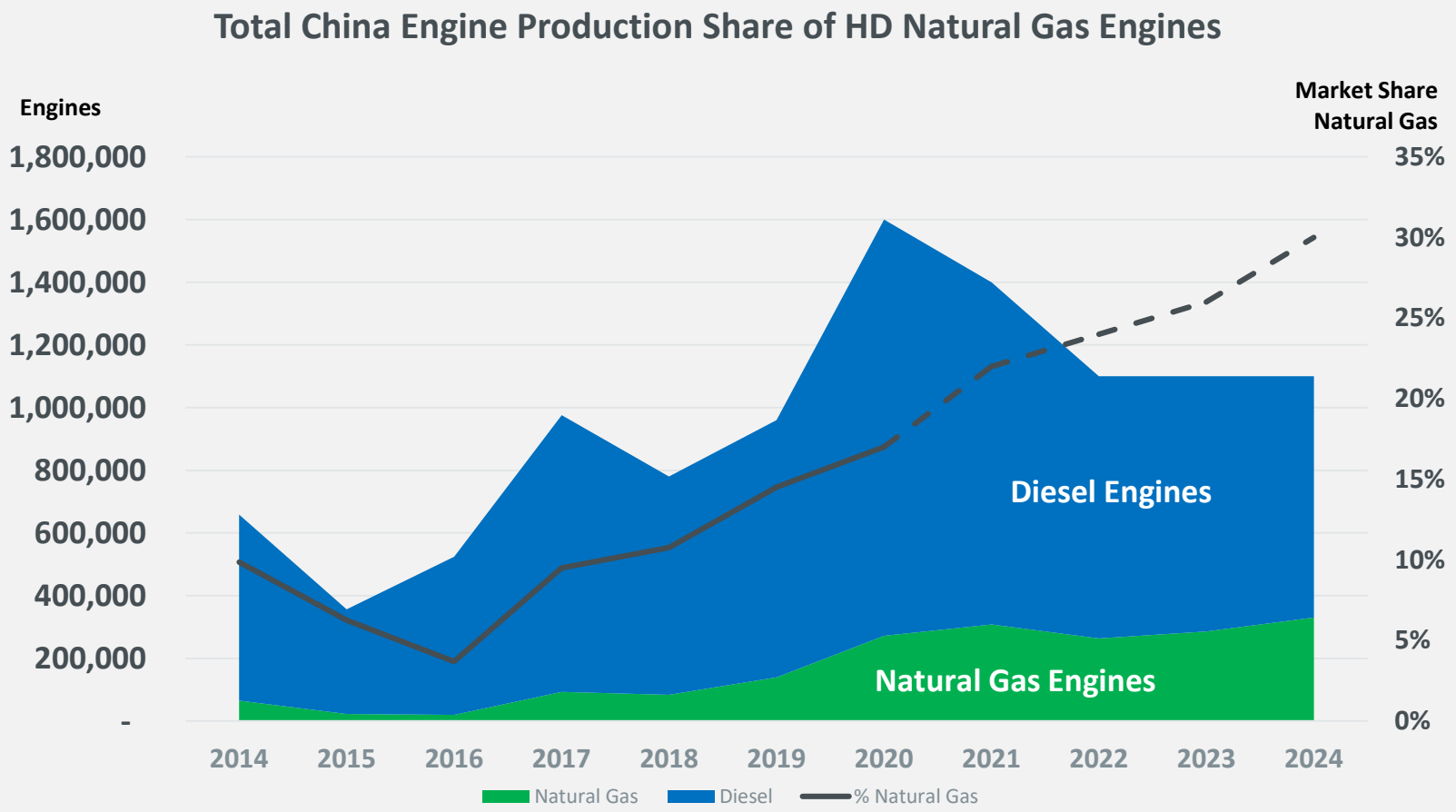
Market Update

Transportation—China Natural Gas



Natural gas engines increasing share of truck market

Engine complexity increasing to meet China VI regulations

- Diesel trucks required to meet China VI in July 2021
- Nat gas trucks, already meeting China VI, become more attractive due to higher priced China VI diesel trucks

~30% higher Woodward content on China VI nat gas engines

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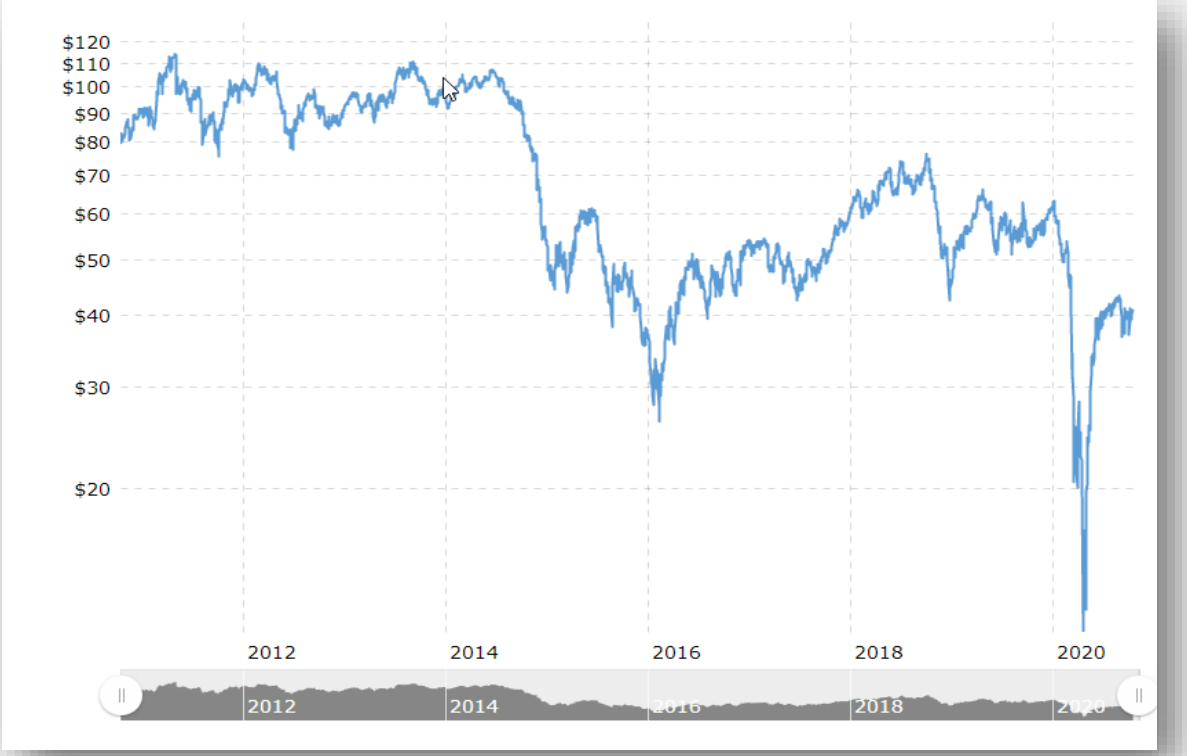
Market Update
Oil and Gas

Investments declining significantly due to low oil and gas prices

Natural gas growing market share to ~30% by 2040

North America becoming the largest producer



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Increasing Content
Large Engine Systems for Asian OEMs

Woodward L'Orange product portfolio significantly enhances Woodward value proposition

Asian OEMs select Woodward systems for the combined expertise

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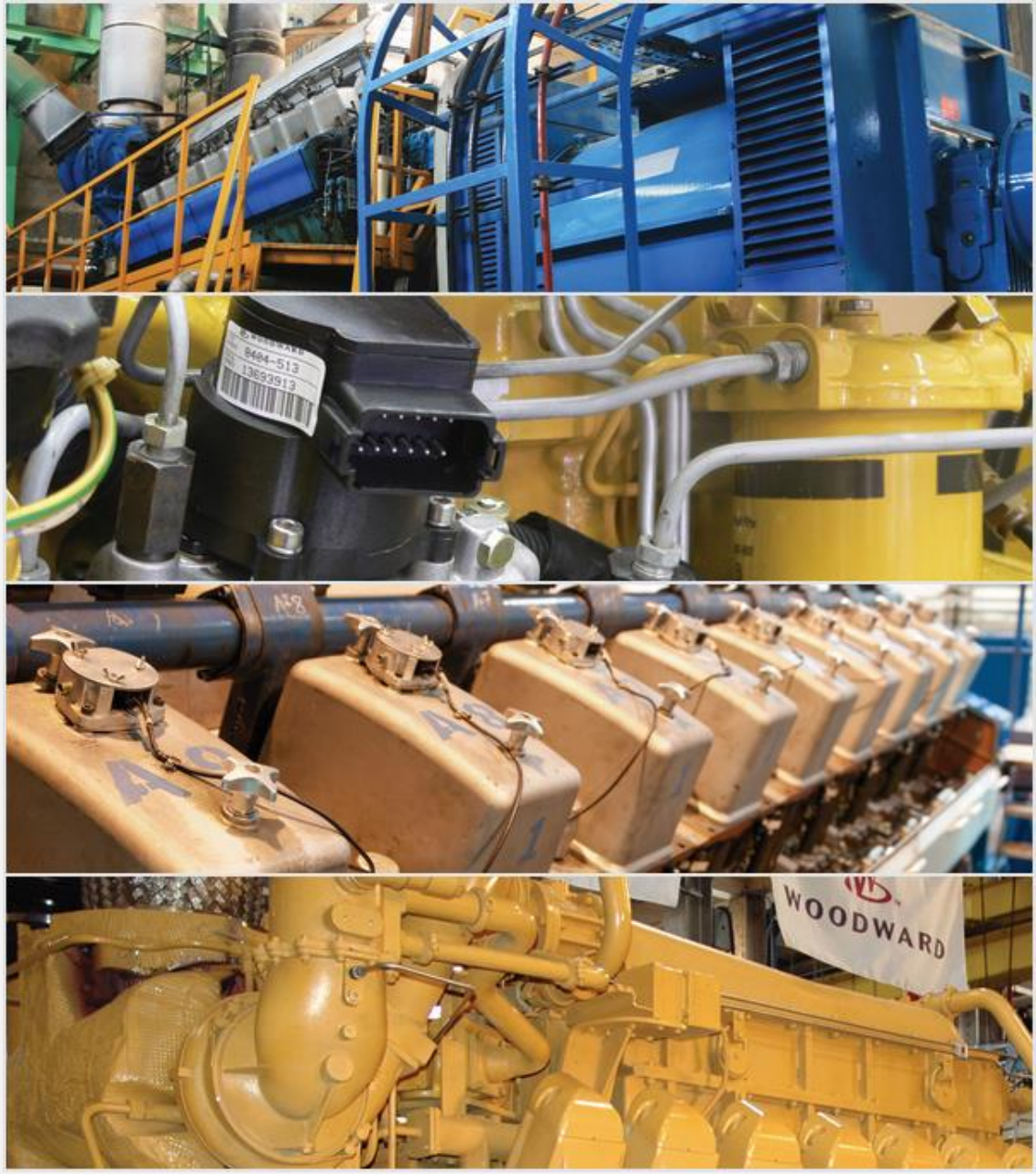
Aftermarket
Large and Growing Installed Base

- Continuing to expand OEM partnerships
- Expanding presence in Middle East
- E-commerce site launched
- Launched North American repair, re-man & overhaul facility
- Continuing to expand end user product & service agreements



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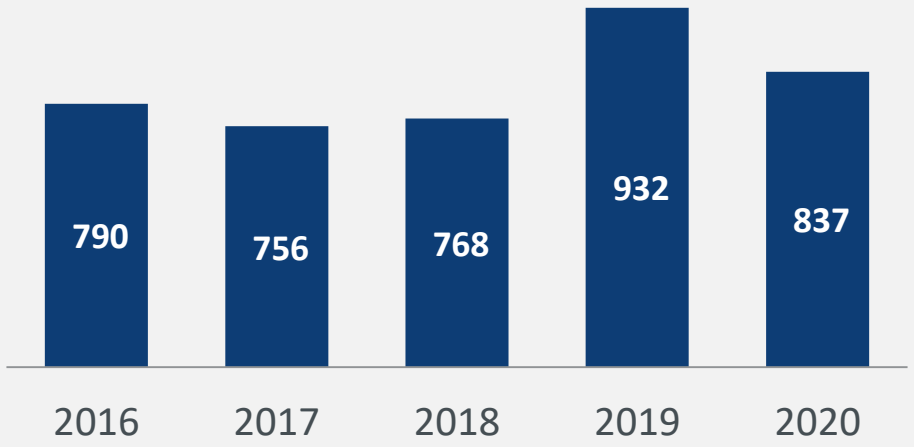
Industrial Financials

Excluding RPS* for 2019 and 2020

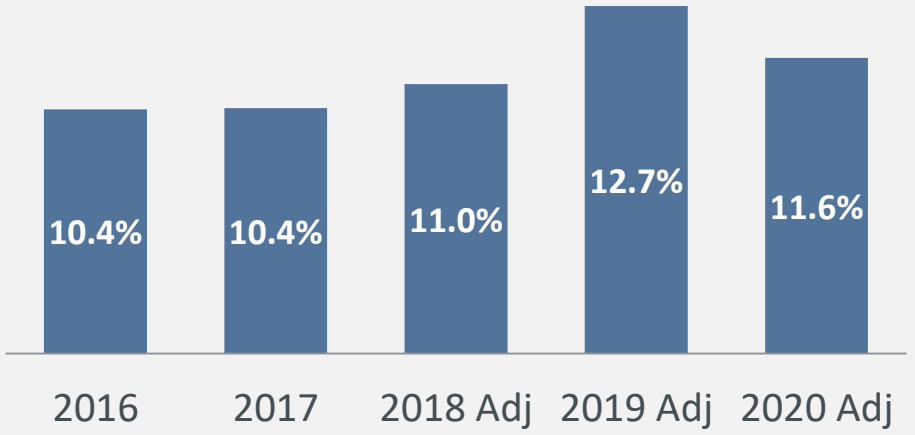
$ in millions

Industrial Sales



- Global economic slowdown from COVID
- Softening oil & gas
- Addition of L'Orange in 2018

Industrial Margins



- Lower volumes in 2020
- Soft aftermarket due to lower equipment usage
- Cost reductions and productivity initiatives benefitting margins

**RPS = renewable power systems and related businesses which were divested in FY2020*

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Appendix

[1]Non-U.S. GAAP Reconciliations

	YTD FY 20 (mils)	YTD FY 19 (mils)	YTD FY 18 (mils)	YTD FY 17 (mils)	YTD FY16 (mils)	YTD FY15 (mils)	YTD FY14 (mils)
Net Earnings	$ 240.4	$ 259.6	$ 180.4	$ 200.5	$ 180.8	$ 181.5	$ 165.8
Income Taxes	41.5	61.0	39.2	52.2	45.6	59.5	61.4
Interest Expense	35.8	44.0	40.5	35.6	26.8	24.9	22.8
Interest Income	(1.8)	(1.4)	(1.7)	(1.7)	(2.0)	(0.8)	(0.3)
EBIT	315.9	363.2	258.4	286.7	251.2	265.0	249.8
Amortization of Intangibles	39.5	56.0	44.7	25.8	27.5	29.2	33.6
Depreciation Expense	91.7	86.0	71.4	55.1	41.6	46.0	43.8
EBITDA as reported	$ 447.1	$ 505.2	$ 374.5	$ 367.6	$ 320.3	$ 340.3	$ 327.1
Restructuring and other charges	27.2	39.7	57.9	-	-	-	-
EBITDA as adjusted	$ 474.3	$ 544.9	$ 432.4	$ 367.6	$ 320.3	$ 340.3	$ 327.1

	YTD FY 20 (mils)	YTD FY 19 (mils)	YTD FY 18 (mils)
Industrial Segment Sales	904.7	1,019.7	767.9
Industrial Segment Earnings	100.3	93.5	49.9
Purchase accounting impacts*	-	21.1	34.4
Adjusted Industrial Segment Earnings	100.3	114.6	84.3
Adjusted Industrial Segment Margin	11.1%	11.2%	11.0%

	YTD FY 20 (mils)	YTD FY 19 (mils)
Industrial Segment Sales Excluding Renewable Power Systems	837.0	931.7
Industrial Segment Earnings Excluding Renewable Power Systems	96.7	97.3
Adjusted Industrial Segment Earnings Excluding Renewable Power Systems	100.3	118.4
Industrial Segment Margin Excluding Renewable Power Systems	11.6%	10.4%
Adjusted Industrial Segment Margin Excluding Renewable Power Systems	11.6%	12.7%

	YTD FY 20	YTD FY 19	YTD FY 18	YTD FY 17	YTD FY16
Net Earnings Per Share	$ 3.74	$ 4.02	$ 2.82	$ 3.16	$ 2.85
Non-U.S. GAAP Adjustments					
Restructuring charges, net of tax	0.26	-	0.20	-	-
Other charges, net of tax*	(0.04)	0.69	0.66	-	-
Non-U.S. GAAP adjustments	0.22	0.69	0.86	-	-
Transition impact of recent changes to U.S. tax law	-	0.17	0.17	-	-
Total non-U.S. GAAP adjustments	0.22	0.86	1.03	-	-
Adjusted net earnings per share	$ 3.96	$ 4.88	$ 3.85	$ 3.16	$ 2.85

	YTD FY 20 (mils)	YTD FY 19 (mils)	YTD FY 18 (mils)	YTD FY 17 (mils)	YTD FY16 (mils)	YTD FY15 (mils)	YTD FY14 (mils)	YTD FY13 (mils)
Cash From Operations	$ 349.5	$ 390.6	$ 299.3	$ 307.5	$ 435.4	$ 287.4	$ 268.1	$ 222.6
Payments for PP&E	(47.1)	(99.1)	(127.1)	(92.3)	(175.7)	(286.6)	(207.1)	(141.6)
Free Cash Flow	$ 302.4	$ 291.5	$ 172.2	$ 215.2	$ 259.7	$ 0.8	$ 61.0	$ 81.0

** Includes, as applicable, (i) the gain on sale of assets associated with the sale of the Company's real property, (ii) the charge from the impairment of assets held for sale, and the losses, associated with the Company's divestiture of its renewable power systems and related businesses, (iii) Duarte move related costs, (iv) the purchase accounting impacts related to the amortization of the backlog intangible acquired in connection with the acquisition of Woodward L'Orange on June 1, 2018 (the "L'Orange Acquisition"), (v) the transition impacts of the change in U.S. federal tax legislation in December 2017, (vi) costs associated with the previously proposed merger with Hexcel Corporation, which merger agreement was terminated on April 5, 2020, (vii) transaction costs associated with the completed divestiture of renewable power systems and related businesses, (viii) restructuring charges related to the COVID-19 pandemic, (ix) acceleration of stock compensation expense related to restructuring activities, (x) the net gain on settlement of cross-currency interest rate swaps,*

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Non-U.S. GAAP Measures

[1]Adjusted and Non-U.S. GAAP Financial Measures: Adjusted net earnings, adjusted earnings per share, adjusted Industrial segment earnings, adjusted EBIT and EBITDA, adjusted effective tax rate, and adjusted nonsegment expenses exclude, as applicable, (i) the gain on sale of assets associated with the sale of the Company's Duarte real estate, (ii) the charge from the impairment of assets held for sale associated with the Company's decision to divest its renewable power systems portfolio, (iii) Duarte move related costs, (iv) the purchase accounting impacts related to the amortization of the backlog intangible acquired in connection with the acquisition of Woodward L'Orange on June 1, 2018 (the "L'Orange Acquisition"), and (iv) the transition impacts of the change in U.S. federal tax legislation in December 2017, (v) restructuring charges, (vi) L'Orange M&A transaction and integration costs, (vii) cost associated with the L'Orange acquisition-related forward option, (viii) warranty and indemnity insurance costs associated with the acquisition of L'Orange, (ix) German real estate transfer tax costs associated with the acquisition of L'Orange, and (x) the asset impairment charge related to the Senvion bankruptcy. Organic financial measures excludes all impacts related to acquisitions.. Woodward believes that these items are short-term costs or are otherwise not related to the ongoing operations of the business and therefore, uses them to illustrate more clearly how the underlying business of Woodward is performing. Adjusted free cash flow is free cash flow (defined below) plus the cash proceeds from the sale of real property at our former Duarte operations. Management believes the inclusion of these proceeds in free cash flow better portrays the net cash impact of relocating the Duarte, CA operations to the Drake Campus in Fort Collins, CO. For future periods, adjusted free cash flow will also exclude the cash impacts of the costs associated with the anticipated merger.

EBIT (earnings before interest and taxes), EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted cash flow from operating activities, free cash flow, adjusted free cash flow, adjusted net earnings, adjusted Industrial segment net earnings, adjusted net earnings per share, adjusted EBIT, adjusted EBITDA, adjusted effective tax rate, and adjusted nonsegment expenses are financial measures not prepared and presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Management uses EBIT to evaluate Woodward's operating performance without the impacts of financing and tax related considerations. 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. Management also uses free cash flow, which is derived from net cash provided by or used in operating activities less payments for property, plant, and equipment, as well as adjusted free cash flow (as described above), in reviewing the financial performance of Woodward's various business segments and evaluating cash generation levels. Securities analysts, investors, and others frequently use EBIT, EBITDA and free cash flow in their evaluation of companies, particularly those with significant property, plant, and equipment, and intangible assets that are subject to amortization. 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. Because EBIT and EBITDA exclude certain financial information compared with net earnings, the most comparable U.S. GAAP financial measure, users of this financial information should consider the information that is excluded. 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. Management's calculations of EBIT, EBITDA, adjusted net earnings, adjusted earnings per share, adjusted EBIT and EBITDA, adjusted effective tax rate, adjusted nonsegment expenses, free cash flow, and adjusted free cash flow may differ from similarly titled measures used by other companies, limiting their usefulness as comparative measures.

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WOODWARD

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