

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 8-K  
CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 11, 2015

ESCO TECHNOLOGIES INC.  
(Exact Name of Registrant as Specified in Charter)

Missouri  
(State or Other  
Jurisdiction of Incorporation)

1-10596  
(Commission  
File Number)

43-1554045  
(I.R.S. Employer  
Identification No.)

9900A Clayton Road, St. Louis, Missouri  
(Address of Principal Executive Offices)

63124-1186  
(Zip Code)

Registrant's telephone number, including area code: 314-213-7200

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2 (b) under the Exchange Act (17 CFR 240.14d-2 (b))
  - Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.113d-4 (c))
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**Item 2.02 Results of Operations and Financial Condition**

Today, November 12, 2015, the Registrant (“Company”) is issuing a press release (furnished as Exhibit 99.1 to this report) announcing its financial and operating results for the fiscal year ended September 30, 2015. See Item 7.01, Regulation FD Disclosure, below.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**

**Fiscal 2016 Executive Officer Base Salaries and Cash Incentive Compensation**

On November 11, 2015, the Human Resources and Compensation Committee (the “Committee”) of the Company’s Board of Directors approved the fiscal 2016 base salaries and target cash incentive compensation opportunities for its executive officers:

Officer	Fiscal 2016 Base Salary	Fiscal 2016 Target Cash Incentive Compensation
Victor L. Richey	\$824,500	\$605,000
Gary E. Muenster	\$550,000	\$368,300
Alyson S. Barclay	\$326,000	\$179,400

The Company has two cash incentive compensation plans: (i) the Incentive Compensation Plan (the “ICP”) and (ii) the Performance Compensation Plan for Executive Officers (the “PCP”). For fiscal 2016 the Committee determined to allocate 50% of the executive officers’ cash incentive compensation opportunity to the ICP, and 50% to the PCP. The Committee also approved the fiscal 2016 performance criteria for determining the percentage of such target incentive compensation opportunity that will be actually earned by the executive officers, depending on actual fiscal 2016 results compared to the criteria.

Under the ICP, the Committee established Company earnings per share (“EPS”) as the single criterion for measuring performance, the same as for fiscal 2015. The actual cash incentive compensation payable under the ICP for fiscal 2016 will range from 0.0 to 2.0 times the ICP share of the target opportunity depending on actual 2016 EPS, based on a matrix specifying particular EPS thresholds.

Under the PCP, the Committee established the same three Company performance measures as for fiscal 2015: Cash, weighted at 25% of the total target opportunity; Entered Orders, weighted at 15% of the total target opportunity; and Return on Invested Capital, weighted at 10% of the total target opportunity. The actual cash incentive compensation payable under the PCP for fiscal 2016 will range from 0.2 to 2.0 times the PCP share of the target opportunity depending on actual 2016 performance, based on a separate matrix for each of the three measures.

**Modifications to Long-Term Incentive Compensation Awards**

On November 11, 2015, the Committee approved amendments to the Company’s standard form of Award Agreement for long-term incentive compensation awards granted under the Company’s 2013 Incentive Compensation Plan (the “Incentive Plan”) to the Company’s executive officers and certain other management personnel, effective beginning with the awards granted on that date. The amended form of Award Agreement is included herein as Exhibit 10.1.

In addition to clarifying and updating certain language in the award forms, the amendments:

- Eliminate any accelerated payout if the specified stock price targets are not achieved by the end of the fourth fiscal year of the Award, but retain the provision that the remaining portion of the Award will become distributable at the end of the five-year award period;
- Protect the Award recipients in the event of a Change of Control (as defined in the Award) by permitting them to retain the benefits of the Award if, within 90 days prior to the Change of Control and at the request of the new controlling party, their employment is terminated or the Incentive Plan is modified to reduce or eliminate the benefits provided by the Award, and provided that the Change of Control actually occurs;
- Modify the Change in Control provisions to provide that the value of the Award will be paid in cash rather than Company common stock; that the amount will be based on the average value of the Company’s stock over the ten trading date prior to the Change of Control; and that this amount will be paid within 30 days after the Change of Control.
- Reflect provisions already in the Incentive Plan permitting the Committee in its sole discretion to authorize a full or partial payment in the event of the Award holder’s death, disability, retirement or otherwise prior to completion of the Award term.

The Committee also approved conforming amendments to the Company’s outstanding long-term incentive compensation awards granted in 2012, 2013 and 2014, the form of which is included herein as Exhibit 10.2.

**Amendment and Restatement of Severance Plan**

On November 11, 2015, the Committee amended and restated the existing Severance Plan for the Company’s executive officers (the “Severance Plan”), a copy of which is included herein as Exhibit 10.3.

The amendments do not change the current “double trigger” requirement under the Severance Plan; i.e. for benefits to be payable under the Severance Plan, (i) a Change of Control must occur, as defined in the Severance Plan, and (ii) the executive’s employment must be terminated by the employer without “Cause” or by the executive for “Good Reason” (as those terms are defined in the Severance Plan) within 90 days before or up to two years after the Change of Control. However, in addition to clarifying and updating certain language in the Severance Plan, the amendments:

- Modify the employment termination provisions by adding language that the Change of Control must actually occur before or within 90 days after the termination, and that the termination must be at the request of the new controlling party;
- Clarify that the employment benefits payable to an executive under the Severance Plan include the value of the Company’s matches to the executive’s 401(k) Plan and Employee Stock Purchase plan accounts;
- Include in the payments to which the executive is entitled during his or her employment following a Change of Control an annual amount equal to the value of the executive’s last Incentive Plan Awards granted prior to the Change of Control, and this amount may be provided in the acquiring party’s stock if it is publicly traded; and
- Simplify the calculation of the executive’s performance bonus amount to be included in the annual benefits payable to the executive during employment after a Change of Control; and include this annual amount in calculating the lump-sum payment to be made to the executive in the event of termination after the Change of Control.

**Item 7.01 Regulation FD Disclosure**

Today, November 12, 2015, the Registrant is issuing a press release (Exhibit 99.1) announcing its financial and operating results for the fiscal year ended September 30, 2015. The Registrant will conduct a related Webcast conference call today at 4:00 p.m. Central Time. This press release will be posted on the Registrant’s web site located at <http://www.escotechnologies.com>. It can be viewed through the “Investor Relations” page of the web site under the tab “Press Releases,” although the Registrant reserves the right to discontinue that availability at any time.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

Exhibit No.	Exhibit
10.1	Form of Award Agreement under 2013 Incentive Compensation Plan
10.2	Form of Amendment to outstanding long-term incentive compensation awards
10.3	Amended and Restated Severance Plan
99.1	Press Release dated November 12, 2015

**Other Matters**

The information in this report furnished pursuant to Item 2.02 and Item 7.01, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liabilities of that section, unless the Registrant incorporates it by reference into a filing under the Securities Act of 1933, as amended, or the Exchange Act.

References to the Registrant’s web site address are included in this Form 8-K and its Exhibits only as inactive textual references, and the Registrant does not intend them to be active links to its web site. Information contained on the Registrant’s web site does not constitute part of this Form 8-K or its Exhibits.

**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 hereunto duly authorized.

ESCO TECHNOLOGIES INC.

By: /s/Gary E. Muenster  
Gary E. Muenster  
Executive Vice President  
and Chief Financial Officer

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EXHIBIT INDEX

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## PARS AWARD AGREEMENT

**To:** \_\_\_\_\_

**From:** Human Resources and Compensation Committee of the Board of Directors (the "Committee")

**Subject:** ESCO Technologies Inc. 2013 Incentive Compensation Plan ("Plan") –  
20\_\_ Award ("Award")

1. **Award.** Effective \_\_\_\_\_, 20\_\_ (the "Effective Date") the Committee has awarded to you \_\_\_\_\_ Performance-Accelerated Restricted Share Units (the "PARS Units") pursuant to the Plan, representing the right to receive \_\_\_\_\_ shares of Company Stock upon satisfaction of all of the terms and conditions set forth in this Award Agreement and in the Plan, a copy of which has been delivered to you.

2. **Payout Terms.**

(a) If you are continuously employed by the Company or a subsidiary of the Company from the Effective Date through the close of business on the "Vesting Date" as defined in the following paragraphs, you will become entitled to receive one share of Company Stock for each PARS Unit, and such shares of Company Stock will be issued to you (net of required tax withholdings) as of the next business day after the Vesting Date.

(b) As of the Effective Date, the Vesting Date is September 30, 20\_\_\_. However, the Vesting Date may be accelerated as to all or part of the PARS Units upon the occurrence of one or more of the conditions set forth in paragraph 2(c) and/or 2(d).

(c) Notwithstanding paragraph 2(b), if, as of any date during the two-year period commencing October 1, 20\_\_ and ending September 30, 20\_\_\_, the 30-Day Average Value Per Share of Company Stock reaches an amount set forth in column (A) below, the Vesting Date for the corresponding percentage of the PARS Units set forth under column (B) below will be accelerated to March 31 of the Company's Fiscal Year following the Fiscal Year in which the criteria for acceleration are first met.

(A)	(B)
<u>If the 30-Day Average Value Per Share of Company Stock reaches at least:</u>	<u>The Cumulative Percent of Award Accelerated shall be:</u>
\$ _____	100%
\$ _____	50%

Whether or not the above conditions for acceleration are met, the Committee may, but shall not be obligated to, in its sole discretion authorize full or partial acceleration of the Vesting Date based upon its evaluation of the Company's financial performance against such other performance measures as the Committee may consider appropriate, including (by way of example and not limitation) cash flow, earnings, sales and margins.

(d) Notwithstanding paragraphs 2(b) or 2(c), if there is a Change of Control before all shares of Company Stock have been issued to you under this Award and either:

(i) you are employed by the Company on the effective date of the Change of Control (the "CoC Effective Date"), or

(ii) not more than ninety (90) days prior to the CoC Effective Date your employment with the Company is terminated, or the Plan is amended, changed or modified in such manner as to reduce or eliminate the benefits provided in this Award, and such termination, amendment, change or modification was done at the request of a third party who, at such time, had taken steps reasonably calculated to effect a Change of Control, and the Change in Control described in this clause 2(d)(ii) subsequently does occur;

then:

(1) the continuous employment requirement of paragraph 2(a) shall not apply to you with respect to the period between the termination, amendment, change or modification described in clause 2(d)(ii) and the CoC Effective Date, and

(2) the entire then-remaining undistributed portion of the Award will be converted into the right to receive cash in an amount equal to the number of then-remaining PARS Units multiplied by the 10-Day Average Value Per Share of Company Stock on the last trading day prior to the CoC Effective Date, and such cash will be paid to you (net of tax withholdings) within 30 days after the CoC Effective Date.

However, in such event, the following additional terms will apply to the Award:

(I) Notwithstanding the foregoing provisions of this paragraph 2(d), in the event a certified public accounting firm designated by the Committee (the "Accounting Firm") determines that any payment (whether paid or payable pursuant to the terms of this Award or otherwise and each such payment hereinafter defined as a "Payment" and all Payments in the aggregate hereinafter defined as the "Aggregate Payment"), would subject you to tax under Section 4999 of the Internal Revenue Code of 1986 ("Code") then such Accounting Firm shall determine whether some amount of payments would meet the definition of a "Reduced Amount". If the Accounting Firm determines that there is a Reduced Amount, payments shall be reduced so that the Aggregate Payments shall equal such Reduced Amount. For purposes of this clause 2(d)(I), the "Reduced Amount" shall be the largest Aggregate Payment which (A) is less than the sum of all Payments and (B) results in aggregate Net After Tax Receipts which are equal to or greater than the Net After Tax Receipts which would result if Payments were made without regard to this clause 2(d)(I). "Net After Tax Receipt" means the Present Value (defined under Section 280G(d)(4) of the Code) of a Payment net of all taxes imposed on you under Section 1 and 4999 of the Code by applying the highest marginal rate under Section 1 of the Code.

(II) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination of the Accounting Firm hereunder, it is possible that Payments will be made by the Company which should not have been made (the "Overpayments") or that additional Payments which the Company has not made could have been made (the "Underpayments"), in each case consistent with the calculations of the Accounting Firm. In the event that the Accounting Firm, based either upon (A) the assertion of a deficiency by the Internal Revenue Service against the Company or you which the Accounting Firm believes has a high probability of success or (B) controlling precedent or other substantial authority, determines that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan to you which you shall repay to the Company together with interest at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, however, that no amount shall be payable by you to the Company if and to the extent such payment would not reduce the amount which is subject to taxation under Section 1 and Section 4999 of the Code or if the period of limitations for assessment of tax has expired. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to you together with interest at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

(e) Notwithstanding any other provision of this Section 2, if your employment terminates on account of death, disability, retirement or otherwise prior to the time you become entitled to receive a distribution in respect of this Award, the Committee, in its absolute discretion, may make such full, pro-rata, or no distribution of Company Stock in satisfaction of this Award as it may determine, either to you or, if termination is on account of death, to your surviving spouse, heirs or estate as it may determine, all in its sole and complete discretion.

3. **Share Ownership Requirements.** You are expected to own shares of Company Stock with a fair market value equal to a multiple of your total cash compensation (the "Share Ownership Requirement"). If you do not currently meet your Share Ownership Requirement, you must retain 50% of any Award distribution which you receive under Section 2 (which will be net of any Company tax withholdings) until the Share Ownership Requirement is satisfied. Thereafter you must maintain ownership of a sufficient number of shares of Company Stock to ensure that the Share Ownership Requirement remains satisfied. The satisfaction of the requirements of this Section 3 will be reviewed periodically as determined by the Committee.

4. **Definitions.** For purposes of the Award, the following terms have the following meanings:

(a) "**10-Day Average Value Per Share**" means the average daily closing price of Company Stock on the New York Stock Exchange over the last 10 trading days on which Company Stock is traded preceding the CoC Effective Date.

(b) "**30-Day Average Value Per Share**" means the average daily closing price of Company Stock on the New York Stock Exchange over any period of 30 consecutive trading days on which Company Stock is traded.

(c) "**Change of Control**" means:

(i) The purchase or other acquisition (other than from the Company) by any persons, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of Company Stock or the combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of directors; or

(ii) Individuals who, as of the date hereof, constitute the Board (as the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this subparagraph 4(c)(ii), considered as though such person were a member of the Incumbent Board; or

(iii) Approval by the stockholders of the Company of a reorganization, merger or consolidation, in each with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the then-outstanding Company Stock and the combined voting power entitled to vote generally in the elections of directors of the reorganized, merged or consolidated corporations' then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

(d) "**Company Stock**" means the common stock of the Company.

(e) "**Fiscal Year**" means the fiscal year of the Company, which as of the date hereof is the twelve month period commencing October 1 and ending September 30.

5. **Taxes.** Company Stock issued pursuant to an Award shall be valued for tax purposes at its closing price on the New York Stock Exchange on the Vesting Date, or if the Company Stock is not traded on such Exchange on the Vesting Date, then on the last day prior to the Vesting Date on which the Company Stock is traded on such Exchange. Sufficient shares of Company Stock or cash, as the case may be, shall be withheld from any distribution hereunder to satisfy the Company's tax withholding requirements in respect of such distribution.

**[Alternate A – Non-CA Awards]6.**

**Covenants.**

(a) You agree that during the period beginning on the Effective Date and ending two (2) years after the date on which you receive the final distribution of Company Stock (or payment of cash, in the event of a Change of Control) to which you are or become entitled under Section 2 of this Award, you will not do any of the following:

- (i) as an individual or as a partner, employee, agent, advisor, consultant or in any other capacity of or to any person, firm, corporation or other entity, directly or indirectly carry on any business or become involved in any business activity, which is (i) competitive with the business of the Company (or any affiliate of the Company), as presently conducted and as said business may evolve in the ordinary course, and (ii) a business or business activity in which you were engaged in the course of your employment with the Company (or any affiliate of the Company); but notwithstanding the foregoing, nothing herein shall prevent you from being a 2% or less shareholder of a publicly traded corporation;
- (ii) as an individual or as a partner, employee, agent, advisor, consultant or in any other capacity of or to any person, firm, corporation or other entity, directly or indirectly recruit, solicit or hire, or assist anyone else in recruiting, soliciting or hiring, any employee of the Company (or any affiliate of the Company);
- (iii) induce or attempt to induce, or assist anyone else to induce or attempt to induce, any customer of the Company (or any affiliate of the Company), to discontinue its business with the Company (or with any affiliate of the Company);
- (iv) engage in the unauthorized use or disclosure of confidential information or trade secrets of the Company or its affiliates resulting in harm to the Company or its affiliates; or
- (v) engage in intentional misconduct resulting in a financial restatement or in an increase in your incentive or equity compensation.

(b) In the event of a breach or threatened breach of the covenants described in paragraph 6(a), the Company shall be entitled, in addition to any other legal or equitable remedies it may have:

- (i) to temporary, preliminary and permanent injunctive relief restraining such breach or threatened breach. You hereby expressly acknowledge that the harm which might result as a result of any noncompliance by you would be largely irreparable, and you agree that if there is a question as to the enforceability of any of the provisions of this Award, you will abide by the Award until after the question has been resolved by a final judgment of a court of competent jurisdiction;
- (ii) to cancel this Award; and/or
- (iii) to recover from you (1) any shares of stock transferred to you under this Award during any period(s) (A) that you were in breach of any of the above described covenants or (B) in the case of intentional misconduct resulting in a financial restatement during the periods that required statement, but in either case not to exceed three years, and (2) the proceeds from any sales of such shares received under this Award during the above time periods to the extent such shares transferred to you under this Award have been sold or retained by the Company to pay your taxes. The Committee shall have sole discretion in determining the amount that shall be recovered from you under this subparagraph 6(b)(iii).

**[Alternate B – CA Awards Only]6.**

**Covenants.**

(a) To the extent that you engage in conduct described in paragraph 6(b) during the period beginning on the Effective Date and ending two (2) years after the date on which you receive the final distribution of Company Stock (or payment of cash, in the event of a Change of Control) to which you are or become entitled under Section 2 of this Award, you agree that the Company shall be entitled to recover amounts as described in paragraph 6(c).

(b) The conduct described in this paragraph 6(b) is any of the following:

- (i) As an individual or as a partner, employee, agent, advisor, consultant or in any other capacity of or to any person, firm, corporation or other entity, directly or indirectly carrying on any business or becoming involved in any business activity, which is (A) competitive with the business of the Company (or any affiliate of the Company), as presently conducted and as said business may evolve in the ordinary course, and (B) a business or business activity in which you were engaged in the course of your employment with the Company (or any affiliate of the Company); but notwithstanding the foregoing, nothing herein shall prevent you from being a 2% or less shareholder of a publicly traded corporation;
- (ii) As an individual or as a partner, employee, agent, advisor, consultant or in any other capacity of or to any person, firm, corporation or other entity, directly or indirectly recruiting, soliciting or hiring, or assisting anyone else in recruiting, soliciting or hiring, any employee of the Company (or any affiliate of the Company);
- (iii) Inducing or attempting to induce, or assisting anyone else to induce or attempt to induce, any customer of the Company (or any affiliate of the Company), to discontinue its business with the Company (or with any affiliate of the Company);
- (iv) Engaging in the unauthorized use or disclosure of confidential information or trade secrets of the Company or its affiliates resulting in harm to the Company or its affiliates; or
- (v) Engaging in intentional misconduct resulting in a financial restatement or in an increase in your incentive or equity compensation.

(c) In the event you engage in conduct described in paragraph 6(b), the Company shall be entitled:

- (i) to cancel this Award; and/or
- (ii) to recover from you (1) any shares of stock transferred to you under this Award during any period(s) (A) that you were in breach of any of the above described covenants or (B) in the case of intentional misconduct resulting in a financial restatement during the periods that required statement, but in either case not to exceed three years, and (2) the proceeds from any sales of such shares received under this Award during the above time periods to the extent such shares transferred to you under this Award have been sold or retained by the Company to pay your taxes. The Committee shall have sole discretion in determining the amount that shall be recovered from you under this subparagraph (ii).

7. **Choice of Law; Venue.** This Award shall be construed and administered in accordance with the laws of the State of Missouri without regard to the principles of conflicts of law which might otherwise apply. In light of the fact that the Company is headquartered in St. Louis, Missouri, the Plan was established and is administered in the State of Missouri and the majority of the Committee's meetings are held in the State of Missouri, any litigation concerning any aspect of this Award shall be conducted exclusively in the State or Federal Courts in the State of Missouri.

8. **Severability.** Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. If any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, (a) the parties agree that such provision(s) will be enforced to the maximum extent permissible under the applicable law, and (b) any invalidity, illegality or unenforceability of a particular provision will not affect any other provision of this Agreement.

9. **Amendment.** The Award may be amended by written consent between the Company and you.

**[For Awards to licensed attorneys only]10.**

**Ethical Obligations.** In recognition of your ethical duties and responsibilities as a licensed attorney, the parties agree that nothing in this Award shall prevent you from providing legal advice or otherwise being engaged in the practice of law; provided, however, that you agree not to breach any ethical obligations you have by virtue of being, or having been, the Company's corporate counsel.

Executed \_\_\_\_\_, 20\_\_.

ESCO TECHNOLOGIES INC.

AGREED TO AND ACCEPTED:

By: \_\_\_\_\_  
Vice President

Participant \_\_\_\_\_

## AMENDMENT TO NOTICE OF AWARD

**To:** \_\_\_\_\_

**From:** Human Resources and Compensation Committee of the Board of Directors (the "Committee")

**Subject:** Your Outstanding Awards under the ESCO Technologies Inc. 2004 and 2013 Incentive Compensation Plans ("Plans")

Please be advised that effective November 11, 2015 the Committee has approved certain amendments to your outstanding Awards under the Plans (each, an "Award"). Accordingly, notwithstanding anything to the contrary in the language of an Award as originally granted, the terms of each Award are modified as set forth below; capitalized terms not otherwise defined herein have the meanings given to them in the original Award.

1. **Final Vesting Date.** The provisions in Section 2 of the Award for the acceleration of the issuance of Common Stock of the Company ("Company Stock") conditioned on achieving certain stock price targets will not apply during the last twelve months of the Period of the Award; instead, any portion of the Award which has not previously been accelerated shall be deemed earned and vested on the last day of the Period of the Award instead of on the following March 31. As a result, in order to avoid any forfeiture of this portion of the Award, you must remain employed only until the last day of the Period of the Award rather than until the following March 31.

2. **Change of Control.** Notwithstanding any other provision of an Award, if there is a Change of Control before all shares of Company Stock have been issued to you under the Award and either:

- (i) you are employed by the Company on the effective date of the Change of Control (the "CoC Effective Date"), or
- (ii) not more than ninety (90) days prior to the CoC Effective Date your employment with the Company is terminated, or the Plan under which the Award was issued is amended, changed or modified in such manner as to reduce or eliminate the benefits provided in the Award, and such termination, amendment, change or modification was done at the request of a third party who, at such time, had taken steps reasonably calculated to effect a Change of Control, and the Change in Control described in this clause 2(ii) subsequently does occur;

then:

- (a) the continuous employment requirement set forth in the Award shall not apply to you with respect to the period between the termination, amendment, change or modification described in clause 2(ii) and the CoC Effective Date, and
- (b) the entire then-remaining undistributed portion of the Award will be converted into the right to receive cash in an amount equal to the number of then-remaining Award shares multiplied by the average daily closing price of Company Stock on the New York Stock Exchange over the last 10 trading days on which such stock is traded preceding the CoC Effective Date, and such cash will be paid to you (net of tax withholdings) within 30 days after the CoC Effective Date.

3. **Discretionary Payout.** Notwithstanding any other provision of an Award, if your employment terminates on account of death, disability, retirement or otherwise prior to the time you become entitled to receive a distribution in respect of the Award, the Committee, in its absolute discretion, may make such full, pro-rata, or no distribution of Company Stock in satisfaction of the Award as it may determine, either to you or, if termination is on account of death, to your surviving spouse, heirs or estate as it may determine, all in its sole and complete discretion.

4. **Definition of Change of Control for 2012 and 2013 Awards.** With respect to Awards granted in 2012 or 2013, notwithstanding any reference to "Change of Control" as defined in the governing Plan, for purposes of those Awards "Change of Control" is defined to mean:

(i) The purchase or other acquisition (other than from the Company) by any persons, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of Company Stock or the combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of directors; or

(ii) Individuals who, as of the date hereof, constitute the Board (as the date hereof, the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this subparagraph 4(c)(ii), considered as though such person were a member of the Incumbent Board; or

(iii) Approval by the stockholders of the Company of a reorganization, merger or consolidation, in each with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the then-outstanding Company Stock and the combined voting power entitled to vote generally in the elections of directors of the reorganized, merged or consolidated corporations' then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

Executed \_\_\_\_\_, 2015.

ESCO TECHNOLOGIES INC.

AGREED TO AND ACCEPTED:

By: \_\_\_\_\_  
Vice President

Participant \_\_\_\_\_

## ESCO TECHNOLOGIES INC.

## SECOND AMENDED AND RESTATED

## SEVERANCE PLAN

NOVEMBER 11, 2015

This Second Amended and Restated Severance Plan ("Plan") is hereby adopted as of November 11, 2015 by ESCO TECHNOLOGIES INC., a Missouri corporation (the "Company"), formerly known as ESCO Electronics Corporation. The Plan was originally adopted by the Company as of the 10th day of August, 1995, was amended and restated by the First Amended and Restated Severance Plan effective February 5, 2002, and was amended by the Second Amendment to Severance Plan effective October 3, 2007.

In order to retain competent and experienced executives in a Change of Control circumstance, the Company is providing the individuals designated as Executives under this Plan with certain rights and benefits as set forth herein.

1. Certain Definitions. For purposes of this Plan the following terms shall have the following meanings:

- (a) "Adverse Amendment" shall mean any amendment, change or modification, including termination of the Plan that in any manner reduces or eliminates the benefits provided hereunder, if such amendment, change or modification (i) was at the request of a third party who, at such time, had taken steps reasonably calculated to effect a Change of Control, and (ii) a Change of Control occurs within ninety calendar days of such amendment, change or modification.
- (b) "Applicable Multiplier" shall mean two.
- (c) "Bonus Target" shall mean the cash bonus centerpoint approved by the Human Resource and Compensation Committee of the Board ("HRCC"), or by the Company's Chief Executive Officer ("CEO), in the case of Executives who are not officers of the Company.
- (d) "Change of Control" shall mean:
- i. The purchase or other acquisition by any person, entity or group of persons (herein "Acquiror"), within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote at any general or special meeting of shareholders; or
  - ii. A change in composition of the Board of Directors of the Company (the "Board" and, as of the date hereof, the "Incumbent Board") resulting in individuals who constitute the Incumbent Board ceasing for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board (such resulting Board referred to herein as "Successor Board"); or
  - iii. Approval by the stockholders of the Company of (a) a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities, or (b) a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company. The surviving entity of such reorganization, merger or consolidation, or the entity which receives through liquidation or dissolution all or substantially all of the assets of the Company is referred to herein as "Successor Entity."

Notwithstanding the foregoing, an isolated sale, spin-off, joint venture or other business combination by the Company, which involves one or more divisions or subsidiaries of the Company and is approved by a majority vote of the Incumbent Board, shall not be deemed to be a Change of Control.

- (e) "Code" shall mean the Internal Revenue Code of 1986, as amended.
- (f) "Effective Date" shall mean the date on which a Change of Control occurs, or such earlier date as the HRCC may determine with respect to an Executive. Anything in this Plan to the contrary notwithstanding, (i) in the event of an Adverse Amendment, the Effective Date shall be the date immediately prior to the Adverse Amendment; and (ii) the Effective Date with respect to a Previously Terminated Executive shall be the date immediately prior to the date of such Executive's termination.
- (g) "Fiscal Year" shall mean the fiscal year of the Company which, as of the date hereof, is the twelve month period commencing October 1 and ending September 30.
- (h) "Previously Terminated Executive" shall mean an Executive whose employment with the Company is terminated within ninety calendar days prior to a Change of Control; such termination was at the request of a third party who, at such time, had taken steps reasonably calculated to effect a Change of Control; and such termination was not because of Death or Disability or For Cause, as such terms are defined in Sections 5(a) and 5(b) respectively.
- (i) "Severance Coverage Period" shall mean the period commencing on the Effective Date and ending on the third anniversary of such date.

2. Administration and Eligibility. The HRCC shall be solely responsible for the overall administration of the Plan. The HRCC shall determine the eligibility of the CEO to participate in the Plan, and the CEO shall have the sole authority to designate additional individuals as participants subject to this Plan. The CEO and each designated individual are referred to as "Executive" and collectively as "Executives".

3. Performance Accelerated Restricted Stock Awards under the Company's Incentive Compensation Plans. Upon a Change of Control, Executive shall be entitled to receive an amount equal to the dollar value of any Performance Accelerated Restricted Stock shares which had been awarded to Executive but had not been distributed to Executive, whether such shares have been accelerated, vested or earned, or in the case of a Previously Terminated Executive, notwithstanding that such shares have been cancelled as a result of such termination. The dollar value amount shall be determined by multiplying the average of the closing price of the Company's common stock on the New York Stock Exchange ("NYSE") on the last ten trading days prior to the Change of Control by the number of such shares. All such outstanding Performance Accelerated Restricted Stock awards for which Executive receives payment, as described above, shall be considered cancelled. Such amounts shall be paid within thirty (30) days of the Change of Control.

4. Employment During Severance Coverage Period. Except for any Previously Terminated Executive or an Executive whose employment is otherwise earlier terminated in accordance with Section 5, the Company or the Acquiror or the Successor Entity, as the case may be (herein "Employer") shall retain each Executive in its employ for and during the Severance Coverage Period. The terms of such employment shall be in accordance with this Section 4.

(a) Location and Duties.

- i. During the Severance Coverage Period, each Executive's services shall be required to be performed only at the location where the Executive was employed immediately preceding the Effective Date, or at any office or location less than 50 miles from such location.
- ii. During the Severance Coverage Period, and excluding any periods of vacation and sick leave to which an Executive is entitled, each Executive will be expected to devote reasonable attention and time during normal business hours to the business and affairs of the Employer and, to the extent necessary to discharge the responsibilities assigned to the Executive, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. To the extent that any of the following activities have been conducted by an Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not hereafter be deemed to interfere with the performance of the Executive's responsibilities to the Employer: (A) serving on corporate, civic or charitable boards or committees, (B) delivering lectures, fulfilling speaking engagements or teaching at educational institutions, and (C) managing personal investments.

(b) Compensation. During the Severance Coverage Period, each Executive shall receive:

- i. Base Salary. An annual base salary ("Base Salary") in an amount not less than the annual base salary as determined by the HRCC for the Fiscal Year in which the Effective Date occurs. Base Salary shall be paid in equal installments each year in accordance with the Employer's normal payroll practices, but not less frequently than monthly. Such Base Salary shall be prorated for any partial year of employment during the Severance Coverage Period.
- ii. Annual Bonus. A minimum annual bonus ("Annual Bonus") in an amount not less than the Executive's Bonus Target for the Fiscal Year in which the Effective Date occurs. Such Annual Bonus shall be paid to the Executive each Fiscal Year prior to November 30. Such Annual Bonus shall be prorated for any partial year of employment during the Severance Coverage Period.
- iii. Benefits. All matching or other employer contributions under the ESCO Savings and Investment Plan and the Employee Stock Purchase Plan (or a cash equivalent in the event such plans are not provided by the Employer), welfare benefits and other employee benefits, fringe benefits, and perquisites in amounts and on terms not less favorable than those to which the Executive was entitled on the Effective Date, subject only to benefits reductions within the scope of Section 5(d)(i).
- iv. Payments in Lieu of Performance Accelerated Restricted Stock Awards under the Company's Incentive Compensation Plans. No later than October 30<sup>th</sup> of each Fiscal Year during the Severance Coverage Period, Executive shall receive (prorated for any partial year) either, (1) the dollar amount equivalent to the number of shares included in the last Performance Accelerated Restricted Stock award granted to Executive by the HRCC prior to the Effective Date multiplied by the average of the closing price of the Company's common stock on the NYSE on the last ten trading days prior to the Change of Control (such annual value referred to as the "Annual Performance Share Award Value") or (2) at the option of the Employer, freely transferrable shares of common stock of the Acquiror or Successor Entity (or the Acquiror's or Successor Entity's parent) (provided such shares are publicly traded on the NYSE or NASDAQ stock exchange) equivalent in share value to the Annual Performance Share Award Value valued using the average closing share price of such common stock on the last ten trading days prior to the end of such Fiscal Year.

5. Termination of Employment.

(a) **Death or Disability.** An Executive's employment shall terminate automatically upon the Executive's death during the Severance Coverage Period. If the Employer determines in good faith and as set forth below that the Disability of the Executive has occurred or is continuing during the Severance Coverage Period, it may provide to the Executive written notice of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Employer shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Plan, "Disability" shall mean the absence of the Executive from the Executive's duties with the Employer on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which incapacity is determined to be total and permanent by a physician selected by the Employer or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).

(b) **Cause.** The Employer may terminate an Executive's employment during the Severance Coverage Period for Cause. For the sole and exclusive purposes of this Plan, "Cause" shall mean:

- i. The willful and continued failure of the Executive to perform substantially all of the Executive's duties with the Employer or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for such performance is delivered to the Executive by the Employer's Board of Directors in a case where the Executive is the CEO, or otherwise by the CEO, which specifically identifies the manner in which such Board or CEO believes that the Executive has not substantially performed the Executive's duties, or
- ii. The willful engaging by the Executive in (A) illegal conduct (other than minor offenses), or (B) conduct which is in breach of the Executive's fiduciary duty to the Employer and which is demonstrably injurious to the Employer, its reputation or its business prospects.

For purposes of this Section 5(b), no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Employer. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Employer's Board of Directors or upon the instructions of such Executive's superior or based upon the advice of counsel for the Employer shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Employer. The termination of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of Employer's Board of Directors at a meeting of such Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before such Board), finding that, in the good-faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) **Without Cause.** Any termination of an Executive's employment during the Severance Coverage Period, other than as provided above in 5(a) or 5(b) above, is referred to for the sole and exclusive purposes of this Plan as "Without Cause."

(d) **Good Reason.** An Executive may terminate his employment for Good Reason. For the sole and exclusive purposes of this Plan, "Good Reason" shall mean:

- i. any material failure by the Company or Employer to comply with any of the provisions of this Plan, including but not limited to Section 11(c), other than a failure to comply with Section 4(b)(iii) solely by reason of a reduction in benefits that applies to all salaried employees who are exempt from the wage and hour provisions of the Fair Labor Standards Act;
- ii. the Employer's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i);
- iii. a material diminution in the Executive's authority, duties or responsibilities or any change in his compensation provided in Section 4(b) other than a failure to comply with Section 4(b)(iii) solely by reason of a reduction in benefits that applies to all salaried employees who are exempt from the wage and hour provisions of the Fair Labor Standards Act; or
- iv. Executive is placed on terminal leave of absence by the Employer. Terminal Leave for purposes of this Plan is defined as a situation whereby the executive is willing and able to perform his normal responsibilities, is relieved of these normal responsibilities by the Employer and continues to receive normal pay and benefits. Provided, however, that termination of employment shall be for "Good Reason" only if (i) the Executive provides notice to the Employer of the existence of the applicable event described in this paragraph 4(d) no later than 90 days following the initial occurrence of such event, (ii) the Employer fails to remedy such event within 30 days after receiving such notice, and (iii) such termination occurs during the Severance Coverage Period.

(e) **Without Good Reason.** An Executive may voluntarily terminate his employment during the Severance Coverage Period without Good Reason.

(f) **Notice of Termination.** Any termination of employment hereunder shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(c). For purposes of this Plan, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Plan relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 90 days after the giving of such notice). Any failure by an Executive or the Employer to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Employer, respectively, hereunder or preclude the Executive or the Employer, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Employer's rights hereunder.

(g) **Date of Termination** means (i) in the event of the termination of Executive's employment by the Employer for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be; (ii) in the event the Executive's employment is terminated by the Employer on or after the date of a Change of Control other than for Cause, Death or Disability, the Date of Termination shall be the date 90 days after the date on which the Employer notifies the Executive of such termination; (iii) with respect to a Previously Terminated Executive, the Date of Termination shall be the Effective Date; (iv) in the event that the Executive's employment is terminated by the Executive without Good Reason, the Date of Termination shall be the earlier of (A) the effective date of Executive's notice of termination or (B) the date 14 days after the date on which the Executive notifies the Employer of such termination; and (v) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

## 6. Obligations of the Employer upon Termination.

(a) **Without Cause; Good Reason.** If, during the Severance Coverage Period, the Employer shall terminate the Executive's employment Without Cause or the Executive shall terminate employment for Good Reason:

i. The Employer shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

- A. To the extent not theretofore paid, the Executive's current annual Base Salary pro-rated through the Date of Termination; plus
- B. To the extent not theretofore paid, an Annual Bonus for the Fiscal Year during which the termination occurs pro-rated through the Date of Termination; plus
- C. The product of the Applicable Multiplier times Final Compensation, where "Final Compensation" means the sum of (x) the Base Salary defined in Section 4(b)(i), plus (y) an amount equal to the Annual Bonus; plus
- D. Vacation pay equal to Final Compensation per business day based on 260 business days each fiscal year multiplied by the number of days of earned vacation not taken as of the Date of Termination.

ii. The Employer shall continue to provide to the Executive, or reimburse the Executive for the cost of, all health, vision, dental, disability, AD&D, life and other insurance, financial planning, club membership, and automobile benefits (including gross up for taxes if provided prior to the Effective Date) in amounts and on terms not less favorable than those to which the Executive was entitled on the Date of Termination or on the Effective Date, whichever is greater, for that number of years after the Date of Termination as is equal to the Applicable Multiplier, and the Employer shall pay or provide any other amounts or benefits required by law to be paid or provided to the Executive or which the Executive is entitled to receive under any plan, program, policy, practice, contract or agreement of the Employer or any of its affiliated companies.

iii. If the aggregate amounts under (i) above are not paid to the Executive when due, interest thereon shall accrue and be paid to the Executive at the rate of the lesser of (A) prime plus 3% per annum, compounded monthly or (B) the maximum rate allowed by law.

iv. As a condition of receiving payments and benefits under this Section 6(a), the Executive must provide the Employer with a release, satisfactory to the Employer in its sole discretion, of all claims, charges and causes of action the Executive may have arising out of or relating in any way to the Executive's employment by the Employer and its affiliated companies and the termination of such employment, including, but not limited to, ADEA waivers.

(b) **Termination in Other Cases.** If an Executive's employment is terminated during the Severance Coverage Period by reason of the Executive's death or Disability, for Cause, or as a result of the Executive's termination thereof Without Good Reason, this Plan shall terminate with respect to the Executive without further obligations to the Executive or the Executive's legal representative under this Plan, provided that if Executive's employment is terminated during the Severance Coverage Period by reason of the Executive's Disability, Executive shall be eligible for any long term disability benefits offered by the Employer to the extent available to comparable senior managers.

7. **Non-Exclusivity of Rights.** Nothing shall herein limit or otherwise affect such rights as an Executive may have under any other contract or agreement with the Company or any of its affiliated companies or by law. Amounts which are vested benefits or which any Executive is otherwise entitled to receive under any other plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with its terms, unless explicitly modified by this Plan.

8. **No Obligation to Mitigate.** The Company's obligation to make the payments provided for in this Plan and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against any Executive. Except as otherwise provided in this Section 8, in no event shall any Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Plan and such amounts shall not be reduced whether or not the Executive obtains other employment. Notwithstanding the foregoing, if the Executive obtains other employment, the Company's obligation to provide medical, hospitalization, disability, dental or life insurance benefits under Section 6(a)(ii) shall be reduced to the extent such benefits are provided to the Executive as a result of such other employment.

9. **Legal Expenses.** The Employer and its affiliated companies shall pay promptly upon submission of appropriate invoices, to the full extent permitted by law, all reasonable attorneys' fees and related expenses which any Executive reasonably deems necessary to incur in connection with any dispute with respect to the validity or enforceability of, or liability under, any provision of this Plan (including without limitation any dispute as to the amount of any payment pursuant to this Plan); provided, however, that if the Employer is advised by independent counsel that it will probably prevail if the dispute is litigated on a motion for summary judgment, the Employer may refrain from such payments so long as the Employer actively pursues a decision on such motion, and if such motion is granted and becomes a final, non-appealable order, the Employer shall have no obligation under this Section 9 with respect to the Executive's attorneys' fees and related expenses in connection with such dispute. However, if such motion for summary judgment is denied and if such denial becomes a final, non-appealable order, the Employer shall pay such attorneys' fees and related expenses, or, if the Executive had already paid such attorneys' fees and related expenses, the Employer shall reimburse the Executive for such payment, together with interest, from the date of such payment to the date of reimbursement, at the rate of the lesser of (A) prime plus 3% per annum, compounded monthly or (B) the maximum rate allowed by law.

## 10. Provisions Relating to Taxation of Payments.

- (a) Anything in this Plan to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Employer to or for the benefit of any Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise) would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 (the "Code") (or any other provision of the Code relating to excise taxes or "excess parachute payments") or any interest or penalty is imposed on an Executive with respect to such excise tax, the Executive shall not be entitled to receive any additional payment in any amount to compensate for such tax, interest or penalty.
- (b) For purposes of this section, (i) "Payment" shall mean any payment or distribution in the nature of compensation to or for the benefit of an Executive, whether paid or payable pursuant to this Plan or otherwise; (ii) "Present Value" shall mean such value determined in accordance with Section 280G(d)(4) of the Code; and (iii) "Reduced Amount" shall mean the largest aggregate amount of Payments which results in no tax being imposed upon the Executive under Section 4999 of the Code.
- (c) Anything in this Plan to the contrary notwithstanding, in the event a certified public accounting firm designated by the Employer (the "Accounting Firm") shall determine that receipt of all Payments would subject the Executive to tax under Section 4999 of the Code, it shall determine whether some amount of Payments would meet the definition of a "Reduced Amount." If the Accounting Firm determines that there is a Reduced Amount, the Payments under this Plan shall be reduced so that the aggregate Payments shall equal such Reduced Amount. Any reduction of Payments shall be made out of the lump sum otherwise payable under Section 6(a)(i).
- (d) While it is the intention of the Employer that the amount of Payments to the Executive shall result in the maximum aggregate amounts being paid to each Executive without the imposition of tax under Section 4999 of the Code, as a result of the uncertainty in the application of Section 4999 at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Employer to or for the benefit of the Executive pursuant to this Plan which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or distributed by the Employer to or for the benefit of the Executive pursuant to this Plan could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based either upon the assertion of a deficiency by the Internal Revenue Service against the Employer or the Executive which the Accounting Firm believes has high probability of success or controlling precedent or other substantial authority, determines that an Overpayment has been made, any such Overpayment paid or distributed by the Employer to or for the benefit of the Executive shall be treated for all purposes as a loan ab initio to the Executive which the Executive shall repay to the Employer together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no such loan shall be deemed to have been made and no amount shall be payable by the Executive to the Employer if and to the extent such deemed loan and payment would not either reduce the amount on which the Executive is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Employer to or for the benefit of the Executive together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code.

11. Successors.

- (a) This Plan shall inure to the benefit of and be enforceable by the Executive and the Executive's legal representative.
- (b) This Plan shall inure to the benefit of and be binding upon the Employer and its successors and assigns.
- (c) The Company shall require any Acquiror or Successor to expressly assume and agree to perform all of the obligations of Company, Acquiror or Successor Entity set forth in this Plan and provide to each Executive the benefits provided for in this Plan.

12. Miscellaneous.

- (a) This Plan shall be governed by and construed in accordance with the laws of the State of Missouri, without reference to principles of conflict of laws. The captions of this Plan are not part of the provisions hereof and shall have no force or effect.
- (b) This Plan may be amended, changed or modified by the HRCC with respect to changes impacting the CEO, and by the CEO with respect to changes impacting other Executives, prior to the Effective Date in any manner (including adding or deleting Executives) by written notice to all affected Executives given in accordance with subparagraph (c) below; provided, however, no such amendment, change or modification adverse to the rights of any Executive hereunder shall become effective if such amendment, change or modification occurs within one year prior to the Effective Date. This Plan is intended to benefit and create a binding contractual relationship between each Executive and the Company, and to be enforceable by any Executive, with respect to such Executive, according to its terms.
- (c) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

At the current home address of the Executive identified in the personnel records of the Company.

If to the Company:

General Counsel  
ESCO Technologies Inc.  
9900A Clayton Road  
St. Louis, MO 63124-1186

Notices and communications shall be effective at the time they are given in the foregoing manner.

- (d) The Employer shall withhold from any amounts payable under this Plan such Federal, state, local or other taxes as may be required to be withheld pursuant to any applicable law or regulation.
- (e) An Executive's or the Employer's failure to insist upon strict compliance with any provision hereof or any other provision of this Plan or the failure to assert any right the Executive or the Employer may have hereunder, including, without limitation, the right of an Executive to terminate employment for Good Reason of this Plan, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Plan.
- (f) Prior to the Effective Date, except as may otherwise be provided under any other written agreement between an Executive and the Company, the employment of the Executive by the Company is "at will" and any Executive's employment may be terminated by either the Executive or the Company, in which case such Executive shall have no further rights under this Plan. As of the Effective Date, except as may otherwise be provided under any other written agreement between an Executive and the Employer, the employment of the Executives by the Employer is "at will" and, any Executive's employment may be terminated by either the Executive or the Employer, in which case the rights and obligations of the Employer and the Executive shall be as outlined under this Plan.

IN WITNESS WHEREOF, the foregoing Second Amended and Restated Severance Plan was adopted on the 11<sup>th</sup> day of November, 2015.

ESCO TECHNOLOGIES INC.

By: /s/ Deborah J Hanlon

# NEWS FROM



## For more information contact:

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## ESCO ANNOUNCES FISCAL 2015 RESULTS

ST. LOUIS, November 12, 2015 – ESCO Technologies Inc. (NYSE: ESE) (ESCO or the “Company”) today reported its operating results for the year ended September 30, 2015 (2015).

The 2015 results from Continuing Operations include the \$5.6 million of previously disclosed non-cash charges related to the Test business.

The 2014 results are described on a Continuing Operations – As Adjusted basis consistent with the prior year presentation, and exclude \$1.7 million, or \$0.05 per share, of charges related to the exit and relocation of Crissair’s (Filtration segment) California manufacturing facilities completed in September 2014.

All references to Continuing Operations exclude Aclara Technologies LLC, which was divested on March 28, 2014. Aclara’s results are presented as Discontinued Operations.

Management believes EPS – As Adjusted is more representative of the Company’s ongoing performance and allows shareholders better visibility into the Company’s underlying operations.

### EPS Summary

2015 EPS from Continuing Operations was \$1.59 per share, which was negatively impacted by the previously disclosed non-cash charges related to the Test business. Net earnings from Discontinued Operations added \$0.03 per share in 2015, resulting in GAAP EPS of \$1.62 per share.

2014 EPS from Continuing Operations – As Adjusted was \$1.65 per share, which excludes the \$0.05 per share of charges related to the Crissair consolidation noted above which are added back to EPS from Continuing Operations of \$1.60 per share. The net loss from Discontinued Operations was (\$1.58) per share in 2014 resulting in GAAP EPS of \$0.02 per share.

### Continuing Operations Highlights – 2015

- Sales increased \$6 million to \$537 million compared to \$531 million in 2014. Utility Solutions Group (USG, or Doble) sales increased \$8 million, Filtration sales increased \$2 million, despite the previously described decrease in expected SLS Space program sales at VACCO, and Test sales decreased \$4 million during the year due to lower sales within the global shielding market;
- Gross margin percentage was 38 percent compared to 39 percent in 2014. Doble and Filtration gross margins increased as a result of the additional sales volume and improved manufacturing efficiencies, coupled with a strong and favorable product mix. The Doble and Filtration margin increases were offset by lower gross margins in Test which were driven by the lower shielding sales, and the \$5 million of incremental charges referenced earlier which were included in cost of sales;
- SG&A decreased \$5 million in 2015, primarily driven by numerous cost reduction initiatives implemented within Test; a lower operating cost structure at Crissair (Filtration segment) resulting from the facility consolidation; and lower Corporate expenses. These reductions were partially offset by additional international sales and marketing expenses incurred at Doble to support its near-term growth opportunities;
- The effective tax rate was 32.2 percent in 2015 compared to 31.5 percent in 2014;
- Orders were \$562 million (book-to-bill of 1.05x) reflecting a \$25 million, or 8 percent, increase in backlog during the year, which resulted in an ending backlog of \$328 million at September 30, 2015;
- Filtration orders were \$253 million (book-to-bill of 1.07x) and included a significant amount of commercial aerospace orders (A-350, other new platform wins, etc.) at PTI, increased Space orders at VACCO (SLS), and higher orders at TEQ (KAZ Gen 2);
- Doble’s orders were \$127 million (book-to-bill of 1.03x) and included additional services business in the Middle East (Saudi Arabia) and solid domestic product, software and solution bookings;
- Test orders were \$182 million (book-to-bill of 1.02x) which reflects the large automotive chamber award in Asia as well as solid demand for its other suites of products; and
- Net debt at September 30, 2015 was \$11 million (\$39 million of cash and \$50 million of borrowings), and includes \$21 million spent on the ENOSERV acquisition and \$27 million spent on stock repurchases and dividends.

### Chairman’s Commentary – FY 2015

Vic Richey, Chairman and Chief Executive Officer, commented, “With the exception of the softness in the Test shielding market, our 2015 performance was solid and met, or exceeded, our financial expectations. Doble continued to make a significant contribution with another strong year as its EBIT increased \$3 million, resulting in a 24 percent EBIT margin. Doble’s new product offerings continue to gain meaningful traction, and its international growth strategy is generating meaningful sales well ahead of plan.

“Filtration’s EBIT increased \$5 million in 2015, resulting in a 20 percent EBIT margin. Both PTI and Crissair reported significant increases in sales and EBIT as both are benefitting from the continued strength of the commercial aerospace upcycle and the initial production ramp up of recent new platform wins such as the A-350. Another positive was that Vacco was able to recapture a significant portion of its Space business sales (SLS program timing) from the decreased sales expectations noted at the beginning of the year.

“The Test results were disappointing as we continued to experience softness in one of our higher margin product lines throughout the year, and in the second half of 2015, we recorded certain non-cash charges which significantly impacted Test’s EBIT margins.

“To address the Test business issues, we initiated several significant and aggressive cost reduction actions which we announced in our October 8th release. These actions are intended to significantly enhance our ability to achieve our previously stated goals, as we are implementing specific and sustainable measures designed to increase our operating results in 2016 and beyond. We expect these actions to increase our operational efficiency, improve profitability, and increase ROIC. We remain confident that Test can achieve EBIT margins in the low-to-mid teens once the planned actions are fully implemented.

“Across the company, strong orders and solid cash flow continued to be a bright spot during 2015 as our ending backlog increased \$25 million, or eight percent, during the year which bodes well for supporting our 2016 outlook. I’m pleased to report that all three of our operating segments delivered a positive book-to-bill in 2015.

“Our strong cash flow allowed us to significantly increase our cash returned to shareholders in support of our stated capital allocation goals.

“We continue to review numerous acquisition opportunities and are confident we will be successful in adding to our existing portfolio in the near-term. Acquisitions remain a key element to supplement our growth, and while recent purchase multiples in certain segments appear extraordinary, we will remain disciplined in our approach to ensure we can generate an attractive return on these investments.

“We continue to have a favorable view of our future and our goal remains the same – to increase long-term shareholder value.”

### Discontinued Operations

The Company completed the Aclara divestiture on March 28, 2014 and used the proceeds to significantly pay down its outstanding debt. The results of operations for Aclara are reflected in the financial statements as Discontinued Operations.

### Share Repurchase

During 2015, the Company spent \$18.2 million to repurchase approximately 520,000 of its outstanding shares on the open market. The Company’s share repurchase authorization was extended through September 30, 2017, and Management expects to continue to opportunistically repurchase its shares under this authorization.

### Dividend Payment

The next quarterly cash dividend of \$0.08 per share will be paid on January 19, 2016 to stockholders of record on January 4, 2016.

### Acquisition Update

On October 16, 2015, the Company acquired the stock of Fremont Plastics Inc. (Fremont), a custom thermoform packaging business located in Fremont, Indiana. Fremont has a long and successful history of providing superior products and solutions to the Healthcare market.

Fremont’s value proposition lies in the design and manufacture of medical device components, sterile barrier packaging for medical devices and procedure kits, as well as contract packaging services for medical OEM’s and distributors.

Fremont operates seven thermoforming machines in two class 100,000 controlled clean rooms within its 40,000 square foot facility.

The Company is currently evaluating several additional acquisition opportunities which are in various stages of diligence. Management remains confident that it will be successful in closing additional acquisitions during fiscal 2016.

### 2016 Restructuring Actions (Previously Disclosed)

The 2016 restructuring actions detailed in the Company’s October 8, 2015 release, include:

- Closing the Test business operating facilities located in Taufkirchen, Germany and Stevenage, England and consolidating their operations into other existing Test facilities;
- Eliminating certain underperforming product line offerings in Test, primarily related to lower margin international shielding end-markets;
- Reducing the Test business domestic (U.S.) headcount to further streamline operations; and
- Within the USG segment, closing the Doble-Brazil operating office and consolidating Doble’s South American sales and support activities into a lower cost operating structure, and rationalizing administrative costs at other operating locations.

The costs to implement these actions in 2016 are expected to be approximately \$9 million, or \$0.24 per share, and are expected to be incurred throughout the first half of the year as the actions are anticipated to be substantially complete by March 31, 2016.

These costs will be specifically quantified and called out separately as part of Management's 2016 guidance noted below, and will be identified within the quarterly earnings reports in 2016 where Management will present its results on an EPS – As Adjusted basis, and will reconcile these amounts to their respective GAAP equivalents.

The cost savings are expected to be greater than \$6 million in 2016, and when completed, annual and recurring cost savings of approximately \$8 million are projected in 2017 and beyond. The cost of these restructuring activities are expected to be recovered over the next 12 months once completed.

The cash and non-cash restructuring costs relate to employee severance and compensation benefits, facility exit and lease termination costs, deferred tax asset write-offs, moving costs, professional fees, and asset impairment charges related to abandoned assets.

Management expects these actions, when fully implemented, to result in the Test business EBIT margins increasing into the low-to-mid teens.

#### **Business Outlook – Fiscal Year 2016**

Management continues to see meaningful sales, EBIT, and EPS growth across the business segments consistent with the expectations communicated in the Company's September 2014 Analyst Day Presentation (included on the Company's website).

The Company's goals and expectations through 2017 reflect compound annual sales growth of 10 percent, with compound annual EPS growth of 15 percent, with approximately 80 percent of the growth being organic and approximately 20 percent coming from acquisitions.

Management expects 2016 EPS – As Adjusted to be in the range of \$1.90 to \$2.00 per share, which excludes the 2016 restructuring charges (approximately \$9 million pretax) described above.

The 2016 segment expectations are presented in summary fashion:

- Filtration sales are expected to grow in the high single-digits with EBIT margins generally consistent with 2015. The sales growth is driven by the continued strength of the commercial aerospace market and significantly higher Space (SLS) sales at Vacco;
- Test sales are expected to be flat, to slightly up, with a significant increase in adjusted EBIT margins. The full EBIT effect of the cost saving actions will be realized in the second half of the year;
- Doble sales are expected to increase greater than 10 percent with a corresponding increase in adjusted EBIT margins. The sales growth is driven by increased demand for services, additional new product sales, higher software and solutions implementations, and higher foreign sourced revenues. The increased margins are driven by a favorable sales mix on the increased revenues; and
- The 2016 annual effective tax rate is expected to be approximately 35 percent.

On a quarterly basis, Management expects 2016 revenues and EPS – As Adjusted to reflect a profile similar to 2015, including EPS – As Adjusted being more second half weighted. The majority of the 2016 restructuring charges will be incurred during the first half of the year, negatively impacting GAAP EPS on a quarterly basis.

Q1 2016 EPS – As Adjusted is expected to be in the range of \$0.34 to \$0.39 per share, excluding the Q1 impact of the 2016 restructuring charges.

#### **Chairman's Commentary - FY 2016**

Mr. Richey continued, "The growth we are expecting in 2016 puts us on track to meet our stated sales and EPS goals that were communicated at the Analyst Day, and firmly plants the foundation for continued growth beyond this year.

"I'm excited to see the continued strength at Doble and Filtration as it continues to validate the investments we've made over the past few years to enhance and accelerate a sustainable growth outlook.

"Filtration is now realizing the benefits of the initial production increases related to its new aerospace platform wins, supplemented by additional Space program wins and the stabilization of the SLS program. Each of these opportunities are expected to expand future growth as these programs have lengthy production runs.

"Doble continues to gain momentum from its new product introductions, coupled with expanding its international reach. We expect to see additional sales and EBIT margin expansion opportunities in the future as the world-wide grid's aging infrastructure and the expanding need for reliable delivery of electricity, will put Doble at the forefront to assist customers in addressing their needs and providing world-class solutions.

"Given the current restructuring actions underway in Test, I'm confident that having a significantly lower operating cost structure, and narrowing our focus to higher margin products and geographies will meaningfully improve our future operating margins and increase our competitive position across our end-markets.

"I firmly believe our market leadership positions, along with the breadth and diversity of our new product offerings, will continue to allow us to grow organically at meaningful levels. With this backdrop, we remain committed to our three year growth targets and EPS goals."

#### **Conference Call**

The Company will host a conference call today, November 12, at 4:00 p.m. Central Time, to discuss the Company's 2015 results. A live audio webcast will be available on the Company's website at [www.esco technologies.com](http://www.esco technologies.com). Please access the website at least 15 minutes prior to the call to register, download and install any necessary audio software. A replay of the conference call will be available for seven days on the Company's website noted above or by phone (dial 1-855-859-2056 and enter the pass code 52001180).

#### **Forward-Looking Statements**

Statements in this press release regarding the Company's expected 2016 and beyond operating results, revenue and sales growth, EBIT, EBIT margins, ROIC, corporate costs, the timing, benefits, costs and savings associated with the cost reduction activities and restructuring actions, effective tax rates, EPS, EPS – As Adjusted, EPS growth, the Company's ability to increase operating margins, realize financial goals and increase shareholder value, the success of acquisition efforts, the success of new products and solutions, the size, number and timing of future sales and growth opportunities, the specific actions initiated as a result of the Capital Allocation Strategy including but not limited to the declaration of dividends and share repurchases, the long-term success of the Company, and any other 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 them except as may be required by applicable laws or regulations. 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 those described in Item 1A, "Risk Factors", of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014, and the following: the success of the Company's competitors; site readiness issues with Test segment customers; weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties; unforeseen charges impacting corporate operating expenses; delivery delays or defaults by customers; the performance of the Company's international operations; material changes in the costs and availability of certain raw materials; the appropriation and allocation of Government funds; the termination for convenience of Government and other customer contracts; the timing and content of future contract awards or customer orders; containment of engineering and development costs; performance issues with key customers, suppliers and subcontractors; labor disputes; the impacts of natural disasters on the Company's operations and those of the Company's customers and suppliers; changes in laws and regulations, including but not limited to changes in accounting standards and taxation requirements; costs relating to environmental matters arising from current or former facilities; financial exposure in connection with Company guarantees of certain Aclara contracts; the availability of select acquisitions; uncertainty regarding the ultimate resolution of current disputes, claims, litigation or arbitration; and the Company's successful execution of cost reduction and profit improvement initiatives and restructuring activities.

#### **Non-GAAP Financial Measures**

The financial measures EBIT, EBIT margin, EPS – "As Adjusted" and EPS – from Continuing Operations "As Adjusted" are presented in this press release. The Company defines EBIT as earnings before interest and taxes from continuing operations, EBIT margin as a percent of net sales, EPS – "As Adjusted" and EPS – from Continuing Operations "As Adjusted" as GAAP EPS less the 2014 Filtration segment restructuring charges of \$0.05 per share.

EBIT, EBIT margin, EPS – "As Adjusted" and EPS – from Continuing Operations "As Adjusted" are not recognized in accordance with U.S. generally accepted accounting principles (GAAP). However, Management believes that EBIT and EBIT margin are useful in assessing the operational profitability of the Company's business segments because they exclude interest and taxes, which are generally accounted for across the entire Company on a consolidated basis. EBIT is also one of the measures used by Management in determining resource allocations within the Company as well as incentive compensation. The Company believes that the presentation of EBIT, EBIT margin, EPS – "As Adjusted" and EPS – from Continuing Operations "As Adjusted" provides important supplemental information to investors by facilitating comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results. The use of non-GAAP financial measures is not intended to replace any measures of performance determined in accordance with GAAP. A reconciliation of these non-GAAP financial measures to the corresponding GAAP measures is included in the attached tables.

ESCO, headquartered in St. Louis, provides engineered filtration products to the aviation, space and process markets worldwide and is the industry leader in RF shielding and EMC test products. In addition, the Company provides diagnostic instruments, services and the world's premier library of statistically significant apparatus test results for the benefit of energy generation, transmission, and delivery companies and industrial power users worldwide. Further information regarding ESCO and its subsidiaries is available on the Company's website at [www.esco technologies.com](http://www.esco technologies.com).

- tables attached

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES  
Condensed Consolidated Statements of Operations (Unaudited)  
(Dollars in thousands, except per share amounts)

	Year Ended September 30, 2015	Year Ended September 30, 2014
Net Sales	537,291	531,120
Cost and Expenses:		
Cost of sales	334,850	323,939
Selling, general and administrative expenses	130,166	134,899
Amortization of intangible assets	8,850	6,744
Interest expense	785	1,567
Other (income) expenses, net	1,119	1,764
Total costs and expenses	475,770	468,913
Earnings before income taxes	61,521	62,207
Income taxes	19,785	19,594
Net earnings from continuing operations	41,736	42,613
Earnings from discontinued operations, net of tax expense of \$5,713	0	9,858
Gain (loss) on sale of discontinued operations, net of tax expense (benefit) of \$390 and \$(11,747), respectively	776	(52,061)
Net earnings (loss) from discontinued operations	776	(42,203)
Net earnings	\$ 42,512	410
Earnings per share:		
Diluted		
Continuing operations	1.59	1.60
Discontinued operations	0.03	(1.58)
Net earnings	\$ 1.62	0.02
Average common shares O/S:		
Diluted	26,265	26,644

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES  
Condensed Business Segment Information (Unaudited)  
(Dollars in thousands)

	Year Ended September 30	
	2015	2014
<b>Net Sales</b>		
Filtration	\$ 236,124	233,697
Test	177,611	181,755
Utility Solutions Group	123,556	115,668
Totals	\$ 537,291	531,120
<b>EBIT</b>		
Filtration	\$ 46,561	41,406
Test	9,540	21,083
Utility Solutions Group	29,637	26,624
Corporate	(23,432)	(25,339)
Consolidated EBIT	62,306	63,774
Less: Interest expense	(785)	(1,567)
Less: Income tax expense	(19,785)	(19,594)
Net earnings from		
Continuing Operations	\$ 41,736	42,613

Note: The above table is presented on a continuing operations basis.

Note: Depreciation and amortization expense was \$18.6 million and \$16.4 million for the years ended September 30, 2015 and 2014, respectively.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES  
Condensed Consolidated Balance Sheets (Unaudited)  
(Dollars in thousands)

	<u>September 30,</u> <u>2015</u>	<u>September 30,</u> <u>2014</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 39,411	35,131
Accounts receivable, net	102,607	105,449
Costs and estimated earnings on long-term contracts	28,387	27,798
Inventories	99,786	94,292
Current portion of deferred tax assets	15,558	19,946
Other current assets	12,502	13,337
Total current assets	298,251	295,953
Property, plant and equipment, net	77,358	76,465
Intangible assets, net	190,748	182,063
Goodwill	291,157	282,337
Other assets	6,694	9,088
	<u>\$ 864,208</u>	<u>845,906</u>
<u>Liabilities and Shareholders' Equity</u>		
Current maturities of long-term debt	\$ 20,000	20,000
Accounts payable	37,863	40,328
Current portion of deferred revenue	21,498	19,895
Other current liabilities	63,850	66,877
Total current liabilities	143,211	147,100
Deferred tax liabilities	74,469	77,440
Other liabilities	32,346	21,195
Long-term debt	30,000	20,000
Shareholders' equity	584,182	580,171
	<u>\$ 864,208</u>	<u>845,906</u>

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows (Unaudited)  
(Dollars in thousands)

	Year Ended September 30, 2015
Cash flows from operating activities:	
Net earnings	\$ 42,512
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Net earnings from discontinued operations, net of tax	(776)
Depreciation and amortization	18,584
Stock compensation expense	4,779
Changes in assets and liabilities	(745)
Effect of deferred taxes	1,417
Other	(794)
Net cash provided by operating activities - continuing operations	64,977
Net cash provided by operating activities - discontinued operations	776
Net cash provided by operating activities	65,753
Cash flows from investing activities:	
Acquisition of business	(20,500)
Capital expenditures	(12,444)
Additions to capitalized software	(6,901)
Net cash used by investing activities	(39,845)
Cash flows from financing activities:	
Proceeds from long-term debt	106,000
Principal payments on long-term debt	(96,000)
Dividends paid	(8,369)
Purchases of common stock into treasury	(18,248)
Other	(24)
Net cash used by financing activities	(16,641)
Effect of exchange rate changes on cash and cash equivalents	(4,987)
Net increase in cash and cash equivalents	4,280
Cash and cash equivalents, beginning of period	35,131
Cash and cash equivalents, end of period	\$ 39,411

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES  
Other Selected Financial Data (Unaudited)  
(Dollars in thousands)

<u>Backlog And Entered Orders - Q4 FY 2015</u>	<u>USG</u>	<u>Test</u>	<u>Filtration</u>	<u>Total</u>
Beginning Backlog - 7/1/15	\$ 29,281	112,640	192,535	334,456
Entered Orders	37,658	35,650	73,358	146,666
Sales	<u>(30,667)</u>	<u>(53,161)</u>	<u>(69,784)</u>	<u>(153,612)</u>
Ending Backlog - 9/30/15	<u>\$ 36,272</u>	<u>95,129</u>	<u>196,109</u>	<u>327,510</u>
<u>Backlog And Entered Orders - FY 2015</u>	<u>USG</u>	<u>Test</u>	<u>Filtration</u>	<u>Total</u>
Beginning Backlog - 10/1/14	\$ 33,093	90,739	179,063	302,895
Entered Orders	126,735	182,001	253,170	561,906
Sales	<u>(123,556)</u>	<u>(177,611)</u>	<u>(236,124)</u>	<u>(537,291)</u>
Ending Backlog - 9/30/15	<u>\$ 36,272</u>	<u>95,129</u>	<u>196,109</u>	<u>327,510</u>