



ESCO Technologies Communications Segment Update

September 18, 2007

ST. LOUIS, Sept. 18 /PRNewswire-FirstCall/ -- ESCO Technologies Inc. (NYSE: ESE) today announced the strategic integration of its three primary Communications Segment operating entities to more effectively serve the electric, gas and water markets. In addition, the Company provided a current status update on its TWACS Next Generation (TWACS NG(TM)) software development program and updated guidance.

Strategic Integration of the Communications Segment

The realignment of the Communications Segment was in response to the utility markets' increasing requirements for fully integrated, state-of-the-art advanced metering solutions which include comprehensive data management systems. These actions position ESCO to further expand its market presence within this fast-growing Segment.

The strategic alignment and integration of DCSI, Hexagram, and Nexus Energy Software into a more concentrated customer-facing organization will bring together a comprehensive suite of unique products and services providing proven technologies and industry leadership while offering seamless, integrated solutions that have not existed in the marketplace historically.

As a result of these actions, ESCO is now capable of providing customers with a comprehensive hybrid solution that offers the highest caliber, proven-at-scale, two-way fixed network Advanced Metering communication system. This new hybrid solution includes both power-line and wireless / RF based technologies which are fully integrated with enterprise software (including Meter Data Management) that stands alone in its ability to optimize what Smart Metering data can accomplish for utilities and their customers.

This combined technology offering provides customers with the option to choose a fully customized AMR / AMI solution suite designed to meet their individual needs regardless of size, geography, or advanced functional requirements currently or in the future.

Vic Richey, Chairman and Chief Executive Officer, commented, "The AMR / AMI market continues to expand and offers a tremendous growth opportunity for our Company. In this regard, I am pleased to announce that Bruce Phillips, currently President of DCSI, will assume the role of Group President of the Communications Segment. Bruce is now responsible for the overall growth strategy and operating performance of the Group, with the senior management teams of DCSI, Hexagram, and Nexus reporting to him. Bruce is a proven leader with an exceptional track record and brings a wealth of experience to this position. I am confident in his capabilities to effectively lead this organization.

"Our strategic actions announced today position us to provide utilities with a proven suite of solutions that are unique and unsurpassed by any of our competitors. One of our primary objectives has always been to help our customers mitigate their operational challenges while providing superior customer service to their consumers.

"We are now able to more effectively satisfy customer requirements by offering a complete suite of interchangeable solutions allowing them to select an optimal configuration of technologies to meet their current and future needs. All of this is now available from one solution provider, ESCO.

"Additionally, our recent initiatives on the international front confirm that the opportunities to deploy our technology solutions outside of North America are substantial, and that this integration should assist us in capitalizing on these opportunities."

Mr. Richey concluded, "I am confident that this alignment and integration put us in an excellent position to capture new business and enhance our ability to satisfy our customers' needs. These actions significantly optimize our market position and capitalize on the strengths of the respective organizations and the tremendous employees who have made DCSI, Hexagram and Nexus successful, and should allow us to garner more than our fair share of the AMR / AMI opportunities in front of us."

TWACS NG ("TNG") Software Update

All of the code development for the new functionality has been completed on the recently developed TNG software versions 2.0 and 3.0, with both functional and performance testing continuing with favorable results.

To ensure that the Company delivers the most capable, robust and upgradeable AMI software application available in the market today, DCSI has established a very rigorous set of internal testing protocols and procedures which are designed to detect and mitigate performance deficiencies prior to the delivery of the software.

As a result of this comprehensive testing protocol, the Company has identified a number of small issues which are being remediated through minor modifications to the original code. This ongoing "debugging" process has resulted in additional retesting of the patches which has added development time and, therefore, moves the expected delivery date of version 3.0 into the first quarter of fiscal 2008.

Given that the customer is not planning to use version 3.0 until sometime later in calendar 2008, Management determined that it is more efficient to utilize this additional time window to conduct even more thorough testing of the software prior to delivery.

This revised expected delivery date has no impact on the customer's current product delivery and installation schedule.

As a result of accounting rules previously described throughout fiscal 2007 earnings releases, the Company will be required to defer revenue recognition on this contract until the first fiscal quarter of 2008 when the software is now expected to be delivered.

Operationally during fiscal 2007, DCSI is expected to deliver 338,000 electric modules and 62 pieces of substation equipment with a total sales value of \$20.2 million and a related pretax profit of \$8.4 million. These sales and profit amounts are now expected to be recognized in the first quarter of fiscal 2008 versus our previous expectations of revenue recognition in the fiscal 2007 fourth quarter.

Additionally, this revenue and profit deferral does not have any cash flow impact to DCSI as nearly \$22 million of payments for the product deliveries to date have been received consistent with normal payment terms.

Operationally, with the exception of this issue, the Company continues to be on track with our previous expectations.

Vic Richey commented, "While I am disappointed that we will not be able to recognize this revenue in final 2007 for the hardware delivered to date, I am very pleased with the performance of the software. I remain confident that TWACS NG will be the best-in-class AMI software offering available in the market. While time consuming, I believe adherence to our rigid testing discipline will result in having a final software product that both meets and exceeds current and future customers' expectations."

Forward Looking Statement

Statements in this release regarding the amounts and timing of fiscal 2007 and 2008 future profits, earnings and sales, long term success of the Company, successful development, delivery and customer acceptance of the TNG Software, the timing of deferred revenue and products previously delivered to PG&E, and any other written or oral statements which are not strictly historical, are "forward-looking" statements within the meaning of the safe harbor provisions of the federal securities laws. Investors are cautioned that such statements are only predictions, and speak only as of the date of this release, and the Company undertakes no duty to update. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including, but not limited to the risk factors described in Item 1A of the Company's annual report on Form 10-K for the fiscal year ended September 30, 2006 and Item 1A of the Company's Form 10-Q for the three months ended June 30, 2007; actions by the California Public Utility Commission; PG&E's Board of Directors or PG&E's management impacting PG&E's AMI projects; the timing and success of DCSI's software development efforts; DCSI successful performance of the PG&E contracts; technical difficulties; and termination of customer contracts.

ESCO, headquartered in St. Louis, is a proven supplier of special purpose communications systems for electric, gas and water utilities, including hardware and software to support advanced metering applications. In addition, the Company provides engineered filtration products to the transportation, health care and process markets worldwide and is the industry leader in RF shielding and EMC test products. Further information regarding ESCO and its subsidiaries is available on the Company's website at <http://www.escotechnologies.com>.

SOURCE ESCO Technologies Inc.

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