SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended July 26, 2003, 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 333-38223

ARGO-TECH CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**31-1521125**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**
23555 Euclid Avenue	**44117**
Cleveland, Ohio	**(Zip code)**
(Address of principal executive offices)	

(216) 692-6000
(Registrant's telephone number, including area code)

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 __X__ NO______

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES_____ NO__X__

All of the outstanding capital stock of the registrant is held by AT Holdings Corporation.

As of September 1, 2003, 1 share of the registrant's common stock, $.01 par value, was outstanding.

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PART I-FINANCIAL INFORMATION

ARGO-TECH CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of AT Holdings Corporation)

CONSOLIDATED BALANCE SHEETS
JULY 26, 2003 AND OCTOBER 26, 2002
(in thousands, except share data)

	2003	2002
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,874	$ 17,769
Receivables, net	26,684	24,550
Income tax receivable	3,274	3,274
Inventories	26,875	25,123
Deferred income taxes and prepaid expenses	5,610	5,002
Total current assets	72,317	75,718
PROPERTY AND EQUIPMENT, net of accumulated depreciation	24,366	26,204
GOODWILL, net of accumulated amortization	110,059	110,059
INTANGIBLE ASSETS, net of accumulated amortization	35,770	38,331
DEFERRED FINANCING AND OTHER ASSETS	9,445	10,021
Total Assets	$251,957	$260,333
LIABILITIES		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 11,000	$ 16,000
Accounts payable	3,814	5,252
Accrued liabilities	25,572	21,114
Total current liabilities	40,386	42,366
LONG-TERM DEBT, net of current maturities	210,271	219,045
OTHER NONCURRENT LIABILITIES	21,212	21,720
Total Liabilities	271,869	283,131
REDEEMABLE ESOP STOCK	11,082	11,355
Unearned ESOP stock	(1,260)	(2,520)
	9,822	8,835
SHAREHOLDER’S EQUITY/(DEFICIENCY):		
Common Stock, $.01 par value, authorized 3,000 shares; 1 share issued and outstanding	—	—
Paid-in capital	—	—
Accumulated comprehensive loss	(3,209)	(3,235)
Accumulated deficit	(26,525)	(28,398)
Total shareholder’s equity/(deficiency)	(29,734)	(31,633)
Total Liabilities and Shareholder’s Equity/(Deficiency)	$251,957	$260,333

The accompanying notes to consolidated financial statements are an integral part of these statements.

ARGO-TECH CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of AT Holdings Corporation)

CONSOLIDATED STATEMENTS OF NET INCOME

(In thousands)
UNAUDITED

	39 Week Period Ended		13 Week Period Ended	
	July 26, 2003	July 27, 2002	July 26, 2003	July 27, 2002
Net revenues	$115,373	$112,261	$39,417	$37,724
Cost of revenues	67,884	64,478	22,743	22,625
Gross profit	47,489	47,783	16,674	15,099
Selling, general and administrative	19,308	17,597	6,152	5,825
Research and development	6,784	8,766	2,009	2,703
Amortization of intangible assets	2,560	2,561	853	853
Operating expenses	28,652	28,924	9,014	9,381
Income from operations	18,837	18,859	7,660	5,718
Interest expense	16,005	16,179	5,385	5,322
Other, net	(26)	(14)	50	52
Income before income taxes	2,858	2,694	2,225	344
Income tax provision/(benefit)	790	(70)	649	(164)
Net income	$ 2,068	$ 2,764	$ 1,576	$ 508

The accompanying notes to consolidated financial statements are an integral part of these statements.

ARGO-TECH CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of AT Holdings Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 39 WEEK PERIODS ENDED JULY 26, 2003 AND JULY 27, 2002

(In thousands)
UNAUDITED

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,068	$ 2,764
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,125	3,678
Amortization of intangible assets and deferred financing costs	4,358	4,099
Accretion of bond discount	225	206
Compensation expense recognized in connection with employee stock ownership plan	1,008	1,892
Deferred income taxes	(1,331)	(1,279)
Changes in operating assets and liabilities:		
Receivables	(2,134)	11,348
Inventories	(1,752)	1,212
Prepaid expenses	(316)	(9)
Accounts payable	(1,439)	(1,387)
Accrued and other liabilities	4,989	2,816
Other, net	28	240
Net cash provided by operating activities	8,829	25,580
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,287)	(1,055)
Net cash used in investing activities	(1,287)	(1,055)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(14,000)	(13,959)
Payment of financing related fees	(1,224)	—
Purchase of AT Holdings stock from former ESOP participants	(273)	(527)
Other, net	60	(35)
Net cash used in financing activities	(15,437)	(14,521)
CASH AND CASH EQUIVALENTS:		
Net increase (decrease) for the period	(7,895)	10,004
Balance, Beginning of period	17,769	8,057
Balance, End of period	$ 9,874	$ 18,061

The accompanying notes to consolidated financial statements are an integral part of these statements.

ARGO-TECH CORPORATION AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of AT Holdings Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 39 WEEK PERIODS ENDED JULY 26, 2003 AND JULY 27, 2002
(Unaudited)

1. BASIS OF PRESENTATION

The principal operations of Argo-Tech Corporation (a wholly-owned subsidiary of AT Holdings Corporation) and its subsidiaries include the design, manufacture and distribution of aviation products, primarily aircraft fuel pumps, throughout the world. In addition, Argo-Tech leases a portion of its Cleveland, Ohio manufacturing facility to other parties. Argo-Tech's fiscal year ends on the last Saturday in October. Argo-Tech is obligated to fulfill certain obligations of AT Holdings Corporation. As a result, those obligations have been reflected in its financial statements. Certain reclassifications have been made in the prior year's financial statements to conform to the current year presentation.

Argo-Tech Corporation is a parent, holding company with four wholly-owned operating subsidiaries that guarantee Argo-Tech's senior subordinated notes. Argo-Tech has no outside assets, liabilities or operations apart from its wholly-owned subsidiaries. The senior subordinated notes are fully, unconditionally, jointly and severally guaranteed by the guarantor subsidiaries, and therefore, separate financial statements of the guarantor subsidiaries will not be presented. Management has determined that the information presented by such separate financial statements is not material to investors.

2. UNAUDITED FINANCIAL INFORMATION

The financial information included herein is unaudited; however, the information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of Argo-Tech's financial position and results of operations and cash flows for the interim periods presented. These financial statements and notes should be read in conjunction with the financial statements and related notes included in Argo-Tech's Annual Report on Form 10-K for the year ended October 26, 2002. The results of operations for the 39 week and 13 week periods ended July 26, 2003 are not necessarily indicative of the results to be expected for the full year.

3. INVENTORIES

Inventories are stated at standard cost which approximates the costs which would be determined using the first-in, first-out (FIFO) method. The recorded value of inventories is not in excess of market value. Inventories consist of the following (in thousands):

	July 26, 2003	October 26, 2002
Finished goods	$ 1,614	$ 1,861
Work-in-process and purchased parts	18,463	16,593
Raw materials and supplies	11,593	11,723
Total	31,670	30,177
Reserve for excess and obsolete inventory	(4,795)	(5,054)
Inventories — net	$26,875	$25,123

4. INTANGIBLE ASSETS

The following is a summary of intangible assets, other than goodwill (in thousands):

	July 26, 2003		October 26, 2002	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets:				
Contracts	$17,100	$ 9,976	$17,100	$ 8,693
Spare parts annuity	38,200	9,797	38,200	8,537
Patents	387	144	387	126
Total	$55,687	$19,917	$55,687	$17,356

Amortization expense recorded on the intangible assets for the 13 week and 39 week periods ended July 26, 2003 and July 27, 2002 was $0.8 million and $2.6 million, respectively. The estimated amortization expense for each of the four succeeding fiscal years 2003 through 2006 is $3.4 million and in fiscal year 2007 is $3.2 million.

5. PRODUCT WARRANTY

Argo-Tech Corporation adopted Financial Accounting Standards Board ("FASB") Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," effective as of its first quarter of fiscal 2003. FIN 45 requires disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued.

Argo-Tech accrues for warranty obligations for products sold based on management estimates of the amount that may be required to settle such potential obligations. These estimates are prepared with support from our sales, engineering, quality and legal functions. This accrual, which is reviewed in detail on a regular basis, is based on several factors: past experience, current claims, production changes and various other considerations. The following table presents a reconciliation of changes in the product warranty liability for the 39 week period ended July 26, 2003 (in thousands):

Beginning balance	$2,064
Accruals for warranties issued	89
Accruals for pre-existing warranties (including changes in estimate)	789
Warranty claims settled	(520)
Ending balance	$2,422

6. CONTINGENCIES

Environmental Matters — The soil and groundwater at Argo-Tech's Cleveland, Ohio facility and Costa Mesa, California facility contain elevated levels of certain contaminants which are currently in the process of being removed and/or remediated. Because Argo-Tech has certain indemnification rights from former owners of the facilities for liabilities arising from these or other environmental matters, in the opinion of Argo-Tech's management, the ultimate outcome is not expected to materially affect its financial condition, results of operations or liquidity.

Other Matters — Argo-Tech is subject to various legal actions and other contingencies arising in the ordinary course of business. In the opinion of Argo-Tech's management, after reviewing the information which is currently available with respect to such matters and consulting with Argo-Tech's legal counsel, any liability which may ultimately be incurred with respect to these additional matters is not expected to materially affect Argo-Tech's financial condition, results of operations or liquidity.

7. SEGMENT INFORMATION

Argo-Tech operates in two business segments: Aerospace and Industrial. The Aerospace segment includes the design, manufacture, distribution, repair and overhaul of aviation products throughout the world, consisting of aircraft fuel pumps, fuel flow related products found on a plane's airframe, and aerial refueling pumps and related equipment. The Industrial segment includes the design, manufacture and distribution of industrial pumps, ground fueling valves and related components, industrial marine cryogenic pumps and nozzles for transferring liquefied natural gas and operation of a business park in Cleveland, Ohio where we maintain our headquarters and one of our production facilities.

Argo-Tech evaluates the performance of its segments based primarily on operating profit before amortization of deferred financing fees and other identified intangibles, interest expense, interest income, other miscellaneous fees and income taxes.

The following table presents revenues and other financial information by business segment (in thousands):

13 Week Period Ended July 27, 2003

	Aerospace	Industrial	Corporate	Consolidated
Net revenues	$28,766	$10,651	$ —	$39,417
Operating profit (loss)	7,304	1,300	(91)	8,513
Amortization of intangible assets				853
Income from operations				7,660
Interest expense				5,385
Other, net				50
Income before income taxes				$ 2,225
Capital expenditures	104	335		439
Depreciation	601	315	104	1,020
Compensation expense recognized in connection with employee stock ownership plan	(233)	(19)		(252)

13 Week Period Ended July 27, 2002

	Aerospace	Industrial	Corporate	Consolidated
Net revenues	$28,808	$8,916	$ —	$37,724
Operating profit (loss)	6,040	711	(180)	6,571
Amortization of intangible assets				853
Income from operations				5,718
Interest expense				5,322
Other, net				52
Income before income taxes				$ 344
Capital expenditures	187	212		399
Depreciation	704	340	150	1,194
Compensation expense recognized in connection with employee stock ownership plan	571	61		632

39 Week Period Ended July 26, 2003

	Aerospace	Industrial	Corporate	Consolidated
Net revenues	$87,762	$27,611	$ —	$115,373
Operating profit (loss)	20,609	1,073	(285)	21,397
Amortization of intangible assets				2,560
Income from operations				18,837
Interest expense				16,005
Other, net				(26)
Income before income taxes				$ 2,858
Capital expenditures	537	750		1,287
Depreciation	1,863	953	309	3,125
Compensation expense recognized in connection with employee stock ownership plan	887	121		1,008

39 Week Period Ended July 27, 2002

	Aerospace	Industrial	Corporate	Consolidated
Net revenues	$87,254	$25,007	$ —	$112,261
Operating profit (loss)	21,419	1,134	(1,133)	21,420
Amortization of intangible assets				2,561
Income from operations				18,859
Interest expense				16,179
Other, net				(14)
Income before income taxes				$ 2,694
Capital expenditures	571	484		1,055
Depreciation	2,122	1,021	535	3,678
Compensation expense recognized in connection with employee stock ownership plan	1,691	201		1,892

8. OTHER COMPREHENSIVE INCOME

Other comprehensive income includes foreign currency translation adjustments (in thousands).

	39 week period ended		13 week period ended	
	July 26, 2003	July 27, 2002	July 26, 2003	July 27, 2002
Net income	$2,068	$2,764	$1,576	$508
Other comprehensive income (loss):				
Foreign currency translation adjustment	26	(7)	9	86
Other comprehensive income (loss) before tax	26	(7)	9	86
Income tax benefit related to other comprehensive income (loss)	—	—	—	—
Other comprehensive income (loss), net of tax	26	(7)	9	86
Comprehensive income	$2,094	$2,757	$1,585	$594

9. NEW ACCOUNTING PRONOUNCEMENTS

In June 2002, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. Management determined the adoption of this statement had no effect on Argo-Tech's consolidated financial statements.

In November 2002, the FASB issued FASB Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that a liability be recorded in the guarantor's balance sheet upon issuance of a guarantee. In addition, FIN 45 requires disclosures about the guarantees that an entity has issued, including a rollforward of the entity's product warranty liabilities. See Note 5 for this disclosure. Argo-Tech will apply the recognition provisions of FIN 45 prospectively to guarantees issued after December 31, 2002. Argo-Tech has not guaranteed any other obligation before or after December 31, 2002 that would require disclosure under FIN 45.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities." FIN 46 provides guidance on how to identify a variable interest entity ("VIE") and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. FIN 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The provisions of this interpretation became effective upon issuance. Management believes the adoption of this interpretation is not likely to have a material impact on Argo-Tech's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement establishes how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify certain financial instruments (as identified in the scope of the statement), as a liability (or an asset in some circumstances), that were previously classified as equity. The provisions of this statement are effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Management has not determined the impact, if any, that this statement will have on Argo-Tech's consolidated financial statements.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

We design, manufacture, sell and service high performance fuel flow devices and systems for both aerospace and general industrial applications. Argo-Tech operates in two business segments, Aerospace and Industrial. The Aerospace segment includes the design, manufacture, distribution, repair and overhaul of aviation products throughout the world, consisting of aircraft engine fuel pumps, fuel flow related products and systems found on a plane's airframe, and aerial refueling pumps and related equipment. Argo-Tech provides these products and services to substantially all commercial and domestic military engine and airframe manufacturers, to airlines worldwide and to the U.S. and certain foreign militaries. The Industrial segment includes the design, manufacture and distribution of industrial pumps, ground fueling valves and related components, industrial marine cryogenic pumps and nozzles for transferring liquefied natural gas and operation of a business park in Cleveland, Ohio, where we maintain our headquarters and one of our production facilities.

The following is management's discussion and analysis of certain significant factors which have affected Argo-Tech's financial position and operating results during the periods presented in the accompanying condensed consolidated financial statements. Argo-Tech's fiscal year ends on the last Saturday of October and is identified according to the calendar year in which it ends.

Critical Accounting Policies

Argo-Tech's condensed consolidated financial statements reflect the selection and application of accounting policies that require management to make significant estimates and assumptions. These estimates and assumptions are an integral part of our condensed consolidated financial statements and are based on our knowledge and experience about past and current events. Accounting policies that we believe are most critical to our financial condition and operating results pertain to the valuation of accounts receivable, valuation of excess and obsolete inventory, goodwill and intangible assets and revenue recognition. Argo-Tech's significant accounting policies are described in Note 2 to the consolidated financial statements included with its Form 10-K for the fiscal year ended October 26, 2002.

Fluctuations of Operating Results; Limitation of Quarterly Comparisons

Argo-Tech's results of operations are subject to fluctuations from quarter to quarter due to changes in demand for its products, changes in product mix and other factors. Demand for its products can vary from quarter to quarter due to changes in demand for, and timing of deliveries of, OEM, aftermarket and military products and services. In particular, the timing of Argo-Tech's aftermarket sales tends not to occur on a predictable schedule and, furthermore, the sales tend to occur in large quantities that can significantly impact quarterly comparisons. Accordingly, year-to-year and quarter-to-quarter comparisons of quarterly results may not be meaningful, and quarterly results during the year are not necessarily indicative of the results that may be expected for any future period or for the entire year.

Results of Operations for the 13 Week Period Ended July 26, 2003 Compared With the 13 Week Period Ended July 27, 2002

Net revenues for the 13 week period ended July 26, 2003 increased $1.7 million, or 4.5%, to $39.4 million from $37.7 million for the 13 week period ended July 27, 2002. This increase was primarily due to an increase in industrial revenues. While aerospace revenues in total remained unchanged, an increase of $1.7 million of military revenues was offset by a decrease of $1.7 million in commercial aerospace revenues. Commercial OEM revenues remained constant with last year at $4.9 million and commercial aftermarket revenues decreased $1.7 million, or 11.5%, to $13.1 million in the 13 week period ended July 26, 2003. Commercial aftermarket revenues were lower primarily due to a decrease in the demand for spare part sales and repair and overhaul activities. The lower demand for aftermarket sales and activities is a result of the reduced flying by commercial airlines, the availability of spare parts taken from parked aircraft and deferral of maintenance. Military revenues increased primarily due to revenue related to sales of main engine pumps for the KC-135, increased sales of F-16 and F-22 airframe components, an increase in revenues related to airframe components on the Joint Strike Fighter development program and higher sales of aftermarket parts on a variety of aerial refueling and airframe programs, offset by a decrease in revenue related to KC-135 aerial refueling pumps due to the completion of the retrofit program earlier this year. The $1.7 million increase in industrial revenues was primarily attributable to increased ground fueling and cryogenic pump revenues offset by a decrease in industrial gas turbine revenues.

Aerospace gross profit for the 13 week period ended July 26, 2003 increased $0.8 million, or 6.7%, to $12.7 million from $11.9 million in the 13 week period ended July 27, 2002. Gross margin increased to 44.1% for the 13 week period ended July 26, 2003 from 41.3% in the 13 week period ended July 27, 2002. The increase in gross profit and gross margin is primarily attributable to a change in classification and allocation of $0.6 million of certain costs to selling, general and administrative expenses and a reduction in non-cash ESOP compensation expense partially offset by a decrease in sales of higher margin aerospace aftermarket products. Industrial gross profit for the 13 week period ended July 26, 2003 increased $0.7 million, or 21.2%, to $4.0 million from $3.3 million in the 13 week period ended July 27, 2002. Gross margin increased to 37.7% in the 13 week period ended July 26, 2003 from 37.1% in the 13 week period ended July 27, 2002. The increase in gross profit and gross margin was primarily attributable to an increase in ground fueling and cryogenic pump revenues offset by an increase in utility costs associated with the operation of our business park.

Operating expenses for the 13 week period ended July 26, 2003 decreased $0.4 million, or 4.3%, to $9.0 million from $9.4 million in the 13 week period ended July 27, 2002. This decrease is primarily attributable to a decrease of $0.7 million in research and development expenses due to an increase in customer paid development expenses, which are included in cost of revenues, and a decrease in spending related to programs nearing completion. The decrease in research and development expense was partially offset by an increase in selling, general and administrative expenses of $0.3 million. Selling, general and administrative expenses includes $0.6 million due to a change in classification and allocation of certain costs from cost of sales and $0.3 million of severance costs associated with a reduction in the salaried workforce, offset by a decrease of $0.2 million in non-cash ESOP compensation expense and an increase in miscellaneous other income. Operating expenses as a percent of revenues decreased to 22.8% for the 13 week period ended July 26, 2003 as compared to 24.9% for the 13 week period ended July 27, 2002.

Income from operations for the 13 week period ended July 26, 2003 increased $2.0 million, or 35.1%, to $7.7 million from $5.7 million in the 13 week period ended July 27, 2002. As a percent of revenues, income from operations for the 13 week period ended July 26, 2003 increased to 19.5% from 15.1% for the 13 week period ended July 27, 2002. These increases were primarily due to increased industrial revenues and a decrease in operating expenses partially offset by an increase in utility costs associated with the operation of our business park.

Interest expense for the 13 week period ended July 26, 2003 increased $0.1 million, or 1.9%, to $5.4 million from $5.3 million in the 13 week period ended July 27, 2002. While there was a lower outstanding borrowing on the term loans for the 13 week period ended July 26, 2003 as compared to the 13 week period ended July 27, 2002, the interest rate for the current period was slightly higher as a result of the amendment and restatement of our credit facility in January 2003.

The income tax provision was $0.6 million for the 13 week period ended July 26, 2003 as compared to a benefit of $0.2 million for the 13 week period ended July 27, 2002. This increase is primarily due to an increase in pre-tax income and the non-recurrence of favorable tax adjustments recorded in the 13 week period ended July 27, 2002.

Net income for the 13 week period ended July 26, 2003 increased $1.1 million to $1.6 million from $0.5 million for the 13 week period ended July 27, 2002, primarily due to the revenue and expense factors discussed above.

Results of Operations for the 39 Week Period Ended July 26, 2003 Compared With the 39 Week Period Ended July 27, 2002

Net revenues for the 39 week period ended July 26, 2003 increased $3.1 million, or 2.8%, to $115.4 million from $112.3 million for the 39 week period ended July 27, 2002. This increase was primarily due to an increase in aerospace revenues of $0.5 million and a $2.6 million increase in industrial revenues. The increase in aerospace revenues was attributable to an increase of $8.4 million in military revenues offset by a decrease of $7.9 million of commercial aerospace revenues. Commercial OEM revenues decreased $0.5 million, or 3.3%, to $14.8 million and commercial aftermarket revenues decreased $7.4 million, or 15.2%, to $41.4 million in the 39 week period ended July 26, 2003. Commercial OEM revenues decreased as a result of lower overall engine requirements from our customers in response to reduced aircraft build rates. Commercial aftermarket revenues were lower primarily due to a decrease in demand for spare part sales and a decrease in repair and overhaul services. Military revenues increased primarily due to revenue related to increased sales of KC-135 aerial refueling components and main engine pumps, increased sales of F-16 and F-22 airframe components, an increase in revenues related to airframe components on the F-22 and Joint Strike Fighter development programs, and higher sales of aftermarket parts on a variety of aerial refueling and airframe programs. Industrial revenues increased $2.6 million, primarily due to an increase in ground fueling and cryogenic pump revenues offset by a decrease in industrial gas turbine revenues.

Aerospace gross profit for the 39 week period ended July 26, 2003 decreased $0.8 million, or 2.0%, to $38.6 million from $39.4 million in the 39 week period ended July 27, 2002. Gross margin decreased to 44.0% for the 39 week period ended July 26, 2003 from 45.1% in the 39 week period ended July 27, 2002. The decrease in gross profit and gross margin is primarily attributable to a decrease in higher margin commercial aerospace aftermarket revenues partially offset by an increase in military revenues, a change in classification and allocation of $1.7 million of certain costs to selling, general and administrative expenses and a reduction in non-cash ESOP compensation expense. Industrial gross profit for the 39 week period ended July 26, 2003 increased $0.2 million, or 2.2%, to $9.1 million from $8.9 million in the 39 week period ended July 27, 2002. The increase in gross profit was attributable to an increase in ground fueling and cryogenic pump revenues partially offset by an increase in utility costs associated with the operation of our business park and a decrease in industrial gas turbine revenues. Gross margin, which decreased to 33.0% in the 39 week period ended July 26, 2003 from 35.6% in the 39 week period ended July 27, 2002, was lower primarily due to the increase in utility costs and an unfavorable sales mix of ground fueling products.

Operating expense for the 39 week period ended July 26, 2003 decreased $0.2 million, or 0.7%, to $28.7 million from $28.9 million in the 39 week period ended July 27, 2002. Selling, general and administrative expenses increased $1.8 million due to a $1.7 million change in classification and allocation of certain costs from cost of sales and a $0.7 million increase primarily related to increased marketing costs, airline bad debt expenses and severance costs associated with a reduction in the salaried workforce, which was partially offset by the non-recurrence of a non-cash expense of $0.6 million related to a salaried employee early retirement program in the 39 week period ended July 27, 2002. The increase in selling, general and administrative expenses was offset by a decrease of $2.0 million in research and development expenses due to an increase in customer paid development expenses, which are included in cost of revenues, and a decrease in spending related to programs nearing completion. Operating expenses as a percent of revenues decreased to 24.9% for the 39 week period ended July 26, 2003 as compared to 25.7% for the 39 week period ended July 27, 2002.

Income from operations for the 39 week period ended July 26, 2003 remained constant with the 39 week period ended July 27, 2002 at $18.8 million. As a percent of revenues, income from operations for the 39 week period ended July 26, 2003 decreased to 16.3% from 16.8% for the 39 week period ended July 27, 2002. This decrease was primarily due to the decrease in higher margin commercial aerospace aftermarket revenues, a decrease in industrial gas turbine revenues, an increase in utility costs associated with the operation of our business park and an increase in selling, general and administrative expenses, partially offset by the decrease in non-cash ESOP compensation expense and research and development expenses.

Interest expense for the 39 week period ended July 26, 2003 decreased $0.2 million, or 1.2%, to $16.0 million from $16.2 million for the 39 week period ended July 27, 2002 due to lower outstanding borrowings which were partially offset by an increase in interest rates on the term loans.

The income tax provision was $0.8 million for the 39 week period ended July 26, 2003 as compared to a benefit of $0.1 million for the 39 week period ended July 27, 2002. This increase is primarily due to the non-recurrence of favorable tax adjustments recorded in the 39 week period ended July 27, 2002.

Net income for the 39 week period ended July 26, 2003 decreased $0.7 million, or 25.0%, to $2.1 million from $2.8 million for the 39 week period ended July 27, 2002 primarily due to the revenue and expense factors discussed above.

Liquidity and Capital Resources

Argo-Tech is a holding company that receives all of its operating income from its subsidiaries. As a result, Argo-Tech's primary source of liquidity for conducting business activities and servicing its indebtedness has been cash flows from operating activities.

Cash and cash equivalents for the 39 week period ended July 26, 2003 decreased $7.9 million to $9.9 million. This was primarily due to the scheduled repayment of term loans, payment of financing fees associated with amending and restating the credit agreement, capital expenditures and a slight increase in working capital requirements, offset by adjusted net income.

Capital expenditures for the 39 weeks ended July 26, 2003 totaled $1.3 million compared to $1.1 million for the 39 weeks ended July 27, 2002. Argo-Tech expects to incur capital expenditures of approximately $1.0 million for the remainder of fiscal year 2003, related to the continued maintenance of facilities, equipment and systems to support current operating activities.

In January 2003, Argo-Tech amended and restated its credit facility. Long-term debt at July 26, 2003 consisted of $27.8 million principal amount of term loans and $193.5 million principal amount of senior subordinated notes. Scheduled payments of $14.0 million were made on the term loans in the 39 week period ended July 26, 2003. At July 26, 2003, Argo-Tech has available, after $1.2 million in letters of credit, an $18.8 million revolving credit facility. As of July 26, 2003, there were no outstanding borrowings on the revolving credit facility. The credit facility contains no restrictions on the ability of Argo-Tech's subsidiaries to make distributions to Argo-Tech.

Our expected future contractual cash obligations and other commercial commitments for the next five years are as follows (in millions):

	2003(1)	2004	2005	2006	2007
Contractual Obligations:					
Long Term Debt	$2.0	$12.0	$13.8	$—	$195.0
Operating Leases	0.1	0.3	—	—	—
Total Contractual Cash Obligations	$2.1	$12.3	$13.8	$—	$195.0

(1) – Amount remaining for fiscal year 2003. Total obligation was $16.3 million.

We believe that cash flow from operations will provide adequate funds for our working capital needs, planned capital expenditures and near term debt service obligations. Our ability to fund our operations, make planned capital expenditures, and to make scheduled payments on our indebtedness depends on our future operating performance and cash flow. We may need to refinance all or a portion of our indebtedness on or before maturity. There can be no assurance that Argo-Tech will be able to refinance any of its indebtedness on commercially reasonable terms or at all. These items are subject to prevailing conditions and to financial, business, and other factors, some of which are beyond our control.

Certain Factors That May Affect Future Results

From time to time, information provided by Argo-Tech, statements by its employees or information included in its filings with the Securities and Exchange Commission (including those portions of the Management's Discussion and Analysis that refer to the future) may contain forward-looking statements that are not historical facts. Those statements are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, and Argo-Tech's future performance, operating results, financial position and liquidity, are subject to a variety of factors that could materially affect results. Some, but not necessarily all, of these factors include: Argo-Tech's dependence on the aerospace industry, especially as the industry is affected by commercial airlines operating schedules, terrorism alert and health warnings and losses in the airline industry; government regulation and oversight; defense spending; competition; product and environmental liabilities; and risks associated with its workforce, suppliers, and indebtedness.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

In the ordinary course of operations, Argo-Tech's major market risk exposure is to changing interest rates, primarily with respect to its long-term debt obligations. At July 26, 2003, Argo-Tech had fixed rate debt totaling $195 million, including $1.5 million of accretion, at 8.625% and variable rate debt under its existing credit facility of $27.8 million calculated at Argo-Tech's choice using an alternate base rate (ABR) or LIBOR, plus a supplemental percentage determined by the ratio of debt to EBITDA. The variable rate is not to exceed ABR plus 2.50% or LIBOR plus 3.50%. Argo-Tech currently has no derivative contracts and does not enter into derivative contracts for trading or speculative purposes. A 10% fluctuation in interest rates would not materially affect Argo-Tech's financial condition, results of operations or cash flows.

ITEM 4.

CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. The term "disclosure controls and procedures" is defined in Rules 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934 (the "Exchange Act"). These rules refer to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the required time periods. Argo-Tech's Chief Executive Officer and Chief Financial Officer have evaluated the design, operation and effectiveness of Argo-Tech's disclosure controls and procedures and have concluded, based on such evaluation, that such controls and procedures were effective at ensuring that required information will be disclosed in Argo-Tech's reports filed under the Exchange Act as of July 26, 2003.

(b) Changes in internal controls. There were no changes in Argo-Tech's internal controls or in other factors during the quarter ended July 26, 2003 that have, or are reasonably likely to, materially affect Argo-Tech's control over financial reporting.

PART II — OTHER INFORMATION

Item 6 — Exhibits and Reports on Form 8-K

(a) Exhibit 31 – Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

(b) Exhibit 32 – Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Reports on Form 8-K — None

SIGNATURE

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

Date: September 8, 2003

ARGO-TECH CORPORATION

By: /s/ Frances S. St. Clair

Frances S. St. Clair
Vice President and Chief Financial Officer
(Duly Authorized Officer)

By: /s/ Paul A. Sklad

Paul A. Sklad
Controller
(Principal Accounting Officer)