UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period ____ to ____

Commission file number: 1-10596

ESCO Technologies Inc.
(Exact name of registrant as specified in its charter)

Missouri **(State or other jurisdiction of incorporation or organization)**	43-1554045 **(I.R.S. Employer Identification No.)**
8888 Ladue Road, Ste. 200 St. Louis, Missouri **(Address of principal executive offices)**	63124-2056 **(Zip Code)**

Registrant's telephone number, including area code:

(314) 213-7200

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange, Inc.
Preferred Stock Purchase Rights	New York Stock Exchange, Inc.

(Cover page 1 of 2 pages)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes _X_ No

Aggregate market value of the Common Stock held by non-affiliates of the registrant as of the close of business on March 31, 2003: $400,130,185.*

* For purpose of this calculation only, without determining whether the following are affiliates of the registrant, the registrant has assumed that (i) its directors and executive officers are affiliates, and (ii) no party who has filed a Schedule 13D or 13G is an affiliate.

Number of shares of Common Stock outstanding at December 19, 2003: 12,847,444

DOCUMENTS INCORPORATED BY REFERENCE:

1. Portions of the registrant's Annual Report to Stockholders for fiscal year ended September 30, 2003 (the "2003 Annual Report") (Parts I and II).

2. Portions of the registrant's Proxy Statement dated December 29, 2003 (the "2004 Proxy Statement") (Part III).

ESCO TECHNOLOGIES INC.
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PART I

Item 1. Business

THE COMPANY

ESCO Technologies Inc. (“ESCO”) is a producer of engineered products and systems for industrial and commercial applications sold to customers world-wide. ESCO operates in three industry segments which, together with the operating subsidiaries within each segment, are as follows:

Filtration/Fluid Flow:
Filtertek Inc.
Filtertek BV
Filtertek de Puerto Rico, Inc.
Filtertek do Brazil Industria E Commerico Limitada
Filtertek SA
PTI Technologies Inc. (“PTI”)
VACCO Industries (“VACCO”)
ESCO Electronica De Mexico, S.A. de C.V.

Communications:
Distribution Control Systems, Inc. (“DCSI”)
Distribution Control Systems Caribe, Inc.
Comtrak Technologies, L.L.C. (“Comtrak”)

Test:
ETS-Lindgren L.P. (“ETS”)
Lindgren RF Enclosures, Inc. (“Lindgren”)
Euroshield OY
Ray Proof Limited
Beijing Lindgren ElectronMagnetic Technology Co., Ltd. (“Beijing Lindgren”)
ETS-Lindgren Japan, Inc.

The above operating subsidiaries are engaged primarily in the research, development, manufacture, sale and support of the products and systems described below, and are subsidiaries of ESCO Technologies Holding Inc., a wholly-owned direct subsidiary of ESCO. ESCO and its direct and indirect subsidiaries are hereinafter referred to collectively as the “Company”. The Company’s businesses are subject to a number of risks and uncertainties, including without limitation those discussed below. See “Management’s Discussion and Analysis” appearing in the 2003 Annual Report, which is herein incorporated by reference, and “Forward-Looking Information” below.

DISCONTINUED OPERATIONS

Effective April 11, 2003, the Company completed the divestiture of Rantec Power Systems Inc. (“Rantec”) which had previously been reported as a portion of a separate industry segment entitled “Other”. This business was sold to an entity owned by investors primarily composed of the subsidiary’s management. Rantec, located in Los Osos, California, is a manufacturer of high voltage and low voltage power supplies for commercial and military applications. In fiscal 2003, Rantec accounted for approximately $6 million in net sales. The Company received consideration in the amount of $6 million plus future consideration based on future operating results of Rantec.

In July 2003, the Company announced its decision to divest its microfiltration and separations businesses (“MicroSep Business”) in the Filtration/Fluid Flow segment. This business consists of PTI Advanced Filtration Inc. (Oxnard, California), PTI Technologies Limited (Sheffield, England) and PTI S.p.A. (Milan, Italy). The MicroSep Business produces membrane-based microfiltration and separation products and systems for use in process scale filtration and separation applications. The key customer segments include the microelectronics, chemicals, nutraceuticals, food and beverage, electrocoat, pharmaceutical, healthcare

and petrochemical markets. In fiscal 2003 the MicroSep Business accounted for approximately $44 million in net sales. As of the date of this Form 10-K, no agreement has been reached with a prospective purchaser for the MicroSep Business; however, the Company expects the divestiture to be completed by March 31, 2004.

Rantec and the MicroSep Business are accounted for as discontinued operations in the Consolidated Financial Statements in the 2003 Annual Report in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. The following discussion refers to the Company’s continuing operations, except where noted. Accordingly, dollar amounts and percentages presented below in this Item 1 for all periods reflect continuing operations by excluding Rantec and the MicroSep Business. See Notes 2 and 14 of the 2003 Annual Report, which Notes are herein incorporated by reference.

PRODUCTS

The Company’s products are described below. See Note 14 of the Notes to Consolidated Financial Statements in the 2003 Annual Report for financial information regarding segments, which Note is herein incorporated by reference.

FILTRATION/FLUID FLOW

The Company’s Filtration/Fluid Flow segment accounted for approximately 41%, 48% and 52% of the Company’s total revenue in fiscal years 2003, 2002 and 2001, respectively.

All of the Filtertek entities listed above under “THE COMPANY” are hereinafter collectively referred to as “Filtertek”. Filtertek develops and manufactures a broad range of high-volume filtration products at its facilities in North America, South America and Europe. Filtertek’s products, which are centered around its insert injection-molding technology wherein a filter medium is inserted into the tooling prior to injection-molding of the filter housing, have widespread applications in the medical and healthcare markets, automotive fluid system market, consumer appliance and other commercial and industrial markets. Typical Filtertek customers may require daily production of many thousands of units, at very high levels of quality, that are generally produced in highly-automated manufacturing cells. Many of Filtertek’s products are produced utilizing patented designs or proprietary product or process design, or both. Filtertek’s products are typically supplied to original equipment manufacturers under long-term contracts. In fiscal 2003, Filtertek introduced a number of new products including new variable transmission sump filters, new variable cam timing system filters, a new high flow Infusion filter for healthcare and a patented new needleless drug delivery system for pharmaceutical applications. The Company also completed all the initial design and development work for a next generation family of needleless access devices.

PTI is a leading supplier of filtration products serving the commercial aerospace, military aerospace and various industrial markets. The industrial markets include: chemical processing, power generation and mobile equipment. PTI is working on the development of a new Intellisensor® technology to provide aviation and industrial customers with a prognostic health monitoring tool for their filtered lubricants and fluids.

VACCO supplies flow control products to the aerospace industry for use in aircraft, satellite propulsion systems, satellite launch vehicles and the space shuttle. VACCO also uses its etched disc technology to produce quiet valves and manifolds for U.S. Navy and severe service industrial applications.

COMMUNICATIONS

The Company’s Communications segment accounted for approximately 36%, 30% and 20% of the Company’s total revenue in fiscal years 2003, 2002 and 2001, respectively.

DCSI is a leading manufacturer of two-way power line communication systems for the utility industry. These systems provide electric utilities with a patented communication technology for automatic meter reading, demand-side management and distribution automation (the “TWACS® systems”). Revenue from the TWACS systems accounted for approximately 34%, 29%, and 18% of the Company’s consolidated revenue in fiscal years 2003, 2002 and 2001, respectively. During fiscal 2002, DCSI was awarded a $112 million multi-

year contract by PPL Electric Utilities Corporation for a TWACS automatic meter reading system. Revenue of $63.9 million was generated from this contract in fiscal 2003. Revenue from this contract of approximately $19.4 million is expected to be realized in fiscal 2004. In addition, revenue from a $50 million follow-on contract with Puerto Rico Electric Power Authority awarded in fiscal 2001 amounted to $9.6 million in fiscal 2003. This contract will continue through fiscal year 2006. Electric utility cooperatives continue to represent a solid business base.

Comtrak manufactures advanced video security monitoring systems, which have applications in commercial and industrial security systems. Comtrak is continuing to work jointly with ADT Security Services, Inc., who is selling this system under its SecurVision® trademark to a variety of markets.

TEST

The Company's Test segment accounted for approximately 23%, 22% and 28% of the Company's total revenue in fiscal years 2003, 2002 and 2001, respectively.

ETS designs and manufactures products to measure and control electromagnetic and acoustic energy. It supplies a broad range of products including radio frequency ("RF") test enclosures, acoustic test enclosures RF absorptive materials, antennas, antenna masts, turntables, electric and magnetic probes, TEM (transverse electromagnetic) cells, GTEM (gigahertz transverse electromagnetic) cells and other test accessories required to perform a variety of tests. ETS also provides the design, program management and integration services required to supply customers with turnkey solutions. ETS also performs certified calibrations for antennas, probes, meters and other components. ETS recently added a Cellular Telecommunications and Internet Association (CTIA) certified test lab and can now provide customers with a variety of certified wireless test services. ETS serves the healthcare, electronics and transportation markets.

Lindgren designs, manufactures, installs and services electromagnetic ("EM") shielding systems used in medical test facilities, wireless product testing and electronic product testing. Lindgren's products include RF and magnetic shielding for MRI (magnetic resonance imaging) rooms, shielded test enclosures, RF filters, fiber optic interface components, active magnetic field compensation systems, and a line of proprietary doors designed specifically for EM isolation, containment and measurement applications. Lindgren also supplies special high performance RF and acoustic shielded rooms for secure data processing and communications for government security applications.

Euroshield OY designs and manufactures a broad range of modular shielding systems and shielded doors, some of which are proprietary, for the world market. It also provides the design, program management and integration services to supply the European market with turnkey solutions.

Beijing Lindgren, which was established in fiscal 2002, manufactures electromagnetic shielding systems to support most of the Asian market. These products are used in medical test facilities and wireless and electronic product testing. Beijing Lindgren also provides design, program management, installation and support services to the region.

ETS-Lindgren Japan, Inc., which was established in fiscal 2002, provides design, program management, installation and support services for the Japanese market.

MARKETING AND SALES

The Company's Filtration/Fluid Flow and Test segments' products generally are distributed to customers through a domestic and foreign network of distributors, sales representatives and factory salespersons. The Communications segment's systems are primarily sold directly to the respective end users; however, the Communications segment utilizes distributors and sales representatives to sell its systems to the electric utility cooperative market.

The Company's international sales accounted for approximately 19%, 20% and 17% of the Company's total sales in the fiscal years ended September 30, 2003, 2002 and 2001, respectively. See Note 14 of the Notes to Consolidated Financial Statements in the 2003 Annual Report for financial information regarding geographic areas, which Note is herein incorporated by reference.

The Company's international sales are subject to risks inherent in foreign commerce, including currency fluctuations and devaluations, the risk of war and terrorism, changes in foreign governments and their policies, differences in foreign laws, uncertainties as to enforcement of contract rights, and difficulties in negotiating and litigating with foreign customers.

Some of the Company's products are sold directly or indirectly to the U.S. Government under contracts with the Army, Navy and Air Force and subcontracts with prime contractors of such entities. Direct and indirect sales to the U.S. Government accounted for approximately 8%, 7% and 7% of the Company's total sales in the fiscal years ended September 30, 2003, 2002 and 2001, respectively.

INTELLECTUAL PROPERTY

The Company owns or has other rights in various forms of intellectual property (i.e., patents, trademarks, service marks, copyrights, mask works, trade secrets and other items). As a major supplier of engineered products to growing industrial and commercial markets, the Company emphasizes developing intellectual property and protecting its rights therein. However, the scope of protection afforded by intellectual property rights, including those of the Company, is often uncertain and involves complex legal and factual issues. Some intellectual property rights, such as patents, have only a limited term. Also, there can be no assurance that issued patents will not be infringed or designed around by others. In addition, the Company may not elect to pursue an infringer due to the high costs and uncertainties associated with litigation. Further, there can be no assurance that courts will ultimately hold issued patents valid and enforceable.

With respect to the Filtration/Fluid Flow segment, an increasing number of products are based on patented or otherwise proprietary technology that sets them apart from the competition. Of particular importance to Filtertek is a United States patent covering certain transmission sump filters, which will expire approximately May 1, 2009. In the Communications segment, many of the products are based on patented or otherwise proprietary technology, including the Company's TWACS technology. The TWACS systems are protected by a number of patents expiring on various dates between 2004 and 2017. Patents covering significant aspects of the TWACS technology will expire in 2007 and 2010 for outbound signal reception, 2007 for inbound signal detection, and 2017 for inbound signal generation. The Communications segment policy is to seek patent and/or other forms of intellectual property protection on new and improved products, components of products and methods of operation for its businesses, as such developments are made. In the Test segment, patent protection is sought for significant inventions.

In October 2003, the Company terminated a license agreement pursuant to which it had acquired exclusive rights to the patent portfolio and related intellectual property (including its flat sheet module technology) of North Carolina Separations Research Technology Inc. and its affiliate ("NCSRT") a manufacturer of cross-flow filtration and separation modules and equipment. The NCSRT license agreement was a part of the MicroSep Business which is being divested by the Company and is included in discontinued operations in this Item 1.

The Company considers its patent and other intellectual property to be of significant value in each of its segments. The Communications segment owns intellectual property, including its TWACS technology, which it deems necessary or desirable for the manufacture, use or sale of its products. No other segment is materially dependent on any single patent, group of patents or other intellectual property.

BACKLOG

Total Company backlog at September 30, 2003 was $263.0 million, representing a decrease of $11.9 million (4%) from the beginning of the fiscal year backlog of $274.9 million. The backlog of firm orders at September 30, 2003 and September 30, 2002, respectively, was: $86.2 million and $69.9 million for Filtration/Fluid Flow; $130.4 million and $170.7 million for Communications; and $46.4 million and $34.3 million for Test. As of September 30, 2003, it is estimated that domestic customers accounted for approximately 79% of the Company's total firm orders, and international customers accounted for approximately 21%. Of the Company's total backlog of orders at September 30, 2003, approximately 75% is expected to be completed in the fiscal year ending September 30, 2004.

PURCHASED COMPONENTS AND RAW MATERIALS

The Company's products require a wide variety of components and materials. Although the Company has multiple sources of supply for most of its material requirements, certain components and raw materials are supplied by sole-source vendors, and the Company's ability to perform certain contracts depends on their performance. In the past, these required raw materials and various purchased components generally have been available in sufficient quantities. However, in each of the Company's segments, there are instances of some risk of shortages of materials or components due to reliance on sole source of supply. The Filtration/Fluid Flow segment purchases supplies from a wide array of vendors. In most instances, multiple vendors of raw materials are screened during a qualification process to ensure that there will not be an interruption of supply should one of them discontinue operations. In the Communications segment, DCSI utilizes a limited number of sources to produce substantially all of DCSI's end-products. The Test segment is a vertically integrated supplier of EM shielding products, producing most of its critical RF components.

COMPETITION

Competition in the Company's major markets is broadly based and global in scope. The Company faces intense competition from a large number of firms for nearly all of its products. Competition can be particularly intense during periods of economic slowdown, and this has been experienced in the past in some of the Filtration/Fluid Flow markets. Although the Company is a leading supplier in several of the markets it serves, it maintains a relatively small share of the business in many of the markets in which it participates. Individual competitors range in size from annual revenues of less than $1 million to billion dollar enterprises. Because of the specialized nature of the Company's products, it is impossible to state precisely its competitive position with respect to its products. Substantial efforts are required in order to maintain existing business levels. In the Company's major served markets, competition is driven primarily by quality, technology, price and delivery performance. The following information concerns the Company's primary segments.

Pall Corporation, Filtran Ltd. and SoFrance are the primary competitors in the Filtration/Fluid Flow market. Other significant competitors in this market include Illinois Tool Works Inc. and Moog Inc.

Primary competitors of the Communications segment in the utility communications market include Itron, Inc., Hunt Technologies Inc. and Atos Origin S.A., successor to Schlumberger Limited's utility communications business.

The Test segment is the global leader in the EM shielding market. Significant competitors in this served market include Braden Shielding Systems and TDK RF Solutions Inc.

RESEARCH AND DEVELOPMENT

Research and development and the Company's technological expertise are important factors in the Company's business. Research and development programs are designed to develop technology for new products or to extend or upgrade the capability of existing products, and to enhance their commercial potential.

The Company performs research and development at its own expense, and also engages in research and development funded by customers. For the fiscal years ended September 30, 2003, 2002 and 2001, total Company-sponsored research and development expenses were approximately $11.0 million, $11.9 million and $8.4 million, respectively. Total customer-sponsored research and development expenses were approximately $7.1 million, $6.0 million and $4.8 million for the fiscal years ended September 30, 2003, 2002 and 2001, respectively. All of the foregoing expense amounts exclude certain engineering costs primarily associated with product line extensions, modifications and maintenance, which amounted to approximately $6.7 million, $5.9 million and $8.5 million for the fiscal years ended September 30, 2003, 2002 and 2001, respectively.

ENVIRONMENTAL MATTERS

The Company is involved in various stages of investigation and cleanup relating to environmental matters. It is very difficult to estimate the potential costs of such matters and the possible impact of these costs on the Company at this time due in part to: the uncertainty regarding the extent of pollution; the complexity of Government laws and regulations and their interpretations; the varying costs and effectiveness of alternative cleanup technologies and methods; the uncertain level of insurance or other types of cost recovery; and in the case of off-site waste disposal facilities, the uncertain level of the Company's relative involvement and the possibility of joint and several liability with other contributors under applicable law. Based on information currently available, the Company does not believe that the aggregate costs involved in the resolution of any of its environmental matters will have a material adverse effect on the Company's financial statements.

GOVERNMENT CONTRACTS

The Company's contracts with the U.S. Government and subcontracts with prime contractors of the U.S. Government are primarily firm fixed price contracts under which work is performed and paid for at a fixed amount without adjustment for the actual costs experienced in connection with the contracts. Therefore, unless the customer actually or constructively alters or impedes the work performed, all risk of loss due to cost overruns is borne by the Company. All Government prime contracts and virtually all of the Company's subcontracts provide that they may be terminated at the convenience of the Government. Upon such termination, the Company is normally entitled to receive equitable compensation. See "Marketing And Sales" in this Item 1 for additional information regarding Government contracts.

EMPLOYEES

As of November 30, 2003, the Company employed approximately 2,500 persons including discontinued operations. Approximately 110 of these employees, all located at the Filtertek Puerto Rico facility which is being phased out, are covered by a collective bargaining agreement, which will expire in fiscal year 2005.

FINANCING

Effective September 5, 2003, the Company amended its existing revolving credit facility to allow for the announced divestiture of the MicroSep Business as well as the repayment of the Company's $31.5 million synthetic lease facility. The credit facility continues to have $5 million annual reductions, a $25 million increase option through April 11, 2004 and a final maturity and expiration of April 11, 2005. As of September 30, 2003, the Company had not exercised the $25 million increase option and the revolving line of credit was $65 million. The credit facility is available for direct borrowings and/or the issuance of letters of credit, and is provided by a group of five banks, led by Bank of America as agent. Substantially all of the assets of the Company are pledged under the credit facility. The credit facility contains customary events of default, including change in control of the Company. See "Management's Discussion and Analysis—Capital Resources and Liquidity" in the 2003 Annual Report, and Note 10 of the Notes to Consolidated Financial Statements in the 2003 Annual Report, which information is herein incorporated by reference.

HISTORY OF THE BUSINESS

ESCO was incorporated in Missouri in August 1990 as a wholly-owned subsidiary of Emerson Electric Co. ("Emerson") to be the indirect holding company for several Emerson subsidiaries, which were primarily in the defense business. Ownership of ESCO and its subsidiaries was distributed on October 19, 1990 by Emerson to its shareholders through a special distribution. In September 1999, the Company completed the divestiture of Systems & Electronics Inc. ("SEI"), and shifted the Company's focus from defense contracting to the supply of engineered products marketed to industrial and commercial users. Effective July 10, 2000, ESCO changed its name from ESCO Electronics Corporation to ESCO Technologies Inc.

On December 31, 2002, the Company acquired the assets and certain liabilities of Austin Acoustics Systems, Inc. (Austin Acoustics) for $4 million in cash. Austin Acoustics is a leading supplier of noise control chambers for the test, medical and broadcast/music industries. Austin Acoustics is headquartered in Austin, Texas and has annual sales of approximately $8 million. The assets, liabilities and results of operations since the date of acquisition are included within the Company's Test segment.

Operations that were divested in fiscal 2003 and that the Company intends to divest in fiscal 2004 are discussed under “Discontinued Operations” in this Item 1.

FORWARD-LOOKING INFORMATION

The statements contained in this Item 1. “Business” and in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (incorporated herein by reference to “Management’s Discussion and Analysis” appearing in the 2003 Annual Report) concerning the Company’s future revenues, profitability, financial resources, realization of net deferred tax assets, market demand, product development, competitive posture, impact of environmental matters, effect of final judgments in any litigation and statements containing phrases such as “believes”, “anticipates”, “may”, “could”, “should”, “is expected to” and variations of those words are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Company’s actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company’s operations and business environment including, but not limited to: the timing and terms of the divestiture of the MicroSep Business; performance of discontinued operations prior to divestiture; successful execution of planned facility closures; the timing and execution of sales, consolidations and relocations with regard to the Company’s Puerto Rico Facility and U.K. facility; termination for convenience of customer contracts; timing and magnitude of future contract awards; further weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; delivery delays or defaults by customers; performance issues with key suppliers and subcontractors; collective bargaining and labor disputes; changes in laws and regulations including changes in accounting standards and taxation requirements; changes in foreign or U.S. business conditions affecting the distribution of foreign earnings; costs relating to environmental matters; litigation uncertainty; and the Company’s successful execution of internal operating plans.

AVAILABLE INFORMATION

The Company makes available free of charge through its Internet website, www.escotechnologies.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

Item 2. Properties

PROPERTIES ASSOCIATED WITH CONTINUING OPERATIONS

The Company’s principal buildings contain approximately 1,151,250 square feet of floor space, excluding the properties which are associated with the discontinued operations. Approximately 831,800 square feet are owned by the Company and approximately 319,450 square feet are leased. Substantially all of the Company’s owned properties are encumbered in connection with the Company’s credit facility. See Item 1. “Business—Financing” and Note 8 of the Notes to Consolidated Financial Statements in the 2003 Annual Report, which information is herein incorporated by reference. The principal plants and offices are as follows:

Location	Size (Sq. Ft.)	Sq. Ft. Owned/ Leased	Lease Expiration Date	Principal Use (Industry Segment)
Oxnard, CA	127,400	Owned		Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Patillas, PR*	110,000	Owned		Manufacturing (Filtration/Fluid Flow)

Location	Size (Sq. Ft.)	Sq. Ft. Owned/ Leased	Lease Expiration Date	Principal Use (Industry Segment)
South El Monte, CA	100,100	Owned		Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Durant, OK	100,000	Owned		Manufacturing (Test)
Hebron, IL	99,800	Owned		Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Huntley, IL	85,000	Owned		Manufacturing (Filtration/Fluid Flow)
Cedar Park, TX	75,200	Owned		Management, Engineering and Manufacturing (Test)
Sao Paulo, Brazil	65,000	Leased	12-01-04	Manufacturing (Filtration/Fluid Flow)
Glendale Heights, IL	59,400	Leased	3-31-05 (w/one 5-year and three 3-year renewal options)	Management, Engineering and Manufacturing (Test)
St. Louis, MO	58,600	Leased	3-31-08 (w/two 5-year renewal options)	Management and Engineering (Communications)
Newcastle West, Ireland	37,000	Owned		Manufacturing (Filtration/Fluid Flow)
St. Louis, MO	35,000	Owned		Management and Engineering (Communications)
Juarez, Mexico	34,400	Leased	12-31-04	Engineering and Manufacturing (Filtration/Fluid Flow)
Plailly, France	33,000	Owned		Engineering and Manufacturing (Filtration/Fluid Flow)
Minocqua, WI	30,200	Leased	3-31-05 (w/one 5-year, and three 3-year renewal options)	Engineering and Manufacturing (Test)
Eura, Finland	29,300	Owned		Management, Engineering and Manufacturing (Test)
Stevenage, England	25,650	Leased	8-11-17 (w/option to terminate on 8-12-07)	Management, Engineering and Manufacturing (Test)

Location	Size (Sq. Ft.)	Sq. Ft. Owned/ Leased	Lease Expiration Date	Principal Use (Industry Segment)
Beijing, China	24,400	Leased	3-1-05	Manufacturing (Test)
St. Louis, MO	21,800	Leased	8-31-05 (w/two 5-year renewal options)	ESCO Headquarters

* The Company has announced that it is attempting to sell this property and expects that it will be sold in fiscal 2004.

The Company believes its buildings, machinery and equipment have been generally well maintained, are in good operating condition and are adequate for the Company's current production requirements.

PROPERTIES ASSOCIATED WITH DISCONTINUED OPERATIONS

The Company intends to dispose of the properties associated with the MicroSep Business in connection with the divestiture of those subsidiaries. Information related to the principal plants and offices utilized by the MicroSep Business is as follows:

Location	Size (Sq. Ft.)	Sq. Ft. Owned/Leased	Lease Expiration Date	Principal Use (Industry Segment)
Oxnard, CA	125,000	Owned		Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Milan, Italy	85,700	Leased	6-7-13 (w/one 6-year renewal option)	Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Sheffield, England	33,500	Owned		Management, Engineering and Manufacturing (Filtration/Fluid Flow)

The Company believes the buildings, machinery and equipment associated with the MicroSep Business have been generally well maintained, are in good operating condition and are adequate for the current production requirements of the MicroSep Business.

Item 3. Legal Proceedings

As a normal incident of the businesses in which the Company is engaged, various claims, charges and litigation are asserted or commenced against the Company. The Company believes that final judgments, if any, which might be rendered against the Company in current litigation are adequately reserved, covered by insurance, or would not have a material adverse effect on its financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Executive Officers of the Registrant

The following sets forth certain information as of December 13, 2003 with respect to ESCO's executive officers. These officers have been elected to terms which expire at the first meeting of the Board of Directors after the next annual meeting of stockholders.

Name	Age	Position(s)
Victor L. Richey, Jr.*	46	Chairman, Chief Executive Officer and Director
Charles J. Kretschmer	47	President, Chief Operating Officer and Director
Gary E. Muenster	43	Vice President and Chief Financial Officer
Alyson S. Barclay	44	Vice President, Secretary and General Counsel

* Also Chairman of the Executive Committee of the Board of Directors.

There are no family relationships among any of the executive officers and directors.

From March 1998 until October 2000, Mr. Richey was Vice President of ESCO, and was Senior Vice President and Group Executive from October 2000 until August 2001. Mr. Richey was President and Chief Operating Officer from August 2001 until October 2002. Since October 2002, he has been Chief Executive Officer of ESCO, and since April 2003, he has also been Chairman.

From August 1997 until October 1999, Mr. Kretschmer was Vice President of ESCO. He was Vice President and Chief Financial Officer from October 1999 until February 2001, and Senior Vice President and Chief Financial Officer from February 2001 until February 2002, Executive Vice President and Chief Financial Officer from February 2002 to October 2002, and he has been President and Chief Operating Officer since the latter date.

From October 1994 until May 1998, Mr. Muenster was Controller of ESCO. He was Vice President and Controller of ESCO from May 1998 until October 2002. Since the latter date, he has been Vice President and Chief Financial Officer.

From October 1995 until October 1999, Ms. Barclay was Assistant General Counsel of ESCO. She has been Vice President, Secretary and General Counsel of ESCO since October 1999.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The information required by this item is incorporated herein by reference to Note 11 of the Notes to Consolidated Financial Statements, "Common Stock Market Price" and "Shareholders' Summary—Capital Stock Information" appearing in the 2003 Annual Report. ESCO does not anticipate, currently or in the foreseeable future, paying cash dividends on the Common Stock, although it reserves the right to do so to the extent permitted by applicable law and agreements. ESCO's dividend policy will be reviewed by the Board of Directors at such future time as may be appropriate in light of relevant factors at that time, based on ESCO's earnings and financial position and such other business considerations as the Board deems relevant. See Item 12 for equity compensation plan information.

Item 6. Selected Financial Data

The information required by this item, with respect to selected financial data, is incorporated herein by reference to “Five-Year Financial Summary” and Notes 2 and 3 of the Notes to Consolidated Financial Statements appearing in the 2003 Annual Report.

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

The information required by this item is incorporated herein by reference to “Management’s Discussion and Analysis” appearing in the 2003 Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is incorporated herein by reference to “Management’s Discussion and Analysis — Market Risk Analysis” appearing in the 2003 Annual Report.

Item 8. Financial Statements and Supplementary Data

The information required by this item is incorporated herein by reference to the Consolidated Financial Statements of the Company on pages 25 through 52 and the report thereon of KPMG LLP, independent certified public accountants, appearing on page 54 of the 2003 Annual Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as defined in Rules 13A-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of September 30, 2003. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

There have been no changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2003 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information regarding nominees and directors appearing under “Nominees and Continuing Directors” in the “2004 Proxy Statement” is hereby incorporated by reference. Information regarding executive officers is set forth in Part I of this Form 10-K. Information regarding the Audit and Finance Committee and its members appearing under “Board of Directors and Committees” in the 2004 Proxy Statement is hereby incorporated by reference.

Information appearing under “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2004

Proxy Statement is hereby incorporated by reference.

The Company has adopted codes of ethics which apply to its chief executive officer, its chief financial officer and all other senior executives, as well as all Company employees. The following documents are available free of charge through the Company's internet website, and also in print to any stockholder who requests them: Corporate Governance Guidelines; Charters of the Audit and Finance Committee, Human Resources and Compensation Committee, and Nominating and Corporate Governance Committee; Code of Business Conduct and Ethics; and Code of Ethics for Senior Financial Officers.

Item 11. Executive Compensation

Information appearing under "Board of Directors and Committees" and "Executive Compensation" (except for the "Report of the Human Resources And Compensation Committee On Executive Compensation" and the "Performance Graph") in the 2004 Proxy Statement is hereby incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information regarding beneficial ownership of shares of common stock by nominees and directors, by executive officers, by directors and executive officers as a group and by any known five percent stockholders appearing under "Security Ownership of Directors and Executive Officers" and "Security Ownership of Certain Beneficial Owners" in the 2004 Proxy Statement is hereby incorporated by reference.

Equity Compensation Plan Information

Information regarding the Company's equity compensation plans as of September 30, 2003 appearing under "Other Equity Compensation Plan Information" in Proposal II of the 2004 Proxy Statement is hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions

None.

Item 14. Principal Accountant Fees and Services

Information regarding the Company's independent auditors, their fees and services, and the Company's Audit and Finance Committee's pre-approval policies and procedures regarding such fees and services appearing under "V. Independent Auditors" in the 2004 Proxy Statement is hereby incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents filed as a part of this report:

1. The Consolidated Financial Statements of the Company on pages 25 through 52 and the Independent Auditors' Report thereon of KPMG LLP appearing on page 54 of the 2003 Annual Report.

2. Financial Statement Schedules

II. Valuation and Qualifying Accounts

Independent Auditors' Report

Other financial statement schedules have been omitted because the subject matter is disclosed elsewhere in the financial statements and notes thereto, not required or not applicable, or the amounts are not sufficient to require submission.

3. Exhibits:

Exhibit Number	Description	Filed Herewith or Incorporated by Reference to Document Indicated By Footnote
2	Stock Purchase Agreement dated as of August 23, 1999, as amended September 23, 1999 and September 30, 1999, among Engineered Systems and Electronics, Inc., ESCO and Defense Holding Corp.	Incorporated by Reference, Exhibit 2 [1]
3.1	Restated Articles of Incorporation	Incorporated by Reference, Exhibit 3(a)[2]
3.2	Amended Certificate of Designation, Preferences and Rights of Series A Participating Cumulative Preferred Stock of the Registrant	Incorporated by Reference, Exhibit 4(e)[3]
3.3	Articles of Merger effective July 10, 2000	Incorporated by Reference, Exhibit 3(c)[4]
3.4	Bylaws, as amended and restated	
4.1	Specimen Common Stock Certificate	Incorporated by Reference, Exhibit 4(a)[4]
4.2	Specimen Rights Certificate	Incorporated by Reference, Exhibit B to Exhibit 4.1[5]
4.3	Rights Agreement dated as of September 24, 1990 (as amended and restated as of February 3, 2000) between the Registrant and Registrar and Transfer Company, as successor Rights Agent	Incorporated by Reference, Exhibit 4.1[5]
4.4	Amended and Restated Credit Agreement dated as of February 28, 2001, among the Registrant, Bank of America, N.A., as agent, and the lenders listed therein	Incorporated by Reference, Exhibit 4(d)[6]
4.5	Amendment No. 1 dated as of April 5, 2002 to Credit Agreement listed as Exhibit 4.4 above	Incorporated by Reference, Exhibit 4(e)[7]
4.6	Amendment No. 2 and Consent dated as of September 5, 2003 to Credit Agreement listed as Exhibit 4.4 above	
10.1	Form of Split Dollar Agreement*	Incorporated by Reference, Exhibit 10(j)[8]
10.2	Form of Indemnification Agreement with each of ESCO's directors	Incorporated by Reference, Exhibit 10(k)[8]

Exhibit Number	Description	Filed Herewith or Incorporated by Reference to Document Indicated By Footnote
10.3	Supplemental Executive Retirement Plan as amended and restated as of August 2, 1993*	Incorporated by Reference, Exhibit 10(n)[9]
10.4	Second Amendment to Supplemental Executive Retirement Plan effective May 1, 2001*	Incorporated by Reference, Exhibit 10.4[10]
10.5	Directors’ Extended Compensation Plan*	Incorporated by Reference, Exhibit 10(o)[9]
10.6	First Amendment to Directors’ Extended Compensation Plan effective January 1, 2000*	Incorporated by Reference, Exhibit 10.11[11]
10.7	Second Amendment to Directors’ Extended Compensation Plan effective April 1, 2001*	Incorporated by Reference, Exhibit 10.7[10]
10.8	1994 Stock Option Plan (as amended and restated effective October 16, 2000)*	Incorporated by Reference, Exhibit 10.1[12]
10.9	Amendment to 1994 Stock Option Plan effective July 18, 2002*	Incorporated by Reference, Exhibit 10(b)[7]
10.10	Form of Incentive Stock Option Agreement*	Incorporated by Reference, Exhibit 10.15[11]
10.11	Severance Plan adopted as of August 10, 1995 (as restated February 5, 2002)*	Incorporated by Reference, Exhibit 10[13]
10.12	Amendment to 1994 Stock Option Plan effective August 7, 2003*	
10.13	1999 Stock Option Plan (as amended and restated effective October 16, 2000)*	Incorporated by Reference, Exhibit 10.2[12]
10.14	Form of Incentive Stock Option Agreement*	Incorporated by Reference, Exhibit 10.3[12]
10.15	Amendment to 1999 Stock Option Plan effective August 7, 2003*	
10.16	Employment Agreement with Executive Officer*[14]	Incorporated by Reference, Exhibit 10(bb)[2]
10.17	Amendment to Employment Agreement with Executive Officer*[15]	Incorporated by Reference, Exhibit 10.18[10]
10.18	Executive Stock Purchase Plan*	Incorporated by Reference, Exhibit 10.24[11]
10.19	Notice of Award—stock award to executive officer*	Incorporated by Reference, Exhibit 10.25[11]
10.20	Compensation Plan For Non-Employee Directors*	Incorporated by Reference, Exhibit 10.22[10]

Exhibit Number	Description	Filed Herewith or Incorporated by Reference to Document Indicated By Footnote
10.21	2001 Stock Incentive Plan*	Incorporated by Reference, Exhibit B[16]
10.22	Notice of Award—stock award to Dennis J. Moore dated July 18, 2002*	Incorporated by Reference, Exhibit 10(d)[7]
10.23	Non-qualified Stock Option Agreement dated July 18, 2002 between Registrant and Dennis J. Moore*	Incorporated by Reference, Exhibit 10(c)[7]
10.24	Form of Incentive Stock Option Agreement*	Incorporated by Reference, Exhibit 10.24[17]
10.25	Form of Non-qualified Stock Option Agreement*	Incorporated by Reference, Exhibit 10.25[17]
10.26	Form of Notice of Award—Performance-Accelerated Restricted Stock *	Incorporated by Reference, Exhibit 10.26[17]
10.27	Management Transition Agreement dated August 5, 2002 between Registrant and Dennis J. Moore*	Incorporated by Reference, Exhibit 10(a)[7]
10.28	Form of Supplemental Executive Retirement Plan Agreement *	Incorporated by Reference, Exhibit 10.28[17]
10.29	Amendment to 2001 Stock Incentive Plan effective August 7, 2003*	
10.30	Consulting Agreement dated April 9, 2003 between Registrant and Dennis J. Moore*	
10.31	General Release dated April 20, 2003 between Registrant and Dennis J. Moore*	
10.32	Sixth Amendment and Restatement of Employee Stock Purchase Plan effective as of October 15, 2003*	Incorporated by Reference, Appendix C[18]
13	The following-listed sections of the Annual Report to Stockholders for the year ended September 30, 2003: Five-Year Financial Summary (p. 55) Management's Discussion and Analysis (pgs. 10-24) Consolidated Financial Statements (pgs. 25-52) and Independent Auditors' Report (p. 54) Shareholders' Summary—Capital Stock Information (p. 56) Common Stock Market Price (p. 55)	
21	Subsidiaries of ESCO	
23	Independent Auditors' Consent	

Exhibit Number	Description	Filed Herewith or Incorporated by Reference to Document Indicated By Footnote
31.1	Certification of Chief Executive Officer	
31.2	Certification of Chief Financial Officer	
32	Certification of Chief Executive Officer and Chief Financial Officer	

[1] Incorporated by reference to Current Report on Form 8-K—date of earliest event reported: September 30, 1999, at the Exhibit indicated.

[2] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1999, at the Exhibit indicated.

[3] Incorporated by reference to Form 10-Q for the fiscal quarter ended March 31, 2000, at the Exhibit indicated.

[4] Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2000, at the Exhibit indicated.

[5] Incorporated by reference to Current Report on Form 8-K dated February 3, 2000, at the Exhibit indicated.

[6] Incorporated by reference to Form 10-Q for the fiscal quarter ended March 31, 2001, at the Exhibit indicated.

[7] Incorporated by reference to Form 10-Q for the fiscal quarter ended June 30, 2002, at the Exhibit indicated.

[8] Incorporated by reference to Form l0-K for the fiscal year ended September 30, l991, at the Exhibit indicated.

[9] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1993, at the Exhibit indicated.

[10] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2001, at the Exhibit indicated.

[11] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 2000, at the Exhibit indicated.

[12] Incorporated by reference to Form 10-Q for the fiscal quarter ended December 31, 2000, at the Exhibit indicated.

[13] Incorporated by reference to Form 10-Q for the fiscal quarter ended March 31, 2002, at the Exhibit indicated.

[14] Identical Employment Agreements between ESCO and executive officers Alyson S. Barclay and Victor L. Richey, Jr., except that in the case of Ms. Barclay the minimum annual salary is $94,000.

[15] Identical Amendments to Employment Agreements between ESCO and executive officers Alyson S. Barclay and Victor L. Richey, Jr.

[16] Incorporated by reference to Notice of Annual Meeting of the Stockholders and Proxy Statement dated December 11, 2000, at the Exhibit indicated.

[17] Incorporated by reference to Form 10-K for the fiscal year ended September 30,2002, at the Exhibit indicated.

[18] Incorporated by reference to Notice of Annual Meeting of the Stockholders and Proxy Statement dated December 29, 2003, at the Appendix indicated.

* Represents a management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 15(c) of this Part IV.

(b) Reports on form 8-K:

1. The Company filed a Current Report on Form 8-K, dated July 31, 2003, which reported in "Item 7. Financial Statements, Pro Forma Financial Information and Exhibits," "Item 9. Regulation FD Disclosure" and "Item 12. Results of Operations and Financial Condition" that the Company had issued a press release announcing (i) that the Company plans to divest its Microfiltration and Separations businesses and (ii) its decision to close out the Company's synthetic lease obligation by purchasing the three domestic manufacturing properties covered by the synthetic lease facility and to repay and cancel the interest rate swap associated with this obligation.

2. The Company filed a Current Report on Form 8-K, dated August 12, 2003, which reported in "Item 7. Financial Statements, Pro Forma Financial Information and Exhibits," "Item 9. Regulation FD Disclosure" and "Item 12. Results of Operations and Financial Condition" that the Company had issued a press release announcing its fiscal third quarter 2003 financial and operating results, which would be included on its website, and that a related conference call would be held.

(c) Exhibits: Reference is made to the list of exhibits in this Part IV, Item 15(a)3 above.

(d) Financial Statement Schedules: Reference is made to Part IV, Item 15(a)2 above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ESCO TECHNOLOGIES INC

By /s/ V.L. Richey, Jr.

V.L. Richey, Jr.
Chief Executive Officer

Dated: December 23, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below effective December 23, 2003, by the following persons on behalf of the registrant and in the capacities indicated.

SIGNATURE	TITLE
/s/ V.L. Richey, Jr. V.L. Richey, Jr.	Chairman, Chief Executive Officer and Director
/s/ C.J. Kretschmer C.J. Kretschmer	President, Chief Operating Officer and Director
/s/ G.E. Muenster G.E. Muenster	Vice President and Chief Financial Officer
/s/ W.S. Antle III W.S. Antle III	Director
/s/ J.M. McConnell J.M. McConnell	Director
/s/ L.W. Solley L.W. Solley	Director
/s/ J.M. Stolze J.M. Stolze	Director
/s/ D.C. Trauscht D.C. Trauscht	Director
/s/ J.D. Woods J.D. Woods	Director

ESCO Technologies Inc.
Schedule II — Valuation and Qualifying Accounts
Years Ended September 30, 2003, 2002, and 2001

(Dollars in thousands)	Balance at Beginning of Period	Additions Charged to Expense	Deductions	Balance at End of Period
2001				
Allowance for doubtful accounts	1,036	244	323	957
Inventory obsolescence reserve	2,824	709	1,095	2,438
2002				
Allowance for doubtful accounts	957	115	466	606
Inventory obsolescence reserve	2,438	377	949	1,866
2003				
Allowance for doubtful accounts	606	336	208	734
Inventory obsolescence reserve	1,866	1,296	392	2,770

Note: Amounts above exclude discontinued operations.

Independent Auditors' Report

The Board of Directors
ESCO Technologies Inc.:

Under date of November 17, 2003, we reported on the consolidated balance sheets of ESCO Technologies Inc. and subsidiaries as of September 30, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2003, which are incorporated herein by reference. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 5 of the notes to consolidated financial statements, in fiscal year 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

As discussed in Note 15 of the notes to consolidated financial statements, on July 1, 2003, the Company adopted FASB Interpretation No. 46, "Consolidation of Variable Interest Entities."

/s/ KPMG LLP

KPMG LLP
St. Louis, Missouri
November 17, 2003

INDEX TO EXHIBITS

Exhibits are listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K.

Exhibit No.	Exhibit
3.4	Bylaws, as amended and restated
4.6	Amendment No. 2 and Consent dated as of September 5, 2003 to Amended and Restated Credit Agreement dated as of February 28, 2001, among the Registrant, Bank of America, N.A., as agent, and the lenders listed therein.
10.12	Amendment to 1994 Stock Option Plan effective August 7, 2003
10.15	Amendment to 1999 Stock Option Plan effective August 7, 2003
10.29	Amendment to 2001 Stock Incentive Plan effective August 7, 2003
10.30	Consulting Agreement dated April 9, 2003 between Registrant and Dennis J. Moore
10.31	General Release dated April 20, 2003 between Registrant and Dennis J. Moore
10.32	Sixth Amendment and Restatement of Employee Stock Purchase Plan effective as of October 15, 2003
13	The following-listed sections of the Annual Report to Stockholders for the year ended September 30, 2003: Five-year Financial Summary (p. 55) Management's Discussion and Analysis (pgs. 10-24) Consolidated Financial Statements (pgs. 25-52) and Independent Auditors' Report (p. 54) Shareholders' Summary—Capital Stock Information (p. 56) Common Stock Market Price (p. 55)
21	Subsidiaries of ESCO
23	Independent Auditors' Consent
31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32	Certification of Chief Executive Officer and Chief Financial Officer

See Item 15(a)3 for a list of exhibits incorporated by reference

EXHIBIT 3.4

BYLAWS

OF

ESCO TECHNOLOGIES INC.

AMENDED AND RESTATED

AS OF

AUGUST 7, 2003

BYLAWS

OF

ESCO TECHNOLOGIES INC.

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BYLAWS

OF

ESCO TECHNOLOGIES INC.

ARTICLE ONE

OFFICES

Section 1.1 Registered Office. The registered office of the Corporation in Missouri shall be located at 8888 Ladue Road, Suite 200, St. Louis, Missouri, 63124, or at such other address within the State of Missouri as the Board of Directors may from time to time authorize by duly adopted resolution.

Section 1.2 Other Offices. The Corporation may maintain such other offices both within and without the State of Missouri as the business of the Corporation may from time to time require or as the Board of Directors may determine.

ARTICLE TWO

SHAREHOLDERS' MEETINGS

Section 2.1 Annual Meetings. The annual meeting of shareholders for the election of Directors and for the transaction of such other business as properly may come before such meeting shall be held at such place within or without the State of Missouri as the Board of Directors may direct In the notice of such meeting, on the first Monday in February of each year if not a legal holiday or, if a legal holiday, on the next succeeding business day not a legal holiday, commencing with February 4, 1991; provided, however, the day fixed for such meeting in any year may be changed, by resolution of the Board of Directors, to such other day which is not a legal holiday, as the Board of Directors may deem to be desirable or appropriate, subject to any applicable limitations of law. Every meeting of the shareholders shall be convened at the hour stated in the notice for the meeting and continue until declared adjourned by a vote of the shareholders present or declared adjourned by the presiding officer.

Section 2.2 Special Meetings. Special meetings of the shareholders or of the holders of any special class of stock of the Corporation, unless otherwise prescribed by statute or by the Articles of Incorporation, may be called only by the affirmative vote of a majority of the entire Board of Directors or by the Chairman of the Board of Directors, any Vice Chairman of the Board of Directors or the President by request of such a meeting in writing. Such request shall be delivered to the Secretary of the Corporation and shall state the purpose or purposes of the proposed meeting. Upon such direction or request, subject to any requirements or limitations imposed by the Corporation's Articles of Incorporation, by these Bylaws or by law, it shall be the duty of the Secretary to call a special meeting of the shareholders to be held at such time as is specified in the request.

Section 2.3 Notice of Meetings. Written or printed notice of each meeting of shareholders, stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered or given not less than 10 nor more than 70 days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary to each shareholder of record entitled to vote at such meeting. Attendance of a shareholder at any meeting shall constitute a waiver of notice of such meeting except where such shareholder attends the meeting for the sole and express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any notice of a shareholders' meeting sent by mail shall be deemed to be delivered when deposited In the United States mail with first class postage thereon prepaid, addressed to the shareholder at such shareholder's address as it appears on the records of the Corporation.

Section 2.4 Quorum; Adjournment. A majority of the outstanding shares entitled to vote at any meeting, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders; provided, that in no event shall a quorum consist of less than a majority of the outstanding shares entitled to vote, but less than such quorum shall have the right successively to adjourn the meeting to a specified date not longer than 90 days after such adjournment, and no notice need be given of such adjournment to shareholders not present at the meeting.

Section 2.5 Voting. Subject to the rights of any holders of preferred stock, each outstanding share entitled to vote under the provisions of the Articles of Incorporation shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders. If a quorum is present, the affirmative vote of a majority of the shares represented at the meeting shall be the act of the shareholders unless the vote of a greater number of shares is required by the Corporation's Articles of Incorporation, by these Bylaws or by law. No person shall be admitted to vote on any shares belonging or hypothecated to the Corporation. A shareholder may vote either in person or by proxy, executed in writing by the shareholder or by his duly authorized attorney-in-fact.

Section 2.6 Action by Consent. Unless otherwise prescribed by the Articles of Incorporation, any action required or permitted to be taken by the shareholders of the Corporation may, if otherwise allowed by law, be taken without a meeting of shareholders only if consents in writing, setting forth the action so taken, are signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

ARTICLE THREE

BOARD OF DIRECTORS

Section 3.1 Number, Election and Term.

(a) The Board of Directors shall consist of a minimum of three persons and a maximum of ten persons; provided, however, that except as otherwise provided In the Articles of Incorporation the number of Directors may be determined from time to time only by the affirmative vote of a majority of the Board of Directors; and provided, further, that any change in the number of Directors shall be reported to the Secretary of State of the State of Missouri within 30 calendar days of such change.

(b) The Board of Directors shall be divided into three classes, as nearly equal in number as possible. In the event of any increase in the number of Directors, any additional Directors shall be added to such classes as may be necessary so that all classes shall be as nearly equal in number as possible. In the event of any decrease in the number of Directors, all classes of Directors shall be decreased as nearly equally as may be possible. No reduction in the number of Directors

shall affect the term of office of any incumbent Director. Subject to the foregoing, the Board of Directors shall determine the class or classes to which any additional Directors shall be added and the class or classes which shall be decreased in the event of any decrease in the number of Directors.

(c) With respect to the initial Board of Directors of the Corporation, the first class of Directors shall hold office until the first annual meeting of shareholders, the second class of Directors shall hold office until the second annual meeting of shareholders and the third class of Directors shall hold office until the third annual meeting of shareholders. Thereafter, Directors shall be elected to hold office for a term of three years, and at each annual meeting of shareholders, the successors to the class of Directors whose terms shall then expire shall be elected for a term expiring at the third succeeding annual meeting after that election.

Section 3.2 Powers. The property and business of the Corporation shall be managed and controlled by or under the direction of the Board of Directors, which shall exercise or direct the exercise of all of the powers of the Corporation and do or cause to be done all acts and things as are not, by the Corporation's Articles of Incorporation, by these Bylaws or by law, directed or required to be done or exercised by the shareholders.

Section. 3.3 Meetings; Quorum. Regular meetings of the Board of Directors shall be held at such places, within or without the State of Missouri, and on such days and at such times as shall be fixed from time to time by the Board of Directors. Rules of procedure for the conduct of such meetings may be adopted by resolution of the Board of Directors. Notice of such regular meetings need not be given. A majority of members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but a lesser number may adjourn a meeting to another time or day if a quorum is not present. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by the Corporation's Articles of Incorporation, by these Bylaws or by law. Special meetings of the Board of Directors may be held at any time and place, within or without the State of Missouri, upon the call of the Chairman of the Board of Directors, the President or Secretary of the Corporation by oral,

written, telefax or telegraphic notice duly given, sent or mailed to each Director, at such Director's last known address, not less than twenty-four hours before such meeting; provided, however, that any director may, at any time, in writing or by telegram, waive notice of any meeting at which he may not be or may not have been present. Attendance of a Director at any meeting shall constitute a waiver of notice of the meeting except where a Director attends a meeting for the sole and express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Members of the Board of Directors or of any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or committee by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and participation in a meeting in this manner shall constitute presence in person at the meeting.

Section 3.4 Action by Consent. Any action which is required to be or may be taken at a meeting of the Directors may be taken without a meeting if consents in writing, setting forth the action so taken, are signed by all the Directors. Any action which is required to be or may be taken at a meeting of a committee of Directors may be taken without a meeting if consents in writing, setting forth the action so taken, are signed by all the members of the committee.

Section 3.5 Resignation of Directors. Any Director of the Corporation may resign at any time by giving written notice of such resignation to the Board of Directors, the Chairman of the Board of Directors, the President, or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon receipt thereof by the Board of Directors or one of the above-named Officers; and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.6 Compensation of Directors. Directors, as such, may receive such compensation and be reimbursed for expenses of attendance at any meeting of the Board of Directors as shall be determined by resolution of the Board of Directors. Nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.7 Committees; General Rules. The Board of Directors, by resolution adopted by a majority of the whole Board of Directors, may designate two or more Directors to constitute a committee. Each committee, to the extent provided in such resolution, shall have and may exercise the authority of the Board of Directors, as so delegated in the resolution, in the management of the Corporation. Each committee of the Board of Directors shall keep regular minutes of its proceedings and report the same to the Board of Directors when required. Vacancies in the membership of each committee shall be filled by the Board of Directors at any regular or special meeting of the Board of Directors. At all meetings of a committee, a majority of the committee members then in office shall constitute a quorum for the purpose of transacting business, and the acts of a majority of the committee members present at any meeting at which there is a quorum shall be the acts of the committee. A Director who may be disqualified, by reason of personal interest, from voting on any particular matter before a meeting of a committee may nevertheless be counted for the purpose of constituting a quorum of the committee.

Section 3.8 Qualifications. A person shall not be eligible for election as a Director under Section 3.1 of this Article Three if such person's 75th birthday shall fall on a date prior to the commencement of the term for which such person is to be elected or appointed. No person shall be qualified to be elected and to hold office as a Director if such person is determined by a majority of the Board of Directors to have acted in a manner contrary to the best interests of the Corporation, including, but not limited to, the violation of either Federal or State law, or breach of any agreement between that Director and the Corporation relating to his services as a Director, employee or agent of the Corporation. A Director need not be a shareholder.

Section 3.9 Directors Emeritus and Advisory Directors. The Board of Directors may from time to time create one or more positions of Director Emeritus and Advisory Director, and may fill such position or positions for such terms as the Board of Directors deems proper. Each Director Emeritus and Advisory Director shall, upon the invitation of the Board of Directors, have the privilege of attending meetings of the Board of Directors but shall do so solely as an observer. Notice of meetings of the Board of Directors to a Director Emeritus or Advisory Director shall not be required under any applicable law,

The Articles of Incorporation or these Bylaws. Each Director Emeritus and Advisory Director shall be entitled to receive such compensation as may be fixed from time to time by the Board of Directors. No Director Emeritus or Advisory Director shall be entitled to vote on any business coming before the Board of Directors, nor shall they be counted as members of the Board of Directors for the purpose of determining the number of Directors necessary to constitute a quorum, for the purpose of determining whether a quorum is present, or for any other purpose whatsoever. In the case of a Director Emeritus or Advisory Director, the occurrence of any event which in the case of a Director would create a vacancy on the Board of Directors, shall be deemed to create a vacancy in such position; but the Board of Directors may declare the position terminated until such time as the Board of Directors shall again deem it proper to create and to fill the position.

ARTICLE FOUR

OFFICERS

Section 4.1 Number, Election and Term. The officers of the Corporation shall be a Chairman of the Board, a President and a Secretary who shall be chosen by the Board of Directors at its first meeting after each annual meeting of shareholders. The Board of Directors may also choose one or more Vice-Chairmen of the Board of Directors, one or more Vice Presidents, a Treasurer, one or more Assistant Secretaries and Assistant Treasurers and such other officers as the Board of Directors may deem appropriate. Any two or more offices may be held by the same person. Officers of the Corporation may be given distinctive designations such as Executive Vice President, Group Vice President, Senior Vice President, Chief Operating Officer and Chief Administrative Officer. All officers, unless sooner removed, shall hold their respective offices until the first meeting of the Board of Directors after the next succeeding election of the Board of Directors and until their successors shall have been duly elected and qualified.

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors with or without cause whenever, in its judgment, the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any vacancy occurring in any office of the Corporation shall be filled by

the Board of Directors.

Section 4.2 Chairman of the Board. The Chairman shall be the Chief Executive Officer of the Corporation. In addition to his duties as Chairman and Chief Executive Officer, he shall be responsible for the general and active management of the business and affairs of the Corporation, subject only to the control of the Board of Directors, shall have full authority In respect to the signing and execution of deeds, bonds, mortgages, contracts and other instruments of the Corporation. Unless otherwise determined by the Board of Directors, he shall also be, ex officio, a member of all standing Committees of the Board of Directors, shall preside at all meetings of the shareholders and Directors at which he is present and shall perform any other duties prescribed by the Board of Directors or these Bylaws.

Section 4.3 President. The President shall, In the absence or disability of the Chairman and Vice Chairman, perform the duties and exercise the powers of the Chairman, including presiding at all meetings of the shareholders and directors at which he is present. He shall perform any duties prescribed by the Chairman of the Board of Directors and shall see that all orders and resolutions of the Board of Directors are carried into effect.

The President shall have equal authority with the Chairman and any Vice-Chairman to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

Section 4.4 Vice Chairmen of the Board. Vice Chairmen, if any, may but need not be executive officers of the Corporation. The Vice Chairman, or, if there shall be more than one, the Vice Chairmen in order of seniority, shall, in the absence or disability of the Chairman, perform the duties and exercise the powers of the Chairman, and shall perform such other duties, and have such other powers as the Chairman or the Board of Directors may, from time to time, prescribe. Each Vice Chairman shall have equal authority with the Chairman and the President with respect to the signing and execution of deeds, bonds, mortgages, contracts and other instruments of the Corporation.

Section 4.5 Vice Presidents. The Vice Presidents, if any, in the order of their seniority shall, In the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform any other duties prescribed by the Chairman, the President or the Board of Directors.

Section 4.6 Secretary and Assistant Secretaries. The Secretary shall keep or cause to be kept a record of all meetings of the shareholders and the Board of Directors and record all votes and the minutes of all proceedings in a book to be kept for that purpose. He shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the Board of Directors, and shall perform any other duties prescribed by the Board of Directors or the President, under whose supervision he shall be. He shall keep In safe custody the seal of the Corporation and shall affix the same to any instrument requiring it.

The Assistant Secretaries, if any, in order of their seniority shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform any other duties prescribed by the Chairman, the President or the Board of Directors.

Section 4.7 Treasurer and Assistant Treasurers. The Treasurer, if any, shall have the custody of the corporate funds and securities, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation, shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors and shall perform any other duties prescribed by the Chairman, the President or the Board of Directors.

The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board of Directors, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the

faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

The Assistant Treasurers, if any, in the order of their seniority shall, In the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform any other duties prescribed by the Board of Directors.

Section 4.8 Controller and Assistant Controllers. The Controller, if one Is elected by the Board of Directors, shall have charge of the accounting records of the Corporation, shall maintain appropriate internal control and auditing of the Corporation, and shall perform such other duties as directed by the Board of Directors, the Chairman or other senior officers. The Assistant Controllers, if any, in order of their seniority shall, in the absence or disability of the Controller, perform the duties and exercise the powers of the Controller and shall have any other duties prescribed by the Board of Directors.

Section 4.9 Appointed Officers. In addition to the corporate officers elected by the Board of Directors, the Chairman may, from time to time, appoint one or more other persons as appointed officers who shall not be deemed to be corporate officers, but may, respectively, be designated with such titles as the Chairman may deem appropriate. The Chairman may prescribe the powers to be exercised and the duties to be performed by each such appointed officer, may designate the term for which each such appointment is made, and may, from time to time, terminate any or all of such appointments with or without cause. Such appointments and termination of appointments shall be reported periodically to the Board of Directors.

ARTICLE FIVE

CAPITAL STOCK

Section 5.1 Stock Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate, in any form approved by the Board of Directors, certifying the number and class of shares owned by the shareholder in the Corporation, signed by the Chairman, the President or a Vice

President and by the Secretary or Treasurer or an Assistant Secretary or Assistant Treasurer of the Corporation and sealed with the seal of the Corporation. If the certificate is countersigned by a transfer agent other than the Corporation or its employee, or by a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile signature, or may be engraved or printed. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on the certificate shall have ceased to be an officer, transfer agent or registrar before the certificate is Issued, the certificate may nevertheless be issued by the Corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of Issue.

Section 5.2 Transfer of Stock. The shares of stock of the Corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives. Upon transfer, the old certificates shall be surrendered to the Corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers, or to such other persons as the Board of Directors may designate, by whom they shall be cancelled and new certificates shall thereupon be issued. Except as otherwise expressly provided by the statutes of the State of Missouri, the Corporation shall be entitled to treat the holder of record of any share or shares of stock as the absolute owner thereof for all purposes and, accordingly, shall not be bound to recognize any legal, equitable or other claim to or interest in such share or shares on the part of any other person whether or not it or they shall have express or other notice thereof.

Section 5.3 Closing of Transfer Books and Fixing of Record Date. The Board of Directors shall have the power to close the transfer books of the Corporation for a period not exceeding 70 days prior to the date of any meeting of shareholders, or the date for payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares shall go into effect. In lieu of so closing the transfer books, the Board of Directors may fix in advance a record date for the determination of the shareholders entitled to notice of and to vote at any meeting and any adjournment thereof, or entitled to receive payment of any dividend or any allotment of rights, or entitled to exercise the rights in respect of any change, conversion or exchange of shares, up to 70 days prior to the date of any meeting of shareholders, or the date for the payment of any dividend, or the date for the

Payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares shall go into effect. In such case only the shareholders who are shareholders of record on the record date so fixed shall be entitled to receive notice of and to vote at such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the date of closing of the transfer books or the record date fixed as aforesaid. If the Board of Directors does not close the transfer books or set a record date for the determination of the shareholders entitled to notice of and to vote at any meeting of shareholders, only the shareholders who are shareholders of record at the close of business on the 20th day preceding the date of the meeting shall be entitled to notice of and to vote at the meeting and upon any adjournment of the meeting, except that if prior to the meeting written waivers of notice of the meeting are signed and delivered to the Corporation by all of the shareholders of record at the time the meeting is convened, only the shareholders who are shareholders of record at the time the meeting is convened shall be entitled to vote at the meeting and any adjournment of the meeting.

Section 5.4 Lost or Destroyed Certificates. The holder of any shares of stock of the Corporation shall immediately notify the Corporation and its transfer agents and registrars, if any, of any loss or destruction of the certificates representing the same. The Corporation may issue a new certificate in place of any certificate theretofore Issued by it which is alleged to have been lost or destroyed and the Board of Directors may require the owner of the lost or destroyed certificate or the owner's legal representative to give the Corporation a bond in a sum and in a form approved by the Board of Directors, and with a surety or sureties which the Board of Directors finds satisfactory, to indemnify the Corporation and its transfer agents and registrars, if any, against any claim or liability that may be asserted against or incurred by it or any transfer agent or registrar on account of the alleged loss or destruction of any certificate or the issuance of a new certificate. A new certificate may be issued without requiring any bond when, in the judgment of the Board of Directors, it is proper so to do. The Board of Directors may delegate to any Officer or Officers of the Corporation any of the powers and authorities contained in this section.

Section 5.5 Transfer Agents and Registrars. The Board of Directors may appoint one or more transfer agents or transfer clerks and one or more registrars which may be banks, trust companies or other financial Institutions located within or without the State of Missouri; may define the authority of such transfer agents and registrars of transfers; may require all stock certificates to bear the signature of a transfer agent or a registrar of transfers, or both; and may change or remove any such transfer agent or registrar of transfers.

ARTICLE SIX

CORPORATE SEAL

The corporate seal shall be circular in form and shall bear the name of the Corporation, the year of Its Incorporation and the words "Corporate Seal" and "Missouri" and otherwise shall be such form as shall be approved from time to time by the Board of Directors.

ARTICLE SEVEN

FISCAL YEAR

The fiscal year of the Corporation shall begin on the first day of October of each year.

EXHIBIT 4.6

AMENDMENT NO. 2 AND CONSENT

This Amendment No. 2 and consent (this "Amendment") is entered into as of September 5, 2003, by and among ESCO Technologies Inc., a Missouri corporation ("Company"), each financial institution signatory hereto as a Lender (collectively the "Lenders" and individually each a "Lender"), and BANK OF AMERICA, N.A., as Administrative Agent (in such capacity, the "Administrative Agent"), Swing Line Lender, Offshore Currency Fronting Lender and Issuing Lender ("Bank of America").

RECITALS

A. Company, Bank of America and the Lenders are party to that certain Amended and Restated Credit Agreement dated as of February 28, 2001 (as amended or otherwise modified to date, the "Credit Agreement"). Unless otherwise specified herein, capitalized terms used in this Amendment shall have the meanings ascribed thereto in the Credit Agreement.

B. Company, Administrative Agent and the Lenders wish to amend the Credit Agreement, and Administrative Agent and the Lenders wish to consent to certain transactions proposed by the Company, all on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the mutual execution hereof and other good and valuable consideration, the parties hereto agree as follows:

1. Consent. Notwithstanding anything provided in the Credit Agreement to the contrary, Administrative Agent and the Lenders hereby consent to the following transactions by the Company and its Subsidiaries, provided that no Default or Event of Default exists and is continuing immediately prior to such transaction or (after giving effect to this consent) or after giving effect to such transaction:

(a) on or before September 30, 2003, the payment prior to maturity of all Indebtedness relating to the PTI TROL and the termination of the PTI TROL Documents; and

(b) on or before September 1, 2004, the sale, in one or more related or unrelated transactions, of all outstanding capital stock or all or substantially all the assets of PTI Advanced Filtration Inc. (the assets of which company include those commonly referred to as "NCSRT"), PTI Technologies Limited and PTI S.p.A.

This Amendment and the consents granted herein shall constitute a confirmation in writing of Administrative Agent's authority to release particular types of Collateral pursuant to Section 9.10(b) of the Credit Agreement.

2. Amendments to Credit Agreement.

(a) Section 1.01 of the Credit Agreement is hereby amended by inserting the following definition in its proper alphabetical sequence:

> " "Sale Transactions" means the sale by the Company or any Subsidiary of all outstanding capital stock or all or substantially all the assets of PTI Advanced Filtration Inc., PTI Technologies Limited and PTI S.p.A. in one or more related or unrelated transactions occurring on or before September 1, 2004."

(b) Section 2.08(b) of the Credit Agreement is hereby amended by deleting the parenthetical clause contained therein and inserting in lieu thereof the parenthetical clause "(other than Ordinary Course Dispositions and Dispositions forming all or part of the Sale Transactions)".

(c) Section 7.03 of the Credit Agreement is hereby amended by inserting the following subsection (c) at the end of such Section:

> " (c) PTI Advanced Filtration Inc., PTI Technologies Limited or PTI S.p.A. may sell all or substantially all its assets in connection with the Sale Transactions."

(d) Section 7.04 of the Credit Agreement is hereby amended by inserting the clause "the Sale Transactions;" as a new subsection (c) thereof, and making conforming lettering changes to the current subsections (c) and (d).

(e) Section 7.05 of the Credit Agreement is hereby amended by inserting the clause "any Investments received as partial consideration in the Sale Transactions;" as a new subsection (c) and making conforming lettering changes to the current subsections (c) through (h) thereof.

3. Representations and Warranties of Company. Company represents and warrants that:

(a) The execution, delivery and performance by Company of this Amendment have been duly authorized by all necessary corporate action and this Amendment is a legal, valid and binding obligation of Company enforceable against Company in accordance with its terms, except as the enforcement hereof may be subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally;

(b) Each of the representations and warranties contained in Section 5 of the Credit Agreement is true and correct in all material respects on and as of the date hereof as if made on the date hereof; and

(c) After giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

4. Fees. In consideration of the execution of this Amendment by Administrative Agent and the Requisite Lenders, Company hereby agrees to pay to each Lender which executes

and delivers this Amendment a fee (the "Amendment Fee") in an amount equal to (a) such Lender's Revolving Commitment multiplied by (b) 0.05%.

5. Effective Date. The effectiveness of this Amendment shall be subject to the following conditions:

(a) Company, Administrative Agent and the Requisite Lenders shall have executed and delivered this Amendment;

(b) Company shall have paid in full to the Administrative Agent the Amendment Fee required by Section 4 hereof;

(c) The representations and warranties of Company contained in this Amendment, the Credit Agreement and the other Loan Documents shall be true and correct in all material respects as of the effective date, with the same effect as though made on such date (except to the extent expressly made as of a specified date, in which event such representation and warranty is true and correct in all material respects as of such specified date); and

(d) No Default or Event of Default under the Credit Agreement shall have occurred and be continuing.

6. Reference to and Effect Upon the Credit Agreement.

(a) Except as specifically amended hereby, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(b) Except as expressly provided herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or any Lender under the Credit Agreement or any Loan Document, nor constitute a waiver of any provision of the Credit Agreement or any Loan Document. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Credit Agreement as amended hereby.

7. Costs and Expenses. Company hereby affirms its obligation under Section 10.03 of the Credit Agreement to reimburse the Administrative Agent for all costs and expenses paid or incurred by the Administrative Agent in connection with the preparation, negotiation, execution and delivery of this Amendment, including but not limited to the attorneys' fees and time charges of attorneys for the Administrative Agent with respect thereto.

8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAW OF THE STATE OF MISSOURI (WITHOUT REGARD TO CONFLICTS OF LAW PROVISIONS THEREOF); PROVIDED THAT COMPANY, THE ADMINISTRATIVE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

9. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

10. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all such counterparts shall constitute one and the same instrument.

[signature pages follow]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first above written.

ESCO TECHNOLOGIES INC.

By: /s/ Matthew J. Mainer

Name: Matthew J. Mainer

Title: Treasurer

BANK OF AMERICA, N.A., as Administrative
Agent

By: /s/ David A. Johanson

    Name: DAVID A. JOHANSON
    Title: Vice -President

BANK OF AMERICA, N.A., as Lender, Issuing
Lender, Swing Line Lender and Offshore
Currency Fronting Lender

By: /s/ Kevin L. Handley

    Name: Kevin L. Handley
    Title: Vice President

BANK ONE, NA (Main Office Chicago),
as a Lender

By: /s/ Megan E. Marquardt

Name: Megan E. Marquardt
Title: Authorized Officer

THE NORTHERN TRUST COMPANY,
as a Lender

By: /s/ Fredric w. McClendon

Name: Fredric W. McClendon
Title: Vice President

LASALLE BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Margaret C. Dierkes

Name: Margaret C. Dierkes
Title: Assistant Vice President

COMMERCE BANK, N.A., as a Lender

By: /s/ T. William White

Name: T. William White
Title: S.V. President

EXHIBIT 10.12

AMENDMENT TO THE ESCO ELECTRONICS CORPORATION 1994 STOCK OPTION PLAN

WHEREAS, ESCO Technologies Inc. (formerly ESCO Electronics Corporation) ("Company") adopted the ESCO Electronics Corporation 1994 Stock Option Plan ("Plan"); and

WHEREAS, the Company retained the right to amend the Plan pursuant to Section 16 thereof; and

WHEREAS, the Company desires to amend the Plan:

NOW, THEREFORE, effective as of August 7, 2003 the Plan is amended as follows:

1. The following sentence is added at the end of Section 3:

The Committee may delegate to the Chief Executive Officer the authority to grant stock options of up to 5,000 shares of stock each (and 50,000 per fiscal year in the aggregate) to employees who are not reporting persons under Section 16 of the Securities Exchange Act of 1934 or covered employees (as defined in section 162(m) of the Internal Revenue Code).

2. The third sentence of Section 6 is amended to read as follows:

The purchase price is to be paid in full upon the exercise of the stock option, either (i) in cash, (ii) in the discretion of the Committee, by the tender to the Company of shares of the Common Stock of the Company, owned by the optionee, having a fair market value equal to the cash exercise price of the stock option being exercised, with the fair market value of such stock to be determined in such appropriate manner as may be provided for by the Committee or as may be required in order to comply with, or to conform to the requirements of, any applicable laws or regulations, or (iii) in the discretion of the Committee, by any combination of the payment methods specified in clauses (i) and (ii) hereof; provided that, no shares of Common Stock may be tendered in exercise of an option if such shares were acquired by the optionee through the exercise of an Incentive Stock Option unless (i) such shares have been held by the optionee for at least one year and (ii) at least two years have elapsed since such prior Incentive Stock Option was granted.

3. The following sentence is added at the end of Section 9:

The Committee may delegate to such employee or employees as it deems appropriate its authority to extend an option beyond termination of employment, so long as the optionees whose options have been extended are not reporting persons under Section 16 of the Securities Exchange Act of 1934 or covered employees (as defined in section 162(m) of the Internal Revenue Code).

IN WITNESS WHEREOF, the foregoing amendment was adopted on the 7th day of August, 2003.

EXHIBIT 10.15

AMENDMENT TO THE ESCO ELECTRONICS CORPORATION 1999 STOCK OPTION PLAN

WHEREAS, ESCO Technologies Inc. (formerly ESCO Electronics Corporation) ("Company") adopted the ESCO Electronics Corporation 1999 Stock Option Plan ("Plan"); and

WHEREAS, the Company retained the right to amend the Plan pursuant to Section 16 thereof; and

WHEREAS, the Company desires to amend the Plan:

NOW, THEREFORE, effective as of August 7, 2003 the Plan is amended as follows:

1. The following sentence is added at the end of Section 3:

The Committee may delegate to the Chief Executive Officer the authority to grant stock options of up to 5,000 shares of stock each (and 50,000 per fiscal year in the aggregate) to employees who are not reporting persons under Section 16 of the Securities Exchange Act of 1934 or covered employees (as defined in section 162(m) of the Internal Revenue Code).

2. The third sentence of Section 6 is amended to read as follows:

The purchase price is to be paid in full upon the exercise of the stock option, either (i) in cash, (ii) in the discretion of the Committee, by the tender to the Company of shares of the Common Stock of the Company, owned by the optionee, having a fair market value equal to the cash exercise price of the option being exercised, with the fair market value of such stock to be determined in such appropriate manner as may be provided for by the Committee or as may be required in order to comply with, or to conform to the requirements of, any applicable laws or regulations, or (iii) in the discretion of the Committee, by any combination of the payment methods specified in clauses (i) and (ii); hereof; provided that, no shares of Common Stock may be tendered in exercise of an Incentive Stock Option if such shares were acquired by the optionee through the exercise of an Incentive Stock Option unless (i) such shares have been held by the optionee for at least one year and (ii) at least two years have elapsed since such prior Incentive Stock Option was granted.

3. The following sentence is added after the first sentence of Section 9:

The Committee may delegate to such employee or employees as it deems appropriate its authority to extend an option beyond termination of employment, so long as the optionees whose options have been extended are not reporting persons under Section 16 of the Securities Exchange Act of 1934 or covered employees (as defined in section 162(m) of the Internal Revenue Code).

IN WITNESS WHEREOF, the foregoing amendment was adopted on the 7th day of August, 2003.

EXHIBIT 10.29

AMENDMENT TO THE ESCO TECHNOLOGIES INC. 2001 STOCK INCENTIVE PLAN

WHEREAS, ESCO Technologies Inc. adopted the ESCO Technologies Inc. 2001 Stock Incentive Plan ("Plan"); and

WHEREAS, the Company retained the right to amend the Plan pursuant to Section 13 thereof; and

WHEREAS, the Company desires to amend the Plan:

NOW, THEREFORE, effective as of August 7, 2003 the Plan is amended as follows:

1. The following sentence is added at the end of Section 4:

The Committee may delegate to the Chief Executive Officer the authority to grant Stock Options of up to 5,000 shares of stock each (and 50,000 per fiscal year in the aggregate) to employees who are not reporting persons under Section 16 of the Securities Exchange Act of 1934 or covered employees (as defined in section 162(m) of the Internal Revenue Code).

2. The first sentence of Section 7.(b) is amended to read as follows:

The purchase price is to be paid in full upon the exercise of the Stock Option, either (i) in cash, (ii) by the tender to the Company of shares of the Common Stock of the Company, owned by the optionee for at least six (6) months, having a fair market value equal to the cash exercise price of the Stock Option being exercised, with the fair market value of such stock to be determined in such appropriate manner as may be provided for by the Committee or as may be required in order to comply with, or to conform to the requirements of, any applicable laws or regulations, (iii) by any combination of the payment methods specified in clauses (i) and (ii) hereof, or (iv) such other methods determined by the Committee; provided that, no shares of Common Stock may be tendered in exercise of an Incentive Stock Option if such shares were acquired by the optionee through the exercise of an Incentive Stock Option unless (i) such shares have been held by the optionee for at least one year and (ii) at least two years have elapsed since such prior Incentive Stock Option was granted.

3. The following sentence is added after the first sentence of Section 7(f):

The Committee may delegate to such employee or employees as it deems appropriate its authority to extend a Stock Option beyond termination of employment, so long as the optionees whose options have been extended are not reporting persons under Section 16 of the Securities Exchange Act of 1934 or covered employees (as defined in section 162(m) of the Internal Revenue Code).

IN WITNESS WHEREOF, the foregoing amendment was adopted on the 7th day of August, 2003.

EXHIBIT 10.30

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (hereinafter the "Agreement") is made and entered into by and between ESCO TECHNOLOGIES INC., a corporation organized under the laws of the State of Missouri, having a place of business at 8888 Ladue Road, Suite 200, St. Louis, Missouri 63124-2056, (which corporation together with its past, present and future parents, subsidiaries and all other related corporations and affiliates, including without limitation, partnerships, limited liability companies, business-related entities, departments, divisions, organizations, benefit plans, predecessors, successors and assigns of each and all of them are collectively referred to in this Agreement by the defined term "ESCO") and DENNIS J. MOORE (hereinafter "Consultant"), having a residence at 777 Brentwood Point, Audubon at Naples, Naples, Florida 34110-7915.

1. Engagement. ESCO hereby engages Consultant as an independent contractor, and Consultant hereby accepts such engagement with ESCO upon the terms and conditions hereinafter set forth.

2. Term. Subject to the provisions of Section 14 hereof, the term of this Agreement shall begin on the latter of April 18, 2003 (the day following the date of Consultant's retirement) or the Effective Date of this Agreement (as defined in Section 17.4 of this Agreement) and shall continue until April 17, 2004, whereupon the Agreement will expire unless extended by a writing signed by both parties.

3. Scope of Engagement. Throughout the term of this Agreement, Consultant shall furnish a maximum of forty (40) hours per month of consulting services and advice to ESCO, as specifically requested from time to time on those matters referred to the Consultant by the Human Resources and Compensation Committee of the Board of Directors (the "Committee") or the Chief Executive Officer. Whenever practicable, ESCO shall give Consultant reasonable advance notice of the need for his services. Consultant shall not act on behalf of, represent or bind ESCO or represent that he has authority to so act, unless Consultant has first received authority from the Chief Executive Officer.

4. Compensation. For services rendered by Consultant under this Agreement, ESCO shall pay Consultant a fee of Twenty-five Thousand Dollars ($25,000) a month for twelve months following the Effective Date for a total of Three Hundred Thousand Dollars ($300,000), payable pursuant to ESCO's normal accounts payable practices during the term of this Agreement. All normal business travel expenses of the Consultant incurred at the direction of the Company shall be arranged by and reimbursed in accordance with ESCO's travel and expense reimbursement policies.

5. Relationship of Parties. Consultant shall provide services and advice to ESCO hereunder as an independent contractor, and nothing contained herein shall be construed to create the relationship of employer and employee between ESCO and Consultant. Except to the extent provided to the Consultant as part of his previous employment with ESCO, or as specifically herein referenced, Consultant shall not be eligible for any health, welfare, retirement or other

benefits or paid any other types of compensation generally paid to ESCO's actively employed senior executives, such as bonus, long term incentive compensation, stock options, or restricted stock. ESCO is not currently required to withhold any income tax from any payment to the Consultant of fees or expenses under this Agreement, but may be required to file information returns with the United States Internal Revenue Service regarding such payment under conditions imposed by the laws of the United States. If ESCO is required to pay or withhold any taxes, or make any other payment with respect to fees payable to the Consultant hereunder, the Consultant shall permit ESCO to make corresponding deductions from any sum due the Consultant under this Agreement.

6. Consultant's Conduct.

(a) Consultant understands and agrees that he has a fiduciary duty to ESCO and will act on ESCO's behalf, where authorized, as a person with ESCO's special trust and confidence. During the term of the Agreement, the Consultant shall not engage in any activity, employment or business arrangement which conflicts with his obligations hereunder or with the interests of ESCO, or which violates any statutory or regulatory requirements and limitations. The Consultant represents that he is not, and agrees that he will not become, an official of a foreign government during the term of this Agreement. The Consultant shall disclose to ESCO any activity, employment or business arrangement (each a "situation") presently in effect, to be commenced, contemplated to be commenced or hereafter commenced by the Consultant during the term of this Agreement relating to this Section 6, and ESCO will advise the Consultant in writing (either before its commencement or, if new facts are discovered, during such situation) of ESCO's position with respect to any conflict arising from such situation. ESCO's determination that a conflict exists shall be binding on Consultant.

(b) The Consultant represents and agrees that all payments to be received by Consultant from ESCO under this Agreement constitute compensation solely for the services and advice provided to ESCO under this Agreement. All such payments are to be retained by Consultant. Except as approved in writing by ESCO in advance, no services under this Agreement shall be shared with third parties. Consultant represents and agrees that with respect to all payments under this Agreement, there has not been and shall not be, directly or indirectly, an offer, payment or promise, or authorization of payment of any money or gifts, or business opportunities, or other thing of value, to any person, United States Government employee or official, company, political party, or candidate for political office in any jurisdiction, whether within or outside of the United States, for the purpose of influencing any act or decision of such person, employee, official, company, party or candidate to use his/her or its influence with the United States Government or any agency thereof or any customer, in order to obtain or retain business for ESCO or any other person, or in order to direct business to ESCO or any other person.

(c) Consultant is authorized to obtain information only in accordance with this Agreement, and all applicable laws and regulations. Consultant shall not solicit, acquire, utilize, or disclose to ESCO directly or indirectly, any oral or written information not legally available to Consultant or otherwise properly authorized for disclosure. In the course of the performance of his duties under this Agreement, the Consultant may receive certain information which would be

considered "material inside information" within the meaning and intent of the Securities laws of the United States. Consultant shall not disclose any information acquired in the course of the performance of his duties under this Agreement without the prior written consent of ESCO, nor use such information, directly or indirectly, for personal benefit or as a basis for advice to any other person concerning any decision to buy, sell, or otherwise deal in securities' transactions.

(d) Consultant represents that he has received a copy of the ESCO Code of Business Ethics and Conduct (the "Code") and that he has read and understands the Code. Consultant further agrees that he will comply with the Code in connection with all of his activities on behalf of ESCO.

(e) From time to time during the term hereof, upon the request of ESCO, Consultant shall furnish to ESCO detailed written reports of his services rendered on behalf of ESCO. These reports shall be in sufficient detail for ESCO to evaluate the nature and scope of the services rendered. Consultant also agrees to respond promptly to any request from ESCO for additional information about services rendered under this Agreement or about Consultant's knowledge of ESCO's business and activities prior to retirement. Consultant shall immediately notify ESCO's Corporate Ethics Official of the following insofar as they relate to ESCO: (i) actual or potential violations of any of the policies or procedures of ESCO of which Consultant is knowledgeable; (ii) actual or potential violations of any statute or regulation; and (iii) other improper conduct of ESCO's officers, employees or consultants.

(f) Consultant shall save ESCO harmless from, and shall indemnify ESCO for, any liability arising out of any failure of Consultant to comply with any of his obligations under this Agreement. ESCO shall have the option of terminating this Agreement at any time if, in its sole judgment, the Consultant does not fully comply with the provisions of this Agreement.

7. Non-Disclosure Covenant.

7.1 Definition of Confidential Information.

As used herein, the term "Confidential Information" shall refer to:

(a) trade secrets concerning the business and affairs of ESCO, product specifications, data, know-how, formulae, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current, and planned research and development, current and planned manufacturing or distribution methods and processes, customer lists, current and anticipated customer requirements, price lists, market studies, business plans, computer software and programs (including object code and source code), computer software and database technologies, systems, structures, and architectures (and related formulae, compositions, processes, improvements, devices, know-how, inventions, discoveries, concepts, ideas, designs, methods and information), and any other information, however documented, that is a trade secret within the meaning of applicable law; and

(b) information concerning the business and affairs of ESCO (which includes historical financial statements, financial projections and budgets, historical and projected sales,

capital spending budgets, and plans; the names, responsibilities, abilities, and backgrounds and compensation of key personnel; personnel training and techniques and materials), however documented; and

(c) notes, analysis, compilations, studies, summaries, and other material prepared by or for ESCO containing or based, in whole or in part, on any information included in the foregoing.

7.2 Acknowledgments by the Consultant. Consultant acknowledges that (a) during the term of this Agreement and as a part of his engagement as a consultant to ESCO, Consultant will be afforded access to Confidential Information; (b) public disclosure of such Confidential Information could have an adverse effect on ESCO and its business; (c) ESCO has required that Consultant make the covenants in this Section 7 as a condition to its entering into this Agreement; and (d) the provisions of this Section 7 are reasonable and necessary to prevent the improper use or disclosure of Confidential Information.

7.3 Agreements of the Consultant. In consideration of the fee to be paid to Consultant by ESCO under this Agreement, the Consultant covenants as follows:

(a) During and following the term of this Agreement, the Consultant will hold in confidence the Confidential Information and will not disclose it to any person except with the specific prior written consent of ESCO or except as otherwise expressly permitted by the terms of this Agreement.

(b) Any trade secrets of ESCO will be entitled to all of the protections and benefits under any applicable law. If any information that ESCO deems to be a trade secret is found by a court of competent jurisdiction not to be a trade secret, such information will, nevertheless, be considered Confidential Information for purposes of this Agreement. Consultant hereby waives any requirement that ESCO submit proof of the economic value of any trade secret or Confidential Information or post a bond or other security.

(c) None of the foregoing obligations and restrictions applies to any part of the Confidential Information that Consultant demonstrates was or became generally available to the public other than as a result of a disclosure by Consultant.

(d) Consultant will not remove from ESCO's premises (except to the extent such removal is for purposes of the performance of the Consultant's duties at home or while traveling, or except as otherwise specifically authorized by ESCO) any document, record, notebook, plan, model, component, device, or computer software or code, whether embodied in a disk or in any other form (collectively, the "Proprietary Items"). The Consultant recognizes that, as between ESCO and the Consultant, all of the Proprietary Items, whether or not developed by the Consultant, are the exclusive property of ESCO. Upon termination of this Agreement by either party, or upon the request of ESCO during the term of this Agreement, the Consultant will return to ESCO all of the Proprietary Items in the Consultant's possession or subject to the Consultant's control, and the Consultant shall not retain or recreate any copies, abstracts, sketches, or other physical embodiment of any of the Proprietary Items.

7.4 Disputes or Controversies. The Consultant recognizes that should a dispute or controversy arising from or relating to this Agreement be submitted for adjudication to any court, agency, arbitration panel, or other third party, the preservation of the secrecy of Confidential Information may be jeopardized. All pleadings, documents, testimony, and records relating to any such adjudication will be maintained in secrecy and will be available for inspection by ESCO, the Consultant, and their respective attorneys and experts, who will agree, in advance and in writing, to receive and maintain all such information in secrecy, except as may be limited by them in writing, and to jointly request such protection from any court, agency, or arbitrator conducting such proceeding.

8. Non-Competition and Non-Interference.

8.1 Acknowledgments by Consultant. The Consultant acknowledges that: (a) the services to be performed by him under this Agreement are of a special, unique, unusual, extraordinary, and intellectual character; (b) ESCO's business is international in scope and its products are marketed throughout the world; (c) ESCO competes with other businesses that are or could be located in any part of the world, including, without limitation, businesses located in the United States (including Puerto Rico), Germany, Japan, China, Brazil, Canada, France, Italy, the United Kingdom, Finland and Ireland; and (d) the provisions of this Section 8 are reasonable and necessary to protect ESCO's business.

8.2 Covenants of the Consultant. In consideration of the acknowledgments by Consultant, and in consideration of the compensation and benefits to be paid or provided to Consultant by ESCO, the Consultant covenants that he will not, directly or indirectly:

(a) during the term of this Agreement, except in the course of his performance of duties hereunder, and during the three (3) year period beginning upon the end of the term of this Agreement, engage or invest in, own, manage, operate, finance, control, or participate in the ownership, management, operation, financing, or control of, be employed by, associated with, or in any manner connected with, lend the Consultant's name or any similar name to, lend Consultant's credit to or render services or advice to, any business whose products or activities compete in whole or in part with the products or activities of ESCO anywhere in the world where ESCO is now marketing its products, where ESCO currently plans to market its products, or where ESCO markets its products in the future; provided, however, that the Consultant may purchase or otherwise acquire up to (but not more than) one percent of any class of securities of any enterprise (but without otherwise participating in the activities of such enterprise) if such securities are listed on any national or regional securities exchange or have been registered under Section 12(g) of the Securities Exchange Act of 1934 (provided that the Consultant shall be entitled to own more than one percent of the outstanding common stock of ESCO);

(b) whether for the Consultant's own account or for the account of any other person, at any time during the term of this Agreement, and during the three (3) year period beginning upon the end of the term of this Agreement, solicit business of the same or similar type being carried on by ESCO, from any person known by Consultant to be a customer of ESCO, whether or not the Consultant had personal contact with such person during and by reason of the Consultant's performance of his obligations pursuant to this Agreement or his previous employment by ESCO;

(c) whether for the Consultant's own account or the account of any other person, at any time during the term of this Agreement, and during the three (3) year period beginning upon the end of the term of this Agreement, (i) solicit, employ, or otherwise engage as an employee, independent contractor, or otherwise, any person who is or was an employee of ESCO at any time during the term of this Agreement or in any manner induce or attempt to induce any employee of ESCO to terminate his employment with ESCO; or (ii) interfere with ESCO's relationship with any person, including any person who at any time during the term of this Agreement was an employee, contractor, supplier, or customer of ESCO; or

(d) at any time during or after the term of this Agreement, disparage ESCO or any of its products, services, businesses, methods, plans, finances, shareholders, directors, officers, employees, or agents.

If any covenant in this Section 8 is held to be unreasonable, arbitrary, or against public policy, such covenant will be considered to be divisible with respect to scope, time, and geographic area, and such lesser scope, time, or geographic area, or all of them, as a court of competent jurisdiction may determine to be reasonable, not arbitrary, and not against public policy, will be effective, binding, and enforceable against the Consultant.

The period of time applicable to any covenant in this Section 8 will be extended by the duration of any violation by Consultant of such covenant.

Consultant will, while the covenant under this Section 8 is in effect, give notice to ESCO, within ten days after accepting any other employment, of the identity of the Consultant's employer. ESCO may notify such employer that Consultant is bound by this Agreement and, at ESCO's election, furnish such employer with a copy of this Agreement or relevant portions thereof.

9. General Provisions.

9.1 Injunctive Relief and Additional Remedy. Consultant acknowledges that the injury that would be suffered by ESCO as a result of a breach of the provisions of this Agreement (including any provision of Sections 7 and 8) would be irreparable and that an award of monetary damages to ESCO for such a breach would be an inadequate remedy. Consequently, ESCO will have the right, in addition to any other rights it may have, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement, and ESCO will not be obligated to post bond or other security in seeking such relief. Without limiting ESCO's rights under this Section 9 or any other remedies of ESCO, if the Consultant breaches any of the provisions of Section 7 or 8, ESCO will have the right to cease making any payments otherwise due to the Consultant under this Agreement.

9.2 Covenants of Sections 7 and 8 are Essential and Independent Covenants. The covenants by Consultant in Sections 7 and 8 are essential elements of this Agreement, and, without the Consultant's agreement to comply with such covenants, ESCO would not have entered into this Agreement. ESCO and Consultant have independently consulted their respective counsel and have been advised in all respects concerning the reasonableness and

propriety of such covenants, with specific regard to the nature of the business conducted by ESCO.

The Consultant's covenants in Sections 7 and 8 are independent covenants and the existence of any claim by Consultant against ESCO under this Agreement or otherwise, will not excuse Consultant's breach of any covenant in Section 7 or 8.

10. Assignment. The rights and obligations of ESCO hereunder are assignable and shall inure to the use and benefit of its successors and assigns. However, the rights and obligations of Consultant hereunder being personal, shall not be assignable by the act or deed of Consultant, voluntary or involuntary, or by operation of law.

11. Hold Harmless. Consultant shall carry his own medical, liability, workers compensation and related insurance and shall assume any risk incidental to his entry upon ESCO's premises. Consultant acknowledges that he is an independent contractor for services, and shall release and hold ESCO harmless of any and all claims Consultant might have against ESCO as a result of personal injuries sustained during the term of this Agreement.

12. Governing Law. This Agreement is entered into, subject to, and shall be interpreted in accordance with the internal substantive laws of the State of Missouri, without regard to conflicts of laws provisions, and ESCO and Consultant agree that they shall be subject to the sole jurisdiction and venue of the courts of St. Louis County, located in the State of Missouri, regardless of where Consultant may hereafter become domiciled. Consultant agrees that service of process by certified mail to anyone at Consultant's last known address shall be sufficient.

13. Modification. This Agreement cannot be amended or modified in any respect, unless such amendment or modification is evidenced by a written instrument signed by both parties hereto.

14. Termination. ESCO may, upon five (5) days' written notice, terminate this Agreement for default of the Consultant. Breach of any provision of this Agreement by the Consultant shall be deemed material and, at the discretion of ESCO, shall be a basis for termination for default. All obligations of ESCO to the Consultant including, without limitation, the obligation to make monthly payments pursuant to Section 4, shall cease upon such termination and shall be without prejudice to or waiver of ESCO's right to recover damages for such default. Any prior waiver of any breach of this Agreement or failure to declare a default or termination of this Agreement shall not constitute a waiver of any subsequent breach.

15. Obligations Beyond Terms of Agreement. The obligations of Consultant set forth in Sections 6, 7, 8, 9, 11, 12, and 17 herein shall survive the termination or expiration of this Agreement.

16. Entire Agreement. This Agreement constitutes the entire Agreement between ESCO and Consultant with respect to his consulting arrangements with ESCO following his retirement and supersedes and cancels any prior understanding or agreement, written or oral, express or implied between ESCO and the Consultant relating to that subject matter; provided,

however, that this Agreement does not terminate or supersede that certain Management Transition Agreement dated August 5, 2002 between these parties or any agreement specifically preserved in Section 5.5 of that Transition Agreement; and, provided, further that in case of any conflict between that Transition Agreement and this Agreement on the subject of consulting arrangements with Consultant, this Agreement shall govern.

17. Release of Company.

17.1 General Release for Additional Consideration. In consideration of the mutual promises and covenants contained herein (which Consultant specifically acknowledges include consideration to which he would not have been entitled in the absence of this Agreement), the Consultant agrees to and does hereby release, acquit, and forever discharge ESCO (as defined in the first paragraph of this Agreement), and the past, present, and future shareholders, officers, directors, agents, employees, representatives, attorneys, fiduciaries and administrators of ESCO, from any and all liabilities, claims, grievances, demands, charges, actions, causes of action and damages of every nature and description, known or unknown, foreseen or unforeseen, direct or indirect, liquidated, accrued or not yet fully in being, which may have arisen on account of anything occurring, in whole or in part, prior to the date of this Agreement. This release is specifically understood to apply to, but is not limited to, any and all claims made, to be made, or which might have been made as a consequence of Consultant's prior employment with ESCO or interactions or dealings with any ESCO officer, director, or employee or arising out of his retirement, and the termination of his employment relationship with ESCO. This release also specifically includes, but is not limited to, any and all claims for salary, vacation pay, bonuses, commissions, stock options, compensation, benefits and damages (actual, compensatory, emotional and punitive) of any kind, sex discrimination, sexual harassment, retaliation, discriminatory treatment, alleged violations of any employee policy, employee manual or alleged contract of employment, defamation, fraud, assault, conspiracy, age discrimination and any and all other claims arising under any federal, state (Missouri, or any other), or local law, whether such claims arise at common law (whether sounding in tort or contract) or by constitution, statute or ordinance, including, by way of illustration only, (a) Title VII of the Civil Rights Act of 1964, as amended (prohibiting discrimination based on race, color, religion, sex, and national origin), (b) the Age Discrimination in Employment Act, as amended (prohibiting age discrimination against individuals age 40 and older), (c) the Rehabilitation Act of 1973 (prohibiting handicap discrimination against employees of federal contractors), (d) the Civil Rights Acts of 1866, 1870 and 1871, as amended (prohibiting various types of discrimination by non-governmental entities), (e) the Civil Rights Act of 1991, (f) the United States and Missouri Constitutions (g) the National Labor Relations Acts, as amended (prohibiting discrimination for union or other concerted activities relating to wages, hours, or working conditions), (h) the Employee Retirement Income Security Act, as amended (prohibiting certain acts relating to welfare and retirement plans and their fiduciaries), (i) the Americans with Disabilities Act, as amended (prohibiting discrimination based on actual or perceived disability or records thereof), (j) the Family and Medical Leave Act (protecting eligible employees on leave for their own serious illness or that of a spouse, parent or child or for the birth, adoption or foster placement of a child), (k) the Missouri Human Rights Act (prohibiting discrimination based on race, color, religion, sex, national origin or ancestry, age or handicap), (l) the Sarbanes-Oxley Act of 2002 (prohibiting retaliation in cases involving fraud in publicly traded companies), (m) the Missouri

Service Letter Statute, as amended, Section 290.140, R.S.Mo. (1986), (n) all other federal, state and local civil rights acts, regulations, orders and executive orders relating to any term, condition or privilege of employment, whistleblowing or retaliation of any kind, including without limitation, retaliation for exercising or assisting in the exercise of rights under any of the statutes listed above. Consultant also agrees not to institute any claim for damages of any kind, by charge or otherwise, or to authorize any other party, governmental or otherwise, to institute any claim through administrative or legal proceedings against ESCO for any such damages. THE LIABILITIES, CLAIMS, GRIEVANCES, DEMANDS, CHARGES, ACTIONS, CAUSES OF ACTION AND DAMAGES RELEASED AND DISCHARGED BY THIS SECTION INCLUDE ALL THOSE, KNOWN OR UNKNOWN, ACCRUED OR NOT YET FULLY IN BEING, WHICH EXIST IN WHOLE OR IN PART AS OF THE DATE THIS AGREEMENT IS SIGNED.

Nothing in this Section or this Agreement shall release Consultant's right to any benefit he may be or become entitled to by virtue of his employment by ESCO prior to his retirement as provided herein or any compensation or benefit expressly provided in this Agreement; or to obtain any COBRA or retiree health benefits he may timely elect to receive after his retirement. In addition to all other rights of the Company under its benefit plans, the Company specifically and without limitation, reserves the right to change carriers and benefits for its retirees during this period with the possibility of corresponding changes in and effects on his coverage.

17.2 Knowing and Voluntary. Consultant specifically acknowledges that the waiver of all of his claims is knowing and voluntary and that this waiver is a part of this Agreement which has been written in a manner calculated to be, and which is, understood by him and he intends to be bound by this entire Agreement. He specifically acknowledges waiving and releasing any claims under the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. Sections 621-634, in addition to all other claims as provided in this Section 17 of this Agreement.

17.3 Time to Consider. Consultant agrees that in deciding to execute this Agreement: (a) that he relied entirely on his own judgment and that of any legal counsel or advisor he may have employed (and not on ESCO) in assessing the extent and merit of any claims, the likelihood, if any, of prevailing on those claims, the amount of damages, if any, which he would receive in the event any such claims were successfully established and the tax treatment of the amount paid hereunder; (b) that no facts, evidence, event or transaction currently unknown to him, but which may hereinafter become known to him, shall affect in any way or manner the final unconditional nature of this Agreement; (c) that his execution of this Agreement is a completely voluntary act on his part; (d) that he understands the terms of this Agreement; (e) that he has been advised by ESCO to consult with his legal counsel and has been provided with adequate time to do so, at his own expense, prior to executing this Agreement; (f) that he has been advised that this offer remains open for a period of twenty-one (21) days from the date he receives a copy of this Agreement so that he may fully consider this Agreement prior to executing it; and (g) that if he does not execute and return this Agreement to ESCO within such period, ESCO will consider his non-action a refusal to agree to the terms of this Agreement, and the offer and terms extended by this Agreement are revoked effective as of that date and time.

17.4 Revocation and Effective Date. The parties agree that this Agreement shall not become effective or enforceable until the 8th day after two (2) copies of this Agreement, signed by Consultant, are delivered to ESCO's Vice President - Human Resources at 8888 Ladue Road, Suite 200, St. Louis, Missouri, 63124 ("Effective Date"). During any time prior to the delivery of these copies to ESCO's Vice President - Human Resources and during the seven (7) day period prior to the Effective Date, Consultant may revoke, in writing, this Agreement by delivering a copy of a notice of his intention to revoke it to ESCO's Vice President - Human Resources at the address indicated above. If Consultant does not deliver to ESCO's Vice President - Human Resources notice of his intention to revoke this Agreement in writing within such seven (7) day period prior to the Effective Date as set forth in this Section, the Agreement will become effective, binding, enforceable and irrevocable.

IN WITNESS WHEREOF, the foregoing Agreement has been executed as of April 9, 2003.

CONSULTANT

/s/ D.J. Moore

Dennis J. Moore
Date: 4/9/03

ESCO TECHNOLOGIES INC.

By: /s/ V.L. Richey, Jr.

Name: Victor L. Richey, Jr.
Title: CEO
Date: 4/9/03

EXHIBIT 10.31

GENERAL RELEASE

This General Release Agreement (Agreement) dated April 20, 2003, is between ESCO Technologies Inc., a Delaware corporation (ESCO) and Dennis J. Moore (Moore), an individual.

WHEREAS, Moore is a former employee of ESCO.

WHEREAS, upon Moore's decision to retire at age 65, ESCO & Moore entered into a Transition Agreement.

WHEREAS, pursuant to such Agreement, ESCO agreed to continue to make payments on a certain lease (Lease) for a 2001 Cadillac Deville automobile, VIN 1G6KF5790IU143519 (the Automobile) that ESCO was leasing for Moore's benefit prior to his retirement.

WHEREAS, ESCO has entered or will enter into a purchase agreement with Enterprise to purchase the Automobile.

WHEREAS, Moore desires to release ESCO from all future obligations arising from or related to the Automobile.

THEREFORE, in consideration of the agreements made herein and other valuable consideration, the sufficiency of which is expressly acknowledged, Moore and ESCO agree as follows:

1. Concurrently with the execution of this Agreement, ESCO shall pay the sum of $29,102.04 to Enterprise in consideration of the Automobile.

2. The Automobile will be titled as directed by Moore. ESCO shall relinquish all right and interest in the Automobile.

3. Moore hereby accepts ownership of the Automobile and knowingly, voluntarily and irrevocably agrees to fully and completely release ESCO from any and all rights and claims, including without limitation, demands, causes of action, charges, complaints, promises, grievances, losses, damages, liabilities, debts, or injuries, whether known or unknown, contingent or matured, at law or in equity or in arbitration, which Moore holds or has ever held against ESCO resulting from or related to the Automobile. It is expressly agreed and understood that this is a General Release. Moore shall hereinafter assume all responsibility for ownership of the automobile including taxes, maintenance, insurance, etc.

4. This Agreement shall be binding upon and inure to the benefit of each of the parties, his respective assigns, successors in interest, and legal representatives.

5. This Agreement is made in the State of Missouri and shall in all respects be interpreted and enforced and governed by and under the laws of said State.

Dennis J. Moore

By: /s/ D.J. Moore

Date: 4/9/03

ESCO Technologies Inc.

By: /s/ V.L. Richey, Jr.

Date: 4/10/03

EXHIBIT 10.32

SIXTH AMENDMENT AND RESTATEMENT OF THE EMPLOYEE STOCK PURCHASE PLAN OF ESCO TECHNOLOGIES INC.

1. TITLE: This Plan, the terms of which are set out below, shall be known as the "Employee Stock Purchase Plan of ESCO Technologies Inc." ESCO Technologies Inc. (the "Company") is a Missouri corporation with its principal offices located at 8888 Ladue Road, Suite 200, St. Louis, Missouri 63124.

2. PURPOSE: The purpose of the Plan is to provide a convenient method by which employees of the Company and its domestic subsidiaries, who wish to do so, may purchase shares of the common stock (and the associated Preferred Stock Purchase Rights, if any) of the Company (hereinafter referred to as "Common Stock").

3. ELIGIBILITY: A division or domestic subsidiary of the Company may elect to permit its employees to participate in the Plan subject to the approval of the Chairman and Chief Executive Officer of the Company. All current and future employees of the units listed in Attachment 1 hereto are eligible to participate in the Plan effective as of the corresponding eligibility date in Attachment 1.

4. PARTICIPATION: Participation in the Plan shall be entirely voluntary. Upon written application by any eligible employee to the Trustee, an account shall be opened with respect to such employee in the name of the employee. Eligible employees for whom accounts are opened and maintained in accordance with the terms of the Plan are herein referred to as "participants."

5. THE TRUSTEE: The Plan shall be administered by one or more Trustees (herein called the "Trustee," whether one or more) appointed by an officer designated by the Board of Directors of the Company. The Trustee shall at all times be "an agent independent of the issuer" as defined in Rule 10b-18 under the Securities Exchange Act of 1934 (the "1934 Act").

The Trustee shall have power and authority to establish such procedures as the Trustee shall deem necessary to effect equitably and fairly the provisions and the intent of the Plan.

6. PAYMENTS BY PARTICIPANTS: Participant contributions to this Plan may only be through payroll deductions. Participants may authorize the Company to make deductions from their pay to be applied to the purchase of Common Stock of the Company under the terms of the Plan.

Deductions authorized for such purpose shall be in whole percentages of current salary or wages and shall be not less than one percent (1%) nor more than ten percent (10%). The Company may establish rules of uniform application regarding a participant's ability to change his deduction authorizations.

7. STOCK PURCHASES AND ALLOCATION TO PARTICIPANTS: Stock purchases under the Plan, and allocation of such stock to the accounts of participants, shall be effected pursuant to the following rules and procedures:

(a) Amounts withheld pursuant to payroll authorizations under the Plan shall be remitted by the Company to the Trustee on a monthly basis and shall be credited by the Trustee to the respective accounts of the participants within two weeks.

(b) At the discretion of an officer of the Company, the Company or a domestic subsidiary or division may contribute in cash an amount not to exceed fifteen percent (15%) of the amounts contributed by participants. Effective January 1, 2004, the Company or a domestic subsidiary or division may contribute in cash an amount not to exceed twenty percent (20%) of the amounts contributed by participants. The Company's contribution amounts may be separately determined for each division or subsidiary of the Company which participates in the Plan. Commencing October 15, 2003, the total number of shares of Common Stock that may be purchased under the Plan with the Company's contribution amounts shall not exceed one hundred thousand (100,000) shares.

(c) Cash amounts contributed pursuant to paragraphs (a) and (b) above shall be used to purchase shares of the Common Stock of the Company on a monthly basis. Common Stock may be purchased from the Company or from sellers in private transactions, or such purchases may be effected on the New York Stock Exchange. No private transaction or transaction with the Company may be at a price greater than the then-market price of the Company's Common Stock on the New York Stock Exchange.

(d) Following each stock purchase, the Trustee shall allocate shares purchased by the Trustee to the participant's account. The cost per share charged against the account of each participant for shares allocated to his account shall be the average cost to the Trustee for the shares purchased by the Trustee (including brokerage fees and other expenses associated with the purchase). Both whole and fractional shares shall be allocated.

(e) The Trustee shall maintain a book entry account for each participant and shall issue stock certificates to a participant only upon the circumstances and in the manner provided in SECTION 11 of this Plan.

(f) Cash dividends received by the Trustee on shares held by it under the Plan shall be used by the Trustee to purchase additional shares which shall be allocated among all participants, pro rata, on the basis of their respective account balances and credited to the accounts of participants as additional contributions under the Plan. Account balances for this purpose shall be determined as of the dividend record date preceding the allocation of shares to such accounts. Any shares of the Common Stock of the Company received by the Trustee as a stock dividend on shares held by it shall be treated as additional shares purchased by the Trustee under the Plan, at no cost, and shall be allocated and otherwise dealt with by the Trustee in the same manner as any other shares purchased by the Trustee under the Plan. Dividends received by the Trustee shall be deemed to have been received by the Trustee on the payment dates provided for the declaration of such dividends.

(g) Cost of shares to the Trustee shall include all brokerage fees, taxes and any other expenses directly applicable to the purchase of such shares.

(h) The Company does not guarantee in any way the price of shares purchased under the Plan against decline in market value.

8. VOTING STOCK HELD UNDER THE PLAN: For each meeting of stockholders, the participants will have the right to vote all shares credited to their respective accounts under the Plan, whether registered in the name of the Trustee or its nominee. Shares held by the Trustee under the Plan will not be voted by the Trustee.

9. COSTS OF ADMINISTERING PLAN: All costs and expenses of administering the Plan, including the fees of the Trustee, shall be paid by the Company.

10. WITHDRAWAL FROM THE PLAN: Any participant may withdraw any portion of the whole shares allocated to his account held by the Trustee under the Plan up to four times each calendar year by submitting an application for withdrawal to the Trustee. A participant shall specify on the withdrawal application a) the number of shares to be withdrawn from the Plan from those shares allocated to such participant's account and b) the number of shares to be issued per stock certificate. Within approximately seven days of the withdrawal application being submitted, the Trustee will deliver to such participant the requested stock certificates, and in the case of a complete withdrawal for terminated employees, an amount in cash equal to the fractional share remaining in his account on the date that the withdrawal becomes effective. No charges shall be made against a participant's account at the time of such withdrawal from the Plan except for the purchase cost of shares allocated to his account. The Trustee may establish such other procedures necessary to administer withdrawals in accordance with the intent of the Plan.

A participant may request the sale of the whole shares allocated to his account. The Trustee will sell the shares within one week of receiving written authorization to sell the shares. Within approximately seven days of the sale, the Trustee will deliver a check to the participant less any commission charged by the Trustee.

Any participant may cease his contribution under the Plan, and revoke any payroll withholding authorization given to the Company pursuant to the Plan at any time. Such cessation shall be effective no later than the second payroll after receipt of the participant's authorization to cease deductions.

A participant may not assign or pledge any interest he may have under the Plan.

If participation in the Plan ceases because of death, retirement, total disability, entering military service, or other termination of employment, settlement will be made as soon as practicable after such event occurs and after the Trustee receives notice of such termination or in the event of death, after the appointment of the legal representative of the estate of the deceased and the satisfaction of any other applicable legal requirements. The certificate for the shares of stock which have been allocated to the account of such participant and an amount in cash equal to the fractional share remaining in his account will be delivered to the former participant or, in the case of death of a participant who is the sole account holder, to the legal representative of such participant.

11. REPORTS TO PARTICIPANTS: The Trustee will render regular reports to each participant under the Plan, showing, for the period of the report, the contributions made and dividends, if any, credited to such participant's account; the number of shares allocated to such participant; the purchase price for such shares charged against his account; and the number of shares withdrawn, if any. Such reports shall be made not less frequently than once each quarter.

12. AMENDMENT AND TERMINATION OF THE PLAN: The Company reserves the right with respect to any or all employees, including those who may be participants under the Plan, to amend or terminate the Plan at any time. In the event of termination of this Plan, each participant will receive from the Trustee within sixty (60) days after the date of termination a certificate for the whole shares which have been acquired for the participant and an amount in cash equal to the fractional share remaining in the participant's account.

With respect to persons subject to Section 16 of the 1934 Act, transactions under this Plan are intended to comply with the applicable conditions of Rule 16b-3 or its successors under the 1934 Act. To the extent any provision of the Plan and any action thereunder fail to so comply, it shall be deemed null and void to the extent permitted by law.

13. EFFECTIVE DATE: The effective date of this Plan, as amended and restated, is October 15, 2003.

ATTACHMENT 1

UNIT	Eligibility Date
Acoustic Systems	December 31, 2002
Comtrak Technologies, L.L.C.	July 1, 1992
Distribution Control Systems, Inc.	July 1, 1992
EMC Test Systems, L.P.	July 1, 1993
ESCO Technologies Inc.	July 1, 1992
Filtertek Inc.	May 1, 1998
Lindgren R.F. Enclosures, Inc.	September 1, 2000
PTI Advanced Filtration Inc.	July 1, 1998
PTI Technologies Inc.	January 1, 1993
VACCO Industries	July 1, 1992

MARKET PERFORMANCE

(ESCO vs. PEER GROUP(1) AND RUSSELL 2000 (FY 2003) GRAPH)

(ESCO vs. PEER GROUP(1) AND RUSSELL 2000 (FY 2000-2003) GRAPH)

(1) As defined in the Company's Proxy Statement

to our shareholders

Our fiscal 2003 financial results reflect both the underlying strength of our core businesses and the impact of the decisions we made during the year which were directed toward positioning the Company for further improvement in shareholder value.

The most significant decisions we made during fiscal 2003 were to sell our Power Systems and Microfiltration businesses and to close our Filtration plant in Puerto Rico and relocate the production to existing ESCO facilities in Juarez, Mexico and Hebron, Illinois. Although these decisions resulted in a significant charge to our fiscal 2003 earnings, we are confident that they were strategically sound. The divestitures will not only generate funds to support future growth initiatives, but will also allow us to concentrate our investments in the end markets where we have the best opportunities. The plant closure in Puerto Rico will improve both the profitability and competitive posture of our Filtration segment. Collectively, the actions we initiated in fiscal 2003, when completed, will result in a more focused business and a stronger foundation for continued profitable growth.

While our repositioning actions have been in the forefront of our public communications, we have also been working aggressively across all of our segments to grow the Company.

- In Filtration, we won a significant new program in the emerging market for enhanced drug delivery devices and we made substantial progress on the design of new standard products for the medical sector. We are also actively looking at acquisitions that would expand our capabilities in the medical filtration market or augment our aerospace filtration businesses.

From left:
Victor L. Richey
Charles J. Kretschmer
Alyson S. Barclay
Gary E. Muenster

(PHOTO)

- In Communications, we are making significant investments to strengthen our core offering in the electric utility market as well as adapting it for broader global capability. At the same time, we are reviewing opportunities to gain direct access through alternate technologies to the Automatic Meter Reading market for gas and water utilities.

- In the Test segment during fiscal 2003, we acquired an acoustics business which not only expanded our served market but provides us a complementary offering for our existing customers. In addition, we are continuing to develop the Asian operations we established in fiscal 2002. In China, we have expanded the range of shielding products being manufactured in country, and as a result we have improved our opportunity to take further advantage of our leading position in this rapidly expanding market. Our product offering in Japan has been extended to include shielding and test components. We have also established a direct selling presence in Japan for our medical shielding products.

While in the near term our growth will be for the most part a product of the initiatives outlined above, the market leadership we have established in each of our segments and the magnitude of our end market opportunities suggest we are well positioned for sustained growth over the longer term.

Our approach to delivering enhanced shareholder value has not changed. We continue to be focused on using our technology to deliver solutions to our customers around the world. We also remain committed to ongoing attention to our cost and competitive position and we are supplementing our organic growth program with acquisitions in our core markets.

Our focus and approach are important, but in the end the integrity, talent and extraordinary commitment of our people form the basis of our expectation for an even brighter future.

When fiscal 2004 ends, we believe that the convergence of our initiatives and opportunities will have formed the foundation for continued increases in shareholder value over the long term.

/s/ VICTOR L. RICHEY

Victor L. Richey
Chairman & Chief Executive Officer

/s/ CHARLES J. KRETSCHMER

Charles J. Kretschmer
President & Chief Operating Officer

November 17, 2003

COMPANY OVERVIEW

ESCO IS COMPRISED OF THREE BUSINESS SEGMENTS, BOUND TOGETHER BY ONE COMMON SET OF VALUES AND OBJECTIVES. THOUGH ALL OF OUR BUSINESSES ARE TECHNOLOGY ORIENTED INDUSTRIAL MANUFACTURERS, THE DIVERSITY OF OUR PRODUCT MIX AND SERVED MARKETS HAS BEEN A KEY STRENGTH, ALLOWING US TO BALANCE OUR INVESTMENTS AND BUILD FOR THE FUTURE.

FILTRATION/FLUID FLOW

(PHOTO)

Our Filtration/Fluid Flow Segment is comprised of a mix of specialty manufacturers developing products typically designed for original equipment manufacturers. Innovative drug delivery devices, flow control mechanisms that filter and feed liquid butane into micropropulsion devices on satellites, and fuel injection filters that must last the lifetime of a vehicle are just a few examples of the many products this segment produces. Markets served by this segment include:

HEALTHCARE | AVIATION | SPACE | TRANSPORTATION | CONSUMER APPLIANCE

COMMUNICATIONS

(PHOTO)

Our Communications Segment provides users the means to reliably collect and transmit data over the existing electrical infrastructure and video files over the standard telephonic network. Using our patented signal processing technology and advanced video compression techniques, products in this segment provide one of the fundamental keys to customer profitability - knowledge. Our TWACS(R) two-way communication system enables utilities to remotely read metering devices in all terrain in both urban and rural settings, to track energy usage by the hour and to balance the loads on their system in order to optimize their operations. Our security system hardware and software, sold under the name of Securvision(R), provide users fully interactive surveillance capability, central station automation and control as well as critical video storage. Markets served by this segment include:

ELECTRIC UTILITIES | SECURITY INDUSTRY

RF SHIELDING AND TEST

(PHOTO)

In our RF Shielding and Test Segment, we provide products and services for users needing to measure, contain or evaluate the effect of electromagnetic emissions. These emissions are produced by all electronic devices and can interfere with telecommunications signals, cause inaccuracy in medical diagnostic imaging equipment, and interfere with the validity of EMI test results that manufacturers obtain when developing their new electronic products. From sensors, probes and antennas to large RF shielded chambers, this business segment provides all of the products necessary to ensure that the emissions are understood and controlled. Markets served by this segment include:

HEALTHCARE | ELECTRONICS | TRANSPORTATION

NEW TECHNOLOGIES

New features are continually being added to our TWACS(R) technology.

(PHOTO)

AT ESCO, WE KNOW THAT OUR FUTURE DEPENDS ON DEVELOPING NEW PRODUCTS AND TECHNOLOGIES THAT WILL PROVIDE CLEAR, DIFFERENTIATED BENEFITS TO OUR CUSTOMERS.

Across our three technology platforms and throughout our subsidiaries, many innovations come to life as a result of the focused engineering and industry expertise that is dedicated to product development.

In our Communications Segment, we are constantly expanding the breadth of our offering to utilities with new commercial and residential transponders - the key protocol converter between solid state meters and the TWACS(R) communications channel, and with feature adds such as the Disconnect Switch Interbase (DSI), which allows utilities to remotely connect and disconnect service to a home. We are also deeply invested in the future needs of our customers, optimizing our proprietary signal-processing technology for the most rigorous demands of large investor-owned electric utilities, working towards universal compatibility of protocols with all solid state meters, and developing robust radio frequency transmission mechanisms for gas and water.

In our RF Shielding and Test Segment, our recent development focus has been directed at providing critical electromagnetic measurement tools for manufacturers developing products that must comply with new standards for devices operating in the increasingly utilized frequency spectrum above 1GHz. As "Wi-Fi" connectivity moves beyond coffee shops, airports and hotels, it is more important than ever that these devices be tested during all phases of their development. Our new Double-Ridged Waveguide Horn antenna with its single lobe radiation pattern, even distribution of electromagnetic energy, and uniform gain across the entire operational frequency is just one example of a new product offering the accuracy needed to test Wi-Fi devices at these higher frequencies.

In our Filtration Segment, new product development efforts over the last year have focused on adding incremental value to that provided by the filtration mechanism alone. One example is our new Intellisensor(R) technology. Developed over three years and with several patents pending, this technology provides aviation and industrial customers with a prognostic health monitoring tool for their lubricants and fluids being filtered. In addition, the sensing technology reduces the weight, footprint and cost of filter housings, a significant benefit to customers seeking space savings and a reduction in fuel consumption and overall operating expense.

(PHOTO)

The hourly usage data collected by the TWACS(R) system provides a utility the insight needed to ensure reliable and cost effective service to its customer base.

INTERNATIONAL EXPANSION

(PHOTO)

New product development centers in China and Asia require test and measurement products and chambers from ETS-Lindgren that eliminate electromagnetic interference.

ALONG WITH CONTINUOUS INVESTMENT IN NEW PRODUCTS AND TECHNOLOGY, ESCO'S GROWTH STRATEGY INVOLVES INTERNATIONAL EXPANSION. The Company has operated as a global supplier for many years, with facilities in the United Kingdom, Finland, France, Ireland and in Central and South America.

During fiscal year 2003, we made several additional moves to expand our presence worldwide and to leverage the efficiencies that can result from in-country localized manufacturing.

In our RF Shielding and Test Segment, we recently opened two new facilities in Asia. Multi-national companies with new product development centers in China and the increasing use of diagnostic imaging equipment across medical centers in Asia have both driven demand for test products and chambers providing an electromagnetically sanitized environment. New ESCO facilities in Beijing and Tokyo now provide the localized manufacturing, program management and engineering required to support those markets.

In our Filtration Segment, we recently expanded operations at our Mexican facility to optimize production efficiencies for the products used by our customers in the transportation and commercial sectors. The facility, located in Juarez, is ISO and QS 9000 certified and fully automated with the quality controls essential for these demanding industry segments. It joins the French, Irish and Brazilian operations already in place internationally within the Filtration Segment.

In our Communications Segment, we have recently begun expansion internationally with the first series of trials using our new 50Hz communications protocol designed for the lower frequencies and different voltage levels utilized by countries outside the Americas. It is expected that the strategic justification associated with advanced metering technology will become more widely understood and accepted by utilities abroad as deregulation and enhanced competition in the energy sector continue to increase. From the most heavily populated cities of Asia to the most rural areas of New Zealand and Australia, the TWACS(R) system can ultimately provide a robust, reliable solution for utilities desiring to optimize their energy management.

(PHOTO)

Electronic games, cellular phones, and portable DVD players all must be tested to ensure compliance with electromagnetic emissions standards.

CUSTOMER SUCCESSES

ULTIMATELY, IT IS OUR CUSTOMERS WHO FUEL OUR SUCCESS.

We have established true partnerships with many of our long-term customers, and have developed close working relationships with our new customers that are critical to our future.

Recent examples of our customer successes include new drug delivery devices, developed by Filtertek in conjunction with large pharmaceutical partners. The companies each desired user-friendly dispensing devices that would offer value to healthcare providers in addition to that brought by their respective drugs. Through a collaborative effort between the engineering teams at Filtertek and the marketing groups at the pharmaceutical companies, prototypes were developed that met the needs of each company. The unique designs of the delivery devices should provide the added value needed to support the companies in their goals of maintaining and building brand loyalty around their prescription drug products.

In our Communications Segment, our advanced metering products have the most feature-rich set of options in the industry because of our intimate working relationships with our customers. Functionality is added and options changed as a direct result of the input we receive from utilities, both large and small. For example, when a rural electric cooperative utility told us that, in addition to selectively turning off single appliances, it would like a way to actually turn power on and off to the entire home, we responded and developed the Disconnect Switch Interbase (DSI). Likewise, when an investor-owned utility asked for a way to correlate the coincident consumption data of its peak energy use periods with that of the capacity rating of its distribution, we responded and are now automating the process to make the data request achievable at the touch of a computer screen.

In our RF Shielding and Test Segment, our market leadership means we are the "go-to" company for any unique RF test and measurement challenges. When a large cell phone manufacturer came to us with a need to determine the effect of body position and mass on its phones' over-the-air performance, ETS-Lindgren quickly got to work and developed a model which utilized a multi-axis positioning device (MAPS) in conjunction with a liquid-filled phantom representative of a human head. Specialized measurement antennas and customized data acquisition and analysis software provided the additional tools necessary for making certain the model gave accurate and repeatable results. The ETS-Lindgren model is currently the only one that can be used to perform this type of over-the-air performance testing for the Cellular Telecommunications and Internet Association (CTIA) certification seal.

More than anything else, we understand that our customers, as partners, are what will make ESCO successful.

(PHOTO)

Mission critical for Filtertek's in-line IV filtration is ensuring bacteria and particulate free IV fluids.

(PHOTO)

Innovators in IV filtration and fluid flow control, Filtertek has recently introduced the industry's first two-piece needleless access device.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto. The years 2003, 2002 and 2001 represent the fiscal years ended September 30, 2003, 2002 and 2001, respectively, and are used throughout the document.

INTRODUCTION

ESCO Technologies Inc. and its wholly owned subsidiaries (ESCO, the Company) operate in three business segments: Filtration/Fluid Flow (Filtration), Communications, and RF Shielding and Test (Test). ESCO develops, manufactures and markets a broad range of filtration products used in the purification and processing of liquids and gases. The Company's engineered filtration products utilize membrane, precision screen and other technologies to protect critical processes and equipment from contaminants. Major applications include the removal of contaminants in fuel, lubrication and hydraulic systems, various health care applications, industrial processing, satellite propulsion systems, and oil production. The Company's Communications segment provides a well-proven power line based communications system to the electric utility industry. The Two-Way Automatic Communications System, known as the TWACS(R) system, is currently used for automatic meter reading (AMR) and related advanced metering functions, as well as having load management capabilities. ESCO is a leading supplier of radio frequency (RF) shielding and electro-magnetic compatibility (EMC) test products. ESCO also supplies shielding to the growing Magnetic Resonance Imaging (MRI) market. The Company's business segments are comprised of the following primary operating entities:

- Filtration/Fluid Flow: Filtertek Inc. (Filtertek), PTI Technologies Inc. (PTI), and VACCO Industries (Vacco),

- Communications: Distribution Control Systems, Inc. (DCSI) and Comtrak Technologies, L.L.C. (Comtrak),

- Test: EMC Group consisting of ETS-Lindgren L.P. (ETS) and Lindgren RF Enclosures, Inc. (Lindgren).

Rantec Power Systems Inc. (Rantec) and the Microfiltration and Separations businesses (MicroSep) are accounted for as "discontinued operations." Rantec, formerly included in the "Other" segment was divested in April 2003. The MicroSep businesses (previously included in the Filtration segment) include PTI Advanced Filtration Inc. (PTA), PTI Technologies Limited (PTL) and PTI S.p.A. (PTB). The MicroSep divestiture should be completed during the quarter ending March 31, 2004.

ESCO continues to operate with meaningful growth prospects in its primary served markets, and with considerable financial flexibility. The Company continues to focus on new products that incorporate proprietary design and process technologies. Management is committed to delivering shareholder value through internal growth, ongoing performance improvement initiatives, and selective acquisitions.

HIGHLIGHTS OF 2003 CONTINUING OPERATIONS

- Net sales increased $80.1 million, or 25.3%, to $396.7 million from $316.6 million in 2002.

- Net sales in the Communications segment increased 50.4% to $142.3 million from $94.6 million in 2002.

- Net sales in the Test segment increased 28.1% to $90.3 million from $70.5 million in 2002.

- Net sales in the Filtration segment increased 8.3% to $164.1 million from $151.5 million in 2002.

- Net cash provided by operating activities was $38.0 million, including $7.3 million from a patent litigation settlement.

- Expanded the Company's capabilities and presence in the Asian Test markets.

- Commenced the process of divesting the MicroSep businesses, which had been significantly dilutive to earnings.   o Completed the sale of Rantec for $6 million in cash plus future consideration.

- Announced the closure and consolidation of the Filtration operation in Puerto Rico and the corresponding move to existing manufacturing locations in Juarez, Mexico and Hebron, Illinois.

- Net loss was $41.1 million, or $3.13 per share. The 2003 results were impacted by significant non-cash charges related to the divestiture of the MicroSep businesses and other repositioning actions (described on page 11) undertaken by Management to further focus the core business and to provide an improved foundation for profitable growth.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DESCRIPTION OF 2003 GAINS AND CHARGES

The Company incurred several gains and charges that impacted the reported operating results in 2003. The amounts noted below are included in the net earnings of the Company as defined within accounting principles generally accepted in the United States of America (GAAP). These gains and charges are more fully described in Management's Discussion and Analysis and notes to consolidated financial statements.

Management believes this information will be useful in understanding of the operating results of the Company for the periods presented. The following table provides a description of the gains and charges (dollars in millions).

Pretax Gains/(Charges):	2003
(1) Patent litigation settlement gain	$ 2.1
(2) Rantec divestiture gain	1.6
(3) MicroSep divestiture charge	(68.9)
(4) Puerto Rico facility closure charge	(4.3)
(5) Puerto Rico severance/move costs	(0.9)
(6) U.K. Test move/restructure costs	(0.5)
(7) Interest rate swap charge	(2.6)
(8) Cumulative effect of accounting change	(2.3)
(9) Management transition agreement (MTA)	(1.4)
(10) Manufacturing & supply agreement (MSA)	(0.2)

(1) During the fiscal third quarter, the Company settled patent litigation related to certain revenue generating patents in the Company's Filtration business and received a $7.3 million cash payment. The pretax gain is calculated as the gross proceeds received, less deferred legal costs incurred to defend this patent. The gain was allocated to past and future licensing periods. The unrecognized gain of $3.7 million will be recognized in pretax income on a straight-line basis over the remaining eight year life of the patent.

(2) During the fiscal third quarter, the Company sold Rantec and received $6 million in cash, and is entitled to additional consideration based on the future operating results of Rantec, which will be recognized when earned. This gain is included in discontinued operations, along with the operating results of Rantec.

(3) In July 2003, the Company announced its decision to sell the MicroSep businesses, resulting in this pretax charge. The after-tax charge was $60.5 million. The amount of the charge is calculated as the difference between the MicroSep book value and the estimated proceeds to be received upon completion of the divestiture. The divestiture is expected to be complete by March 31, 2004.

(4) The Puerto Rico facility closure charge includes the write-down of the building and equipment from their respective carrying values to their estimated net realizable value. This charge is related to Filtertek's operations and is included in the Filtration segment results of operations.

(5) The Puerto Rico severance/move costs relate to severance agreements with personnel at the Puerto Rico facility and the actual costs of the physical move to Juarez, Mexico and Hebron, Illinois. These costs are being recognized as incurred, and are

included in the Filtration segment results of operations.

(6) The U.K. Test move/restructure costs relate to severance, write-offs of leasehold improvements and moving costs incurred as a result of consolidating a portion of the Company's Test segment operations in the U.K.

(7) Incident to the decision to divest the MicroSep businesses, the Company closed out the interest rate swap related to the synthetic lease obligations. This charge was recognized in the fourth quarter results of operations.

(8) As a result of Interpretation No. 46 issued by the FASB relating to the Company's synthetic lease obligations, during the fourth quarter the Company recorded a pretax charge of $2.3 million ($1.4 million, after-tax) that is reported as a cumulative effect of a change in accounting principle.

(9) The MTA charge relates to a formal transition agreement between the Company and its former Chairman who retired in April 2003. During 2002, the Company incurred $0.7 million of costs related to the MTA.

(10) The MSA relates to the termination of a manufacturing and supply agreement with Whatman Hemasure Inc. (Whatman). During the second quarter, the Company recorded a pretax charge of $1.5 million related to this termination and in the fourth quarter the Company recorded a $1.3 million gain related to Whatman's settlement and cash payment. This resulted in a $0.2 million charge.

RESULTS OF OPERATIONS

The following discussion refers to the Company's results from continuing operations, except where noted. Rantec and the MicroSep businesses are accounted for as discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, amounts in the financial statements and related notes for all periods presented reflect discontinued operations.

NET SALES

Net sales were $396.7 million, $316.6 million and $298.3 million in 2003, 2002 and 2001, respectively. Net sales in 2003 increased $80.1 million, or 25.3% from net sales of $316.6 million in 2002. Organic sales growth accounted for $72.8 million, or 90.9%, of the increased sales volume in 2003, with the balance coming from the acoustic business acquisition within the Test segment. New products, defined as those introduced during the prior three years, accounted for $41.1 million, or 10.4% of net sales in 2003. PPL Electric Utilities Corporation (PPL) sales represented $63.9 million, or 16% of the total net sales in 2003. No other customers exceeded 10% of the net sales in the periods presented.

Filtration/Fluid Flow

Net sales of $164.1 million in 2003 were $12.6 million, or 8.3 % higher than net sales of $151.5 million in 2002. Net sales in 2003 increased primarily as a result of higher defense aerospace shipments at Vacco and increased deliveries of Filtertek products.

Net sales of $151.5 million in 2002 were $2.2 million, or 1.4% lower than net sales of $153.7 million in 2001 as a result of lower commercial aerospace sales in 2002.

Communications

Net sales were $142.3 million, $94.6 million and $59.1 million in 2003, 2002 and 2001, respectively. Net sales in 2003 were $47.7 million, or 50.4% higher than the $94.6 million of net sales in 2002. The increase in net sales each year is the result of significantly higher shipments of AMR equipment. Net sales to PPL were $63.9 million in 2003 and $31.5 million in 2002. In addition, sales to various electric utility cooperatives (Co-ops) in 2003 increased in both dollar amount and number of utility customers as compared to the prior year.

The Communications segment received $93.7 million and $192.4 million of new orders for its TWACS systems and load control transponders in 2003 and 2002, respectively. The largest order in 2002 was from PPL for $112 million. The Communications segment customer base includes significant investor owned utilities (IOUs) and municipal utilities such as PPL, Puerto Rico Electric Power Authority (PREPA), Wisconsin Public Service Corporation (WPS), Florida Power & Light (FPL), as well as numerous Co-ops throughout North America.

Sales of Comtrak's SecurVision(R) products were $8.4 million in 2003, $2.5 million in 2002 and $4.4 million in 2001. The increase in sales in 2003 versus 2002 and 2001 is due to additional product deliveries of digital video security products.

TEST

Net sales were $90.3 million and $70.5 million in 2003 and 2002, respectively. The $19.8 million (28.1%) increase in 2003 net sales is the result of additional test chamber installations, increased volume from the Company's Asian operations, and $7.3 million in sales from the acoustics business acquired December 31, 2002.

Net sales were $70.5 million and $85.5 million in 2002 and 2001, respectively. The net sales decrease of $15.0 million in 2002 from 2001 is mainly due to the severe downturn in the overall electronics and telecommunications markets and the 2001 completion of the General Motors test chamber complex. Sales of large EMC test chamber products were significantly impacted by the economic downturn in 2002.

ORDERS AND BACKLOG

New orders received in 2003 were $384.7 million, resulting in an order backlog of $263.0 million at September 30, 2003 as compared to $274.9 million at September 30, 2002. The Filtration and Test businesses recorded positive book-to-bill (orders to net sales) ratios during 2003. The Communications segment, excluding orders and sales related to PPL, recorded

a positive book-to-bill ratio during 2003. Ending backlog decreased during 2003 in the Communications segment as a result of $63.9 million of shipments to PPL.

In 2003, the Company recorded $180.4 million of new orders related to Filtration products, $102.3 million related to Test products, and $102.1 million related to Communications products.

In February 2002, the Company was awarded a $112 million contract from PPL for an AMR system in Pennsylvania. An additional $3.2 million was awarded on this contract in 2003.The project is currently scheduled for completion in mid-year 2004.

COST OF SALES

Cost of sales was $271.2 million (68.4% of net sales), $214.3 million (67.7% of net sales) and $204.5 million (68.6% of net sales) in 2003, 2002 and 2001, respectively. Cost of sales as a percent of net sales increased slightly in 2003 versus 2002 due to changes in sales mix (IOUs versus Co-ops) and additional program costs within the Communications segment. Cost of sales as a percentage of net sales decreased slightly in 2002 versus 2001 due to operational improvements including product pricing and successful cost containment programs.

ASSET IMPAIRMENT

The $4.5 million asset impairment charge in 2003 related to the closure of the Filtration operation in Puerto Rico and the consolidation of the Test business manufacturing facility in the U.K. The Puerto Rico charge ($4.3 million) resulted from the write-down of the Puerto Rico building and equipment from their respective carrying value to their estimated net realizable value. Management expects the building to be sold during fiscal 2004. The U.K. Test charge ($0.2 million) resulted from the write-off of abandoned leasehold improvements.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses (SG&A) were $73.2 million, or 18.5% of net sales in 2003, $65.1 million, or 20.6% of net sales in 2002, and $59.2 million, or 19.8% of net sales in 2001.

SG&A in 2003 included $1.4 million of costs related to the MTA between the Company and its former Chairman, and $0.6 million of severance costs related to the closure of the Puerto Rico facility and the consolidation of the U.K. Test facility. SG&A in 2002 included $0.7 million related to the MTA.

In addition, the increase in SG&A spending in each of the years presented is due to continued investments in engineering, sales and marketing personnel within the Communications and Test segments related to new product development and market expansion initiatives.

OTHER COSTS AND EXPENSES, NET

Other costs and expenses, net, were $4.7 million, $0.8 million and $7.1 million in 2003, 2002 and 2001, respectively. Other costs and expenses, net, of $4.7 million in 2003 consisted primarily of the following items (dollars in millions):

	2003
o Interest rate swap charge	$ 2.6
o Amortization of identifiable intangible assets	2.4
o Gain on settlement of patent litigation	(2.1)
o Whatman MSA settlement, net	0.2
o Puerto Rico / U.K. consolidation costs	0.6
o Other	1.0
Total	$ 4.7

The interest rate swap charge relates to the cancellation and repayment of the interest rate swap associated with the synthetic lease obligation that was repaid during the fiscal 2003 fourth quarter.

The amortization of identifiable intangibles relates primarily to patents and technology licenses.

The gain on settlement of patent litigation relates to the defense of certain revenue generating patents used in the Filtration business, which resulted in a cash settlement of $7.3 million. The pretax gain is calculated as the gross cash proceeds, less the deferred legal costs incurred to defend this patent. The net gain is allocated to past and future licensing periods, and the unrecognized gain of $3.7 million will be recognized on a straight-line basis into pretax income over the remaining eight year life of the patent.

The Whatman MSA settlement involved a dispute with a customer related to the termination of a formal Manufacturing Supply Agreement (MSA). The Company recorded a pretax charge of $1.5 million during the fiscal second quarter and settled with Whatman and received cash of $1.3 million during the fourth fiscal quarter, resulting in a net $0.2 million charge.

The Puerto Rico and U.K. consolidation costs primarily relate to physical shut down and move related costs.

Other costs and expenses, net, of $0.8 million in 2002 consisted primarily of the following items: $1.6 million of amortization of identifiable intangible assets, primarily patents and technology licenses; $0.3 million of exit costs related to the Company's joint venture in India (Filtration segment) which was terminated in the first quarter of 2002; and $0.2 million of start-up costs for the Asian operations (Test segment). These costs were offset by a $0.4 million gain from insurance proceeds related to a former subsidiary and a $0.7 million gain from a customer funded refurbishment of production test equipment within the Filtration segment.

Other costs and expenses, net, of $7.1 million in 2001 consisted primarily of the following items: goodwill amortization of $2.7 million; patent and other intangible asset amortization of $1.3 million; and approximately $2.1 million of net costs related to the Filtration segment described below.

(1) $1.2 million of moving costs related to the consolidation of PTI's filtration businesses into new facilities in Oxnard, CA. The primary expenditures consisted of moving costs to pack and ship manufacturing equipment, inventory and supplies. This amount also included $0.5 million of certain vacant facility costs and costs to restore the former facilities to their original condition.

(2) $0.6 million of exit costs related to the consolidation of the Stockton, CA manufacturing facility into the Huntley, IL facility, which consisted primarily of lease termination payments, write-offs of abandoned leasehold improvements.

(3) $0.3 million of termination costs related to the Brazil operation, which were incurred as part of the management reorganization.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

The Company evaluates the performance of its operating segments based on EBIT, which the Company defines as earnings from continuing operations before interest and taxes. On October 1, 2001, the Company adopted SFAS 142, which eliminated goodwill amortization beginning in 2002. See note 14 of notes to consolidated financial statements.

EBIT was $43.1 million (10.9% of net sales) in 2003, $36.4 million (11.5% of net sales) in 2002, and $27.5 million (9.2% of net sales) in 2001.

During 2003, the following items negatively impacted EBIT by $7.8 million: $4.5 million of impairment charges related to the Puerto Rico and U.K. consolidation activities; $2.0 million of MTA and severance charges recognized; $2.6 million interest rate swap charge; $0.6 million of exit/move costs; $0.2 million MSA charge; partially offset by a $2.1 million patent settlement gain. These items will be described in their respective operating segments noted below.

During 2002, $0.7 million of MTA charges negatively impacted EBIT. During 2001, $2.7 million of goodwill amortization charges were recognized against EBIT.

EBIT as a financial measure is not calculated as a GAAP measure. EBIT provides investors and Management with an alternative method for addressing the Company's operating results. Management evaluates the performance of its operating segments based on EBIT and believes that EBIT is useful to investors to demonstrate the operational profitability of the

Company's business segments by excluding interest and taxes, which are generally accounted for across the entire company on a consolidated basis. EBIT is also one of the measures Management uses to determine resource allocations and incentive compensation.

The reconciliation of EBIT to a GAAP financial measure is as follows (dollars in millions):

	2003	2002	2001
EBIT	$ 43.1	36.4	27.5
Add back: Interest income	(0.2)	(0.3)	(0.2)
Less: Income taxes / Add: (Benefit)	16.6	13.4	(3.4)
Net earnings from continuing operations	$ 26.7	23.3	31.1)

See Note 14 of notes to consolidated financial statements for additional discussion.

FILTRATION/FLUID FLOW

EBIT of $14.7 million (9.0% of net sales) in 2003 decreased $1.9 million from EBIT of $16.6 million (11.0% of net sales) in 2002.

The 2003 results were negatively impacted by $3.3 million of the $7.8 million EBIT charges noted above. The $3.3 million of charges include: $4.3 million of asset impairment charges related to the Puerto Rico facility and equipment; $0.5 million of severance costs; $0.2 million of Whatman MSA charges; $0.4 million of exit/move costs; partially offset by the $2.1 million patent settlement gain.

During 2003, the Company continued to experience softness in its commercial aerospace products. The continued strengthening of the defense aerospace markets and European operations at Filtertek offset this softness.

EBIT was $16.6 million (11.0% of net sales) and $14.0 million (9.1% of net sales) in 2002 and 2001, respectively. Fiscal 2002 included a $0.7 million gain recognized from a customer funded refurbishment of certain production test equipment.

In July 2003, the Company announced its decision to sell the MicroSep businesses. These businesses are accounted for as discontinued operations. See further discussion at Notes 2 and 14 in notes to consolidated financial statements.

COMMUNICATIONS

EBIT was $30.0 million (21.1% of net sales) in 2003, $21.0 million (22.2% of net sales) in 2002 and $11.9 million (20.1% of net sales) in 2001. The increases in EBIT dollars in the comparable periods were the result of significantly higher shipments of AMR equipment. The slight decrease in EBIT as a percent of net sales in 2003 is the result of the sales mix between IOUs and Co-ops and due to additional marketing, engineering and customer support costs. The Company continues to increase its engineering and new product development expenditures in the Communications segment in order to further penetrate the AMR markets, primarily involving IOUs, and to further differentiate its technology from the competition with additional features and functionality.

TEST

EBIT was $5.3 million (5.9% of net sales) and $3.6 million (5.1% of net sales) in 2003 and 2002, respectively.

The 2003 results were negatively impacted by $0.5 million of the $7.8 million EBIT charges noted above. The $0.5 million of charges include: $0.2 million of asset impairment charges related to the U.K.

consolidation; $0.1 million of severance costs; and $0.2 million of exit/move costs.

The increase in EBIT in 2003 as compared to 2002 is mainly due to increased sales of large EMC test chambers and the significantly higher sales volume in 2003 versus 2002.

EBIT was $3.6 million (5.1% of net sales) and $7.5 million (8.8% of net sales) in 2002 and 2001, respectively. The decline in EBIT in 2002 as compared to 2001 is mainly due to lower sales of large EMC test chambers as a result of the

downturn in the electronics and telecommunications markets and the completion of the General Motors test chamber complex in 2001.

CORPORATE

The "Reconciliation to Consolidated Totals (Corporate)" is the residual amount of Corporate office operating charges remaining after the Corporate overhead charges are allocated to the operating units. Corporate charges are allocated to the segments at 2.5% of the segments net sales. Beginning in fiscal 2004, these Corporate office operating charges will no longer be allocated to the operating units.

The 2003 amounts include the $2.6 million interest rate swap charge and the MTA charges of $1.4 million.

INTEREST INCOME

Interest income was $0.2 million in 2003, $0.3 million in 2002 and $0.2 million in 2001. The amounts vary based on the timing of cash flows and respective interest rates within the given year.

INCOME TAX EXPENSE (BENEFIT)

Income tax expense from continuing operations of $16.6 million for 2003 reflects current Federal tax expense of $3.4 million, deferred Federal tax expense of $9.9 million, current state and local tax expense of $2.0 million, deferred state and local tax expense of $0.2 million, current foreign tax expense of $1.1 million, and deferred foreign tax expense of $0.1 million.

Income tax expense from continuing operations of $13.4 million for 2002 reflects current Federal tax expense of $1.4 million, deferred Federal tax expense of $7.9 million, current state and local tax expense of $2.4 million, deferred state and local tax benefit of $(0.2) million, current foreign tax expense of $1.4 million, and deferred foreign tax expense of $0.5 million.

Income tax benefit from continuing operations of $3.4 million for 2001 reflects current Federal tax expense of $0.5 million, deferred Federal tax benefit of $5.9 million, current state and local tax expense of $0.8 million, current foreign tax expense of $1.3 million, and deferred foreign tax benefit of $0.1 million.

Total income tax benefit attributable to discontinued operations was $9.6 million in 2003, and $0.6 million in 2002. Income tax expense attributable to discontinued operations was $0.5 million in 2001. In addition, in 2003 the Company had an income tax benefit of $0.8 million attributable to the cumulative effect of a change in accounting method.

Management believes that, based on the Company's historical pretax income together with the projection of future taxable income, and after consideration of the valuation allowance, it is more likely than not that the Company will realize the benefits of the net deferred tax assets existing at September 30, 2003. In order to realize this net deferred tax asset, the Company will need to generate future taxable income of approximately $117 million, of which $84 million is required to be realized prior to the expiration of the net operating loss (NOL) carryforward, of which $29 million will expire in 2010; $4 million will expire in 2011; $11 million will expire in 2018; and $40 million will expire in 2019. The NOL carryforward may be used to reduce future Federal income tax cash payments.

During 2001, Management concluded that it was more likely than not that it would realize the benefits of the deferred tax assets existing at September 30, 2001, and therefore, eliminated the existing deferred tax valuation allowance of $12.7 million. See full discussion at Note 9 in notes to consolidated financial statements.

During 2003 the Company established a valuation allowance against certain deferred tax assets associated with its discontinued operations. A valuation allowance of $3.5 million was established against certain deferred tax assets associated with the Company's stock holdings in PTI Technologies Limited and PTI S.p.A., as the disposition of such assets in 2004 is expected to generate a loss, which may not be realized in future periods.

No deferred taxes have been provided on the accumulated unremitted earnings of the Company's foreign subsidiaries as of September 30, 2003. The Company's intention is to reinvest these earnings indefinitely. In the event these foreign

entities' earnings were distributed, it is estimated that U.S. taxes, net of available foreign tax credits, of approximately $7.1 million would be due, which would correspondingly reduce net earnings and the Company's NOL.

The effective tax rate for continuing operations in 2003 was 38.4% compared to 36.5% in 2002. An analysis of the effective tax rates for 2003, 2002 and 2001 is included in the notes to the consolidated financial statements.

CAPITAL RESOURCES AND LIQUIDITY

Working capital increased to $120.5 million at September 30, 2003 from $112.6 million at September 30, 2002. During 2003, cash and cash equivalents increased by $6.4 million. Accounts receivable increased $12.5 million and inventories increased $5.0 million.

The increase in accounts receivable at September 30, 2003 of $12.5 million is due to a $6.2 million increase in the Test segment mainly due to higher sales volume and the Acoustics acquisition which added $1.5 million; a $4.6 million increase in the Communications segment as a result of significantly higher shipments of AMR products; and a $3.0 million increase in the Filtration segment. Approximately $0.8 million of accounts receivable at September 30, 2003 represents amounts due under long-term contracts related to retainage provisions, which are due after one year.

Net cash provided by operating activities was $38.0 million, $35.0 million and $33.0 million in 2003, 2002 and 2001, respectively.

Capital expenditures for continuing operations were $10.6 million, $9.6 million and $9.5 million, in 2003, 2002 and 2001, respectively. Included in the 2003 capital expenditures for continuing operations were approximately $2.4 million of leasehold improvements related to the new headquarters facility for DCSI in the Communications segment. The balance of the expenditures primarily included manufacturing equipment. There were no commitments outstanding that were considered material for capital expenditures at September 30, 2003.

At September 30, 2003, the Company had an available NOL carryforward for tax purposes of approximately $84 million. This NOL will expire beginning in 2009 and ending in 2019, and will be available to reduce future Federal income tax cash payments.

At September 30, 2003, other current assets include a mortgage note receivable of $1.8 million from the prior sale of the Riverhead, NY property, related to a former defense subsidiary. The property was sold in December 1999 for $2.6 million, with $0.5 million received as a down payment and the remaining $2.1 million financed under the mortgage note. Through September 30, 2003, the buyer has paid additional principal and interest payments totaling $1.3 million. However, currently the buyer is in default of the provisions of the note receivable and the Company has begun foreclosure proceedings on the property. A recent independent appraisal indicates the value of the property is greater than $5 million. The Company does not anticipate a loss related to this matter.

SYNTHETIC LEASE OBLIGATION

Effective July 1, 2003 the Company adopted FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46) which required it to consolidate its $31.5 million synthetic lease obligation, previously accounted for as an operating lease, onto its balance sheet. This obligation was secured by three manufacturing locations, two of which are located in Oxnard, CA, and the other in Cedar Park, TX, as well as a $10.6 million letter of credit issued under the Company's $65 million credit facility. Upon consolidation, the Company recorded $29.2 million of property plant and equipment, $31.5 million of long term debt and a non-cash after tax charge-reported as a cumulative effect of a change in accounting principle-of $1.4 million.

In September 2003, the Company repaid the $31.5 million synthetic lease obligation and cancelled the $10.6 million letter of credit. The synthetic lease facility was dissolved and there are no further obligations.

PATENT LITIGATION SETTLEMENT

During fiscal 2003, the Company reached a settlement in the defense of a certain revenue-generating patent used in the Filtration business. Under the terms of the agreement, the Company received $7.3 million in fiscal third quarter of 2003, and the Company recorded a gain of $2.1 million, after deducting $1.4 million of professional fees related to the settlement. The unrecognized gain of $3.7 million ($0.5 million classified in current liabilities and $3.2 million classified in long-term deferred income) will be recognized on a straight-line basis in Other, net, over the remaining patent life, through 2011.

TERMINATION AND SETTLEMENT OF WHATMAN HEMASURE INC. MANUFACTURING AND SUPPLY AGREEMENT

On January 24, 2003, the Company's Filtertek Inc. subsidiary terminated its Manufacturing and Supply Agreement (MSA) with Whatman Hemasure Inc. (Whatman) based on Whatman's breach of its obligations under the MSA. The MSA related to the parties' responsibilities concerning the manufacture and supply of leukocyte filters. Under the terms of the MSA, Filtertek's termination based on Whatman's breach entitled Filtertek to recover its damages and certain specified costs, which included among other costs, payment for certain equipment used in the production of leukocyte filters. The Company recorded a $1.5 million charge in Other, net, during the second quarter of fiscal 2003 primarily related to the fair value of the remaining equipment lease obligations for that program. During the fourth quarter of fiscal 2003, the Company settled its outstanding contract dispute with Whatman for $1.3 million, which was received in September 2003.

ACQUISITIONS/DIVESTITURES

On December 31, 2002, the Company acquired the assets and certain liabilities of Austin Acoustics Systems, Inc. (Austin Acoustics) for $4 million in cash. Austin Acoustics is a leading supplier of noise control chambers for the test, medical and broadcast/music industries. Austin Acoustics is headquartered in Austin, TX and has annual sales of approximately $8 million. The assets, liabilities and results of operations since the date of acquisition are included within the Company's Test segment.

In March 2002, pursuant to a license agreement, the Company acquired the exclusive rights to the patent portfolio and related intellectual property of North Carolina Separations Research Technology Inc. and its affiliate (SRT), a manufacturer of cross-flow filtration and separation modules and equipment. The Company also acquired certain production assets and inventory of SRT. The purchase price was $11.5 million of which the Company paid $9.5 million at closing and additional consideration of $1 million was paid in March 2003 and $0.9 million will be paid throughout fiscal year 2004. SRT is included in the discontinued operations of the MicroSep businesses as a part of PTI Advanced Filtration Inc.

On June 8, 2001, the Company acquired all of the outstanding common stock of Bea Filtri S.p.A. (Bea) for approximately $13.5 million in cash and debt. Bea, headquartered in Milan, Italy, is a supplier of filtration products to the pharmaceutical, food and beverage, healthcare, and petrochemical markets. Bea is included in the discontinued operations of the MicroSep businesses as a part of PTB.

All of the Company's acquisitions have been accounted for using the purchase method of accounting and accordingly, the respective purchase prices were allocated to the assets (including intangible assets) acquired and liabilities assumed based on estimated fair values at the date of acquisition. The financial results from these acquisitions have been included in the Company's financial statements from the date of acquisition.

In April 2003, the Company completed the sale of the Rantec Power Systems Inc. (Rantec) subsidiary, to an entity owned by a group of investors primarily comprised of the subsidiary's management. Rantec was previously reported in the "Other" segment. Rantec, a manufacturer of power supplies for commercial and military applications, is located in Los Osos, California. The Company received $6 million from the buyer at closing. An additional $0.7 million will be paid by the buyer in equal installments during the nine months following the sale. The Company is also entitled to contingent consideration of up to $6.4 million over the next ten years, based on the future operating results of Rantec, which will be recognized when earned. A pretax gain of $1.6 million related to the sale is reflected in the Company's fiscal 2003 results in discontinued operations. Rantec is accounted for as a discontinued operation in accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144).

MANAGEMENT'S DISCUSSION AND ANALYSIS

In July 2003, the Company announced its decision to sell the Microfiltration and Separations (MicroSep) businesses in the Filtration segment. These businesses consist of PTI Advanced Filtration Inc., located in Oxnard, California, PTI Technologies Limited, located in Sheffield, England, and PTI S.p.A., located in Milan, Italy. As part of this process, in October 2003, the Company terminated its existing license with SRT. These businesses are accounted for as a discontinued operation in accordance with SFAS 144, and accordingly, amounts in the financial statements and related notes for all periods shown, reflect discontinued operations presentation. The MicroSep businesses represent approximately 20% of the Filtration segment net sales. These actions resulted in a non-cash after-tax charge of approximately $60 million in the fourth quarter of fiscal 2003, primarily related to goodwill and other intangible assets. The Company expects the sale of the MicroSep businesses to be completed prior to March 31, 2004.

BANK CREDIT FACILITY

Effective September 5, 2003, the Company amended its existing revolving credit facility to allow for the announced divestiture of its MicroSep businesses as well as the repayment of the Company's $31.5 million synthetic lease obligation. The amended credit facility continues to have $5 million annual reductions, a $25 million increase option through April 11, 2004 and a final maturity and expiration of April 11, 2005. As of September 30, 2003, the Company had not exercised the $25 million increase option and the revolving line of credit was $65 million. The credit facility is available for direct borrowings and/or the issuance of letters of credit, and is provided by a group of five banks, led by Bank of America as agent.

During 2003, the Company paid off its previously outstanding $31.5 million synthetic lease obligation.

At September 30, 2003, the Company had approximately $43.7 million available to borrow under the credit facility in addition to its $31.3 million cash on hand. Against the $65 million available under the revolving credit facility at September 30, 2003, the Company had $10 million of short-term borrowings, $8 million of outstanding long-term borrowings related to the Bea acquisition (included in "Other liabilities from discontinued operations") and outstanding letters of credit of $3.3 million.

The credit facility requires, as determined by certain financial ratios, a commitment fee ranging from 20-30 basis points per annum on the unused portion. The terms of the facility provide that interest on borrowings may be calculated at a spread over the London Interbank Offered Rate (LIBOR) or based on the prime rate, at the Company's election. Substantially all of the assets of the Company are pledged under the credit facility. The financial covenants of the credit facility include limitations on leverage and minimum consolidated EBITDA. As of September 30, 2003, the Company was in compliance with all bank covenants.

Cash flow from operations and borrowings under the bank credit facility is expected to provide adequate resources to meet the Company's capital requirements and operational needs for the foreseeable future.

CONTRACTUAL OBLIGATIONS

The following table shows the Company's contractual obligations as of September 30, 2003 (dollars in millions):

	Payments due by period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations	$ 0.6	0.1	0.3	0.2	--
Capital Lease Obligations	1.0	0.3	0.5	0.2	--
Operating Lease Obligations	17.2	4.7	6.8	5.7	--
Purchase Obligations(1)	--	--	--	--	--

------ ------
-- -------- -
------- Total
$ 18.8 5.1
7.6 6.1 --
Discontinued
Operations
11.5 0.8 9.4
1.3 -- ------
-- -------- -
------- -----
--- --------
Total $ 30.3
5.9 17.0 7.4
-- ========
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========
========
========

(1) A purchase obligation is defined as a legally binding and enforceable agreement to purchase goods and services that specifies all significant terms. Since purchase orders can be cancelled, the Company does not include them in this calculation.

The Company has no material off balance sheet arrangements outstanding at September 30, 2003.

SHARE REPURCHASE

In August 2003, the Company extended its previously authorized (February 2001) open market repurchase program of up to 1.3 million shares, which is subject to market conditions and other factors and covers the period ending September 30, 2004. The Company repurchased 42,881, 127,100 and 76,700 shares in 2003, 2002 and 2001, respectively.

MANAGEMENT TRANSITION AGREEMENT

On August 5, 2002, the Company entered into a Management Transition Agreement (MTA) with Dennis J. Moore, the Company's former Chairman, under which Mr. Moore receives certain compensation in conjunction with his retirement in April 2003 and for his consulting services after retirement. Of the $2.5 million total cost related to the MTA, $1.4 million was expensed in SG&A during the first nine months of fiscal 2003, and $0.7 million was recorded in the fourth quarter of fiscal 2002. The remaining cost of the MTA related to a $0.3 million consulting agreement that is being expensed over the twelve-month period from April 2003 through March 2004, consistent with the period of service.

PENSION FUNDING REQUIREMENTS

The minimum cash funding requirements related to the Company's defined benefit pension plans are zero in 2004, approximately $1 million in 2005 and approximately $4 million in 2006.

OTHER

Management believes that, for the periods presented, inflation has not had a material effect on the Company's results of operations.

The Company is currently involved in various stages of investigation and remediation relating to environmental matters. Based on current information available, Management does not believe the aggregate costs involved in the resolution of these matters will have a material adverse effect on the Company's operating results, capital expenditures or competitive position.

MARKET RISK ANALYSIS

MARKET RISK EXPOSURE

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. The Company had interest rate exposure relating to its floating rate synthetic lease obligations and, accordingly, the Company previously entered into interest rate swaps of approximately $31.5 million to mitigate this exposure. In conjunction with the repayment of the Company's synthetic lease obligation in fourth quarter of fiscal 2003, the Company repaid and cancelled the related interest rate swap associated with this obligation. This resulted in a pretax charge of approximately $2.6 million recorded in the fourth quarter of fiscal 2003 as well as an after tax reduction in accumulated other comprehensive loss of $1.8 million.

In addition, the Company has interest rate exposure of approximately $8.0 million relating to floating rate obligations denominated in Euros related to PTB and included in other liabilities from discontinued operations. Therefore, in September 2001, the Company entered into an interest rate swap of approximately $5.0 million to mitigate this exposure, which effectively fixed the interest rate on these floating rate obligations at 4.89%. These Euro obligations consist of borrowings under the Company's $65 million credit facility and mature on April 11, 2005 along with the related interest rate swap. This swap is accounted for as a cash flow hedge under the provisions of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS 138". For the year ended September 30, 2003, the Company recorded an adjustment of $0.1 million to accumulated other comprehensive loss related to this interest rate swap.

The following table provides further detail about the Company's interest rate swaps outstanding at September 30, 2003:

Amounts scheduled for
maturity Estimated fair value
at as of April 11, 2005
September 30, 2003 ----------
-------------------- --------
--------------- Interest Rate
Swaps (related to Euro debt)
Variable to fixed: Notional
value (in millions) $ 5.0 $
(0.1) Average pay rate
(excludes spread) 4.1%
==============================
=======================

The Company is also subject to foreign currency exchange rate risk inherent in its sales commitments, anticipated sales, anticipated purchases and assets and liabilities denominated in currencies other than the U.S. dollar. The currency most significant to the Company's operations is the Euro. The Company hedges certain foreign currency commitments by purchasing foreign currency forward contracts. The estimated fair value of open forward contracts at September 30, 2003 is not material.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements. In preparing these financial statements, Management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported under different conditions or using different assumptions related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The Company's senior Management discusses the critical accounting policies described below with the Audit Committee of the Company's Board of Directors on a periodic basis.

The following discussion of critical accounting policies is intended to bring to the attention of readers those accounting policies, which Management believes are critical to the Consolidated Financial Statements and other financial disclosure. It is not intended to be a comprehensive list of all significant accounting policies that are more fully described in Note 1 of Notes to Consolidated Financial Statements.

REVENUE RECOGNITION

The majority of the Company's revenues are recognized when products are shipped to or when services are performed for unaffiliated customers. Other revenue recognition methods the Company uses include the following: revenue on production contracts is recorded when specific contract terms are fulfilled, usually by delivery or acceptance; revenue from cost reimbursement contracts is recorded as costs are incurred, plus fees earned; revenue under long-term contracts, for which delivery is an inappropriate measure of performance, is recognized on the percentage-of-completion method based upon incurred costs compared to total estimated costs under the contract; and revenue under engineering contracts is generally recognized as milestones are attained. The Company has certain revenue arrangements with multiple elements within the Test segment. For such arrangements, the Company determines the fair value of each element under the provisions of EITF 00-21, "Revenue Arrangements with Multiple Deliverables." Revenue of each element is then recognized when the products and/or services are delivered. Revenue arrangements with software components are recognized under the provisions of SOP 97-2, "Software Revenue Recognition." Management believes that all relevant criteria and conditions are considered when recognizing revenue.

ACCOUNTS RECEIVABLE

Accounts receivable have been reduced by an allowance for amounts that may become uncollectible in the future. This estimated allowance is based primarily on Management's evaluation of the financial condition of the customer and historical bad debt experience.

INVENTORY

Inventories are valued at the lower of cost (first-in, first-out) or market value and have been reduced by an allowance for excess, slow-moving and obsolete inventories. The estimated allowance is based on Management's review of inventories on hand compared to historical usage and estimated future usage and sales. Inventories under long-term contracts reflect accumulated production costs, factory overhead, initial tooling and other related costs less the portion of such costs charged to cost of sales and any unliquidated progress payments. In accordance with industry practice, costs incurred on contracts in progress include amounts relating to programs having production cycles longer than one year, and a portion thereof may not be realized within one year.

INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets may be reduced by a valuation allowance if it is more likely than not that some portion of all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance when Management believes it is more likely than not such assets will not be recovered, taking into consideration historical operating results, expectations of future earnings, tax planning strategies, and the expected timing of the reversals of existing temporary differences.

GOODWILL AND OTHER LONG-LIVED ASSETS

The Company adopted the provisions of SFAS 142 effective October 1, 2001. Management annually reviews goodwill and other long-lived assets with indefinite useful lives for impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If indicators of impairment are present, the determination of the amount of impairment for long-lived assets with definite lives is based on Management's judgment as to the future operating cash flows to be generated from these assets throughout their estimated useful lives. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 144.

PENSION PLANS AND OTHER POSTRETIREMENT BENEFIT PLANS

The measurement of liabilities related to pension plans and other post-retirement benefit plans is based on Management's assumptions related to future events including interest rates, return on pension plan assets, rate of compensation increases, and health care cost trend rates. Actual pension plan asset performance will either decrease or increase unamortized pension losses that will affect net earnings in future years. Depending upon the performance of the equity and bond markets in 2004, the Company could be required to record a charge to equity. In addition, if the discount rate was decreased by 25 basis points from 6% to 5.75%, the accumulated benefit obligation for the defined benefit plan would increase by approximately $1.4 million and result in an additional after-tax charge to shareholder's equity of approximately $0.9 million.

OTHER MATTERS

CONTINGENCIES

As a normal incident of the businesses in which the Company is engaged, various claims, charges and litigation are asserted or commenced against the Company. In the opinion of Management, final judgments, if any, which might be rendered against the Company in current litigation, are adequately reserved, covered by insurance, or would not have a material adverse effect on its financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. In conjunction with the repayment of the Company's synthetic lease obligation in fourth quarter of fiscal 2003, the Company repaid and cancelled the interest rate swap associated with this obligation. This resulted in an after tax reduction in accumulated other comprehensive loss of $1.8 million. As of September 30, 2003, the Company's only remaining interest rate swap is related to Euro denominated debt and carries an estimated fair value of ($0.1) million. For the year ended September 30, 2003 there was no change to accumulated other comprehensive loss related to this interest rate swap. See further discussion in "Management Discussion and Analysis-Market Risk Analysis" regarding the Company's market risks.

CONTROLS AND PROCEDURES

The Company carried out an evaluation under the supervision and with the participation of Management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in company reported filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within time periods specified in the Securities and Exchange Commission's rules and forms. There have been no significant changes in the Company's internal controls or in other factors during the period covered by this report that have materially affected, or are reasonably likely to materially affect those controls and procedures.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an Amendment of SFAS 123," which provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS 148 are effective for interim periods beginning after December 15, 2002. The Company has adopted the provisions of SFAS 148.

In December 2002, the Emerging Issues Task Force issued EITF 00-21, "Revenue Arrangements with Multiple Deliverables." This issue addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. In some arrangements, the different revenue-generating activities (deliverables) are sufficiently separable, and there exists sufficient evidence of their fair values to separately account for some or all of the deliverables (that is, there are separate units of accounting). This issue addresses when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting. This issue does not change otherwise applicable revenue recognition criteria. This issue is applicable for revenue arrangements beginning in the fourth quarter of fiscal 2003. The Company has adopted the provisions of EITF 00-21, and the impact of this was not material to the Company's financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," an interpretation of ARB No. 51, which addresses consolidation by business enterprises of variable interest entities. This Interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among the parties involved. This Interpretation applies to variable interest entities created

after January 31, 2003. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company consolidated the synthetic lease obligation on July 1, 2003, the beginning of the Company's fourth fiscal quarter. See further discussion in Note 8.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Management does not believe the adoption of this statement will have a material impact on the Company's financial statements.

FORWARD-LOOKING INFORMATION

Statements regarding future events and the Company's future results that are based on current expectations, estimates, forecasts and projections about the Company's performance and the industries in which the Company operates and the beliefs and assumptions of Management contained in the Letters to Shareholders (pages 1-2), the business summaries (pages 3-9), and Management's Discussion and Analysis and other statements contained herein which are not strictly historical are considered "forward-looking statements". Words such as expects, anticipates, targets, goals, projects, intends, plans, believes, estimates, variations of such words, and similar expressions are intended to identify such forward-looking statements. Investors are cautioned that such statements are only predictions, and speak only as of the date of this report. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including, but not limited to: the timing and terms of the MicroSep divestiture; performance of discontinued operations prior to divestiture; successful execution of planned facility closures; the timing and execution of sales, consolidations and relocations with regard to the Company's Puerto Rico Facility and U.K. facility; termination for convenience of customer contracts; timing and magnitude of future contract awards; further weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; delivery delays or defaults by customers; performance issues with key suppliers and subcontractors; collective bargaining and labor disputes; changes in laws and regulations including changes in accounting standards and taxation requirements; changes in foreign or U.S. business conditions effecting the distribution of foreign earnings; costs relating to environmental matters; litigation uncertainty; and the Company's successful execution of internal operating plans.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended
September 30,
(Dollars in
thousands,
except per
share
amounts) 2003
2002 2001 ---
--------- ---
--------- ---
--------- Net
sales $
396,687
316,611
298,297 Costs
and expenses:
Cost of sales
271,164
214,325
204,486 Asset
impairment
4,528 -- --
Selling,
general and
administrative
expenses
73,185 65,099
59,173
Interest
income, net
(217) (351)
(204) Other,
net 4,664 803
7,149 -------
----- -------
----- -------
----- Total
costs and
expenses
353,324
279,876
270,604 -----
------- -----
------- -----

Earnings
before income
tax 43,363
36,735 27,693
Income tax
expense
(benefit)
16,625 13,400
(3,375) -----
------- -----
------- -----
------- Net
earnings from
continuing
operations
26,738 23,335
31,068 Loss
from
discontinued
operations,
net of tax:
2003, $1,821;
2002, $552;
and 2001,
$(541)
(6,901)
(1,554) (961)
Loss on sale
of
discontinued
operations,
net of tax of
$7,755
(59,556) -- -
- -----------
- -----------
- -----------
- Net loss
from
discontinued
operations
(66,457)
(1,554) (961)

Net earnings
(loss) before
accounting

change
(39,719)
21,781 30,107
Cumulative
effect of
accounting
change, net
of tax of
$842 (1,419)
-- -- -------
----- -------
----- -------
----- Net
earnings
(loss) $
(41,138)
21,781 30,107
============
============
============
Earnings per
share: Basic:
Continuing
operations $
2.10 1.86
2.51
Discontinued
operations
(5.24) (0.12)
(0.08)
Cumulative
effect of
accounting
change (0.11)
-- -- -------
----- -------
----- -------
----- Net
earnings
(loss) (3.25)
1.74 2.43
============
============
============
Diluted:
Continuing
operations
2.04 1.79
2.43
Discontinued
operations
(5.06) (0.12)
(0.08)
Cumulative
effect of
accounting
change (0.11)
-- -- -------
----- -------
----- -------
----- Net
earnings
(loss) (3.13)
1.67 2.35
============
============
============
Average
common shares
outstanding
(in
thousands):
Basic 12,675
12,511 12,382
Diluted
13,128 13,022
12,805

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As of September 30, (Dollars in thousands)	2003	2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 31,285	24,930
Accounts receivable, less allowance for doubtful accounts of $734 and $606 in 2003 and 2002, respectively	69,379	56,884
Costs and estimated earnings on long-term contracts, less progress billings of $5,089 and $4,541 in 2003 and 2002, respectively	4,663	2,951
Inventories	48,432	43,441
Current portion of deferred tax assets	24,187	20,601
Other current assets	6,549	7,481
Current assets from discontinued operations	21,640	25,100
Total current assets	206,135	181,388
PROPERTY, PLANT AND EQUIPMENT:		
Land and land improvements	5,541	2,316
Buildings and leasehold improvements	41,708	27,478
Machinery and equipment	72,959	67,373
Construction in progress	2,583	927

- 122,791
98,094 Less
accumulated
depreciation
and
amortization
51,622
44,190 ----
-------- --

Net
property,
plant and
equipment
71,169
53,904
Goodwill
68,653
66,649
Deferred
tax assets
16,618
28,690
Other
assets
14,081
14,243
Other
assets from
discontinued
operations,
including
goodwill of
$0 and
$36,634 at
2003 and
2002,
respectively
16,725
62,814 ----
-------- --

$ 393,381
407,688

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As of
September
30, (Dollars
in
thousands)
2003 2002 --
---------- -

LIABILITIES
AND
SHAREHOLDERS'
EQUITY
CURRENT
LIABILITIES:
Short-term
borrowings
and current
maturities
of long-term
debt $
10,143 121
Accounts
payable
34,940
34,101
Advance
payments on
long-term
contracts,
less costs
incurred of
$1,728 and
$3,769 in
2003 and
2002,
respectively
1,144 2,706
Accrued
expenses
30,013
23,236
Current
liabilities
from
discontinued
operations
9,397 8,623

Total
current
liabilities
85,637
68,787 -----
------- ----

Deferred
income 3,194
-- Other
liabilities
20,556
23,571 Long-
term debt
490 538
Other
liabilities
from
discontinued
operations
8,115 8,481

Total
liabilities
117,992
101,377 ----
-------- ---

Commitments
and
contingencies
-- --
SHAREHOLDERS'
EQUITY:
Preferred
stock, par
value $.01
per share,
authorized
10,000,000
shares -- --
Common
stock, par

value $.01 per share, authorized 50,000,000 shares; Issued 13,933,193 and 13,601,095 shares in 2003 and 2002, respectively 139 136 Additional paid-in capital 216,506 209,402 Retained earnings since elimination of deficit at September 30, 1993 80,292 121,430 Accumulated other comprehensive loss (4,982) (9,473) ------------ ------------ 291,955 321,495 Less treasury stock, at cost (1,105,052 and 1,067,046 common shares in 2003 and 2002, respectively) (16,566) (15,184) ------------ ------------ Total shareholders' equity 275,389 306,311 ------------ ------------ $ 393,381 407,688 ============ ============

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS 0F SHAREHOLDERS' EQUITY

Accumulated
Common Stock
Additional
Other Years
ended
September
30, --------

- Paid-In
Retained
Comprehensive
Treasury (In
thousands)
Shares
Amount
Capital
Earnings
Income
(Loss) Stock
Total ------
--- --------
- ----------
--------- --

--------- --

Balance,
September
30, 2000
13,225 $ 132
205,514
69,542
(4,766)
(11,000)
259,422
Comprehensive
income: Net
earnings --
-- -- 30,107
-- -- 30,107
Translation
adjustments
-- -- -- --
(209) --
(209)
Minimum
pension
liability,
net of tax
of $344 -- -
- -- --
(639) --
(639)
Interest
rate swap
adjustment,
net of tax
of $487 -- -
- -- --
(904) --
(904) ------

Comprehensive
income -- --
-- -- -- --
28,355 -----
---- Stock
options and
stock
compensation
plans 185 2
768 -- --
414 1,184
Purchases
into
treasury --
-- -- -- --
(1,681)
(1,681) ----
----- ------
--- --------
- ---------
--------- --
------- ----

Balance,
September
30, 2001
13,410 134
206,282
99,649
(6,518)
(12,267)

287,280 ----

Comprehensive
income: Net
earnings --
-- -- 21,781
-- -- 21,781
Translation
adjustments
-- -- -- --
782 -- 782
Minimum
pension
liability,
net of tax
of $1,478 --
-- -- --
(2,745) --
(2,745)
Interest
rate swap
adjustment,
net of tax
of $534 -- -
- -- --
(992) --
(992) ------

Comprehensive
income -- --
-- -- -- --
18,826 -----
---- Stock
options and
stock
compensation
plans 191 2
3,120 -- --
521 3,643
Purchases
into
treasury --
-- -- -- --
(3,438)
(3,438) ----
----- ------
--- --------
- ---------
--------- --
------- ----

Balance,
September
30, 2002
13,601 136
209,402
121,430
(9,473)
(15,184)
306,311 ----

Comprehensive
loss: Net
loss -- -- -
- (41,138) -
- --
(41,138)
Translation
adjustments
-- -- -- --
3,880 --
3,880
Minimum
pension
liability,
net of tax
of $641 -- -
- -- --
(1,190) --
(1,190)
Interest
rate swap
adjustment,
net of tax
of $(970) --
-- -- --
1,801 --
1,801 ------

Comprehensive
loss -- -- -
- -- -- --
(36,647) ---
------ Stock
options and
stock
compensation
plans 332 3

7,104 -- --
56 7,163
Purchases
into
treasury --
-- -- -- --
(1,438)
(1,438) ----
----- ------
--- --------
- ---------
--------- --
------- ----

Balance,
September
30, 2003
13,933 $ 139
216,506
80,292
(4,982)
(16,566)
275,389
=========
=========
=========
=========
=========
=========
=========

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS 0F CASH FLOW

Years ended September 30, (Dollars in thousands) 2003 2002 2001 ---------- ---------- ---------- Cash flows from operating activities: Net earnings (loss) $ (41,138) 21,781 30,107 Adjustments to reconcile net earnings (loss) to net cash provided by operating activities: Loss from discontinued operations, net of tax 6,901 1,554 961 Loss on sale of discontinued operations, net of tax 59,556 -- -- Depreciation and amortization 13,451 10,398 12,952 Changes in operating working capital (15,669) (12,793) (12,283) Effect of deferred taxes on tax provision 10,137 8,226 (5,985) Proceeds from settlement of patent litigation 7,300 -- -- Gain from settlement of patent litigation (2,056) -- -- Other 7,441 8,172 7,828 ---------- ---------- ---------- Net cash provided by operating activities-continuing operations 45,923 37,338 33,580 Net cash used by discontinued operations (7,907) (2,322) (594) ---------- ---------- ---------- Net cash provided by operating activities

38,016
35,016
32,986 -----
----- ------
---- -------
--- Cash
flows from
investing
activities:
Acquisition
of business-
continuing
operations
(4,000) -- -
-
Acquisition
of
businesses
and
technology
rights-
discontinued
operations
(1,364)
(9,546)
(13,559)
Proceeds
from
divestiture
of business
6,000 -- --
Capital
expenditures-
continuing
operations
(10,599)
(9,591)
(9,502)
Capital
expenditures-
discontinued
operations
(3,528)
(3,588)
(2,379) ----
------ -----
----- ------
---- Net
cash used by
investing
activities
(13,491)
(22,725)
(25,440)
Cash flows
from
financing
activities:
Proceeds
from long-
term debt --
453 7,356
Principal
payments on
long-term
debt-
continuing
operations
(31,636)
(505) (740)
Principal
payments on
long-term
debt-
discontinued
operations
(621) -- --
Net increase
(decrease)
in short-
term
borrowings
10,000 (12)
(3,988)
Purchases of
common stock
into
treasury
(1,438)
(3,438)
(1,681)
Other,
including
exercise of
stock
options
5,525 1,635
393 --------

-- ---------
- ----------
Net cash
(used)
provided by
financing
activities
(18,170)
(1,867)
1,340 ------
---- -------
--- --------
-- Net
increase in
cash and
cash
equivalents
6,355 10,424
8,886 Cash
and cash
equivalents
at beginning
of year
24,930
14,506 5,620
---------- -
--------- --

Cash and
cash
equivalents
at end of
year $
31,285
24,930
14,506
==========
==========
==========
Changes in
operating
working
capital:
Accounts
receivable,
net $
(12,149)
(8,173) 684
Costs and
estimated
earnings on
long-term
contracts,
net (1,712)
3,686 (456)
Inventories
(3,883)
(5,274)
(790) Other
current
assets and
current
portion of
deferred tax
assets
(2,692)
(8,426)
(13,608)
Accounts
payable 839
3,739 1,510
Advance
payments on
long-term
contracts,
net (1,562)
1,324
(1,472)
Accrued
expenses
5,490 331
1,849 ------
---- -------
--- --------
-- $
(15,669)
(12,793)
(12,283)
==========
==========
==========
Supplemental
cash flow
information:
Interest
paid $ 805
521 425
Income taxes

paid
(including
state,
foreign &
AMT) 6,208
4,076 4,106
==========
==========
==========

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (Y) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of ESCO Technologies Inc. (ESCO) and its wholly owned subsidiaries (the Company). All significant intercompany transactions and accounts have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform with the 2003 presentation.

(B) BASIS OF PRESENTATION

Effective September 30, 1993, the Company implemented an accounting readjustment in accordance with the accounting provisions applicable to a "quasi-reorganization" which restated assets and liabilities to fair values and eliminated the deficit in retained earnings.

Fair values of the Company's financial instruments are estimated by reference to quoted prices from market sources and financial institutions, as well as other valuation techniques. The estimated fair value of each class of financial instruments approximated the related carrying value at September 30, 2003 and 2002.

(C) NATURE OF OPERATIONS

The Company is a leading supplier of engineered filtration products to the process, health care and transportation markets worldwide. The Company's filtration products include depth filters, membrane based and precision screen filters. The balance of the Company's sales is derived primarily from special purpose communication systems including automatic meter reading, and from radio frequency (RF) shielding and EMC test products.

The Company operates in three industry segments: Filtration/Fluid Flow, Communications and Test.

Effective April 11, 2003, the Company completed the sale of Rantec Power Systems, Inc. (Rantec) to an entity owned by a group of investors primarily comprised of the subsidiary's management. Rantec is accounted for as a discontinued operation. See Note 2, "Discontinued Operations".

In July 2003, the Company announced its decision to sell the Microfiltration and Separations (MicroSep) businesses in the Filtration/Fluid Flow segment. These businesses are recorded as discontinued operations beginning in the fourth quarter of fiscal 2003. See Note 2, "Discontinued Operations".

(D) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions, including estimates of anticipated contract costs and revenues utilized in the earnings process, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(E) REVENUE RECOGNITION

The majority of the Company's revenues are recognized when products are shipped to or when services are performed for unaffiliated customers. Other revenue recognition methods the Company uses include the following: revenue on production contracts is recorded when specific contract terms are fulfilled, usually by delivery or acceptance; revenue from cost reimbursement contracts is recorded as costs are incurred, plus fees earned; revenue under long-term contracts, for which delivery is an inappropriate measure of performance, is recognized on the percentage-of-completion method based upon incurred costs compared to total estimated costs under the contract; and revenue under engineering contracts is generally recognized as milestones are attained. The Company has certain revenue arrangements with multiple elements within the Test segment. For such arrangements, the Company determines the fair value of each element under the provisions of EITF 00-21, "Revenue Arrangements with Multiple Deliverables." Revenue of each element is then recognized when the products and/or services are delivered. Revenue arrangements with software components are recognized under the provisions of SOP 97-2, "Software Revenue Recognition." Management believes that all relevant criteria and conditions are considered when recognizing revenue.

(F) CASH AND CASH EQUIVALENTS

Cash equivalents include temporary investments that are readily convertible into cash, such as Euro dollars, commercial paper and treasury bills with original maturities of three months or less.

(G) ACCOUNTS RECEIVABLE

Accounts receivable have been reduced by an allowance for amounts that may become uncollectible in the future. This estimated allowance is based primarily on Management's evaluation of the financial condition of the customer and historical bad debt experience.

(H) COSTS AND ESTIMATED EARNINGS ON LONG-TERM CONTRACTS

Costs and estimated earnings on long-term contracts represent unbilled revenues, including accrued profits, accounted for under the percentage-of-completion method, net of progress billings.

(I) INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out) or market value and have been reduced by an allowance for excess, slow-moving and obsolete inventories. This estimated allowance is based on Management's review of inventories on hand compared to historical usage and estimated future usage and sales. Inventories under long-term contracts reflect accumulated production costs, factory overhead, initial tooling and other related costs less the portion of such costs charged to cost of sales and any unliquidated progress payments. In accordance with industry practice, costs incurred on contracts in progress include amounts relating to programs having production cycles longer than one year, and a portion thereof will not be realized within one year.

(J) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Depreciation and amortization are computed primarily on a straight-line basis over the estimated useful lives of the assets: buildings, 10-40 years; machinery and equipment, 5-10 years; and office furniture and equipment, 5-10 years. Leasehold improvements are amortized over the remaining term of the applicable lease or their estimated useful lives, whichever is shorter.

(K) GOODWILL AND OTHER LONG-LIVED ASSETS

Goodwill represents the excess of purchase costs over the fair value of net identifiable assets acquired in business acquisitions. The Company accounts for goodwill as required by Statement of Financial Accounting Standards (SFAS) 142, "Goodwill and Other Intangible Assets." Management annually reviews goodwill and other long-lived assets with indefinite useful lives for impairment annually or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If indicators of impairment are present, the determination of the amount of impairment is based on Management's judgment of the discounted future operating cash flows to be generated from these assets throughout their estimated useful lives. Prior to fiscal 2002, goodwill was amortized over periods ranging in periods from 20-30 years. Other intangible assets represent costs allocated to identifiable intangible assets, principally patents and technology rights. See Note 5 below regarding goodwill and other intangible assets activity.

(L) IMPAIRMENT OF LONG-LIVED ASSETS AND LONG-LIVED ASSETS TO BE DISPOSED OF

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to dispose.

(M) INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets may be reduced by a valuation allowance if it is more likely than not that some portion or

all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance when Management believes it is more likely than not such assets will not be recovered, taking into consideration historical operating results, expectations of future earnings, tax planning strategies, and the expected timing of the reversals of existing temporary differences.

(N) RESEARCH AND DEVELOPMENT COSTS

Company-sponsored research and development costs include research and development and bid and proposal efforts related to the Company's products and services. Company-sponsored product development costs are charged to expense when incurred. Customer-sponsored research and development costs incurred pursuant to contracts are accounted for similar to other program costs. Customer-sponsored research and development costs refer to certain situations whereby customers provide funding to support specific contractually defined research and development costs. As the Company incurs costs under these specific funding contracts, the costs are "inventoried" until billed to the customer for reimbursement, consistent with other program costs. Once billed/invoiced, these costs are transferred to accounts receivable until the cash is received from the customer. All research and development costs incurred in excess of the contractual funding amount, or costs incurred outside the scope of the contractual research and development project, are expensed as incurred.

(O) FOREIGN CURRENCY TRANSLATION

The financial statements of the Company's foreign operations are translated into U.S. dollars in accordance with SFAS 52 "Foreign Currency Translation" (SFAS 52). The resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income.

(P) EARNINGS PER SHARE

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the weighted average number of common shares outstanding during the period plus shares issuable upon the assumed exercise of dilutive common share options and vesting of performance shares by using the treasury stock method.

The number of shares used in the calculation of earnings per share for each year presented is as follows:

(In thousands)	2003	2002	2001
Weighted Average Shares Outstanding - Basic	12,675	12,511	12,382
Dilutive Options and Performance Shares	453	511	423
Adjusted Shares - Diluted	13,128	13,022	12,805

There were no options outstanding during the year ended September 30, 2003, where the options' exercise price was greater than the average market price of the common shares. Options to purchase 34,000 shares (at a per share price of $35.93) and 12,500 shares (at per share prices of $25.18 - $27.28) were outstanding during the years ended September 30, 2002 and 2001, respectively, but were not included in the respective computations of diluted EPS because the options' exercise price was greater than the average market price of the common shares. These options expire in various periods through 2013. Approximately 50,000, 91,000 and 181,000 performance shares were outstanding but unearned at September 30, 2003, 2002 and 2001, respectively, and, therefore, were not included in the respective years' computations of diluted EPS.

(Q) STOCK-BASED COMPENSATION

The Company measures its compensation cost of equity instruments issued under employee compensation plans under the provisions of Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees," and related Interpretations. In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation Transition and Disclosure, an Amendment of SFAS 123," to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the

method used on reported results. Under APB 25, no compensation cost was recognized for the Company's stock option plans. Had compensation cost for the Company's stock option plans and performance share plans been determined based on the fair value at the grant date for awards outstanding during 2003, 2002 and 2001 consistent with the provisions of this Statement, the Company's net earnings (loss) and net earnings (loss) per share would have been as shown in the table below:

Pro forma (Unaudited) (Dollars in thousands, except per share amounts)	2003	2002	2001
Net earnings (loss), as reported	$ (41,138)	21,781	30,107
Less: total stock-based employee compensation expense determined under fair value based methods, net of tax	(1,942)	(2,476)	(702)
Pro forma net earnings (loss)	(43,080)	19,305	29,405
Net earnings (loss) per share:			
Basic-as reported	(3.25)	1.74	2.43
Basic-pro forma	(3.40)	1.54	2.37
Diluted-as reported	(3.13)	1.67	2.35
Diluted-pro forma	(3.28)	1.48	2.30

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2003, 2002 and 2001, respectively: expected dividend yield of 0% in all periods; expected volatility of 31.5%, 31.2% and 37.5%, risk-free interest rate of 3.9%, 3.6% and 4.6%, and expected life based on historical exercise periods of 4.13 years, 4.25 years and 4.21 years.

The 2003 and 2002 performance share award grants were valued at the stock price on the date of grant. No adjustments were made for the probability that performance thresholds would not be met. In 2001, to determine the fair value of performance share grants, the probability that performance thresholds would be met was applied to the ESCO stock price on the date of grant. This probability was based on an estimated average annual growth rate of 10% and an annualized volatility of 37.9% in 2001.

(R) COMPREHENSIVE INCOME (LOSS)

SFAS 130, "Reporting Comprehensive Income" requires the Company to report separately the translation adjustments of SFAS 52 defined above, changes to the minimum pension liability, and changes in fair value of the Company's interest rate swaps designated as a cash flow hedge, as components of comprehensive income or loss. Management has chosen to disclose the requirements of this Statement within the Consolidated Statements of Shareholders' Equity.

(S) ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS 138 requires that all derivative instruments be recorded on the balance sheet at their fair value. The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge and if so, the type of hedge. The Company has interest rate exposure relating to floating rate obligations denominated in Euros, therefore, as of September 30, 2003, $5.0 million of this debt is hedged by a fixed interest rate swap entered into during fiscal 2001. The interest rate swap is accounted for as a cash flow hedge under the provisions of SFAS 133 as of and for the year ended September 30, 2003. A $0.1 million adjustment was recorded to other comprehensive income during 2003 related to this swap. The Company paid off the interest rate swaps relating to floating lease obligations and incurred a $2.6 million pretax charge during fiscal 2003 related to this extinguishment, included in Other, net.

(T) DEFERRED INCOME

Deferred income represents the long-term portion of unearned income related to the fiscal 2003 patent litigation settlement. The amount is being amortized into income on a straight-line basis over the remaining patent life through 2011. The current portion of approximately $0.5 million is classified in accrued expenses on the Consolidated Balance Sheet.

(U) NEW ACCOUNTING STANDARDS

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation--Transition and Disclosure, an Amendment of SFAS 123," which provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS 148 are effective for interim periods beginning after December 15, 2002. The Company has adopted the provisions of SFAS 148.

In December 2002, the Emerging Issues Task Force issued EITF 00-21, "Revenue Arrangements with Multiple Deliverables." This issue addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. In some arrangements, the different revenue-generating activities (deliverables) are sufficiently separable, and there exists sufficient evidence of their fair values to separately account for some or all of the deliverables (that is, there are separate units of accounting). This issue addresses when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting. This issue does not change otherwise applicable revenue recognition criteria. This issue is applicable for revenue arrangements beginning in the fourth quarter of fiscal 2003. The Company has adopted the provisions of EITF 00-21.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," an interpretation of ARB No. 51, which addresses consolidation by business enterprises of variable interest entities. This Interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among the parties involved. This Interpretation applies to variable interest entities created after January 31, 2003. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company consolidated the synthetic lease obligation on July 1, 2003, the beginning of the Company's fourth fiscal quarter. See further discussion in note 15 of notes to consolidated financial statements.

In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Management does not believe the adoption of this statement will have a material impact on the Company's financial statements.

2 (Y) DISCONTINUED OPERATIONS

MICROFILTRATION AND SEPARATIONS BUSINESSES (MICROSEP)--

In July 2003, the Company announced its decision to sell the MicroSep businesses in the Filtration/Fluid Flow segment, and therefore, these businesses are recorded as discontinued operations beginning in the fourth quarter of fiscal 2003. Management changed its strategic direction related to its MicroSep businesses based on an objective evaluation of the Company's market position and competitive landscape for these businesses. Historically, the Company had continued to make significant investments in the MicroSep businesses that were required to improve its market position. After a

comprehensive review of the actions required to best position the Company to meet its long-term objectives, Management decided to sell the MicroSep businesses. These actions resulted in a pretax charge of $68.9 million, including $48.8 million related to the write-off of goodwill and other intangible assets. The charge was calculated based on the carrying value of the MicroSep net assets compared to Management's estimate of the net proceeds anticipated upon completion of the transaction. The estimate of net proceeds anticipated was based on a review of similar transactions and discussions with potential acquirers of these businesses. These businesses consist of PTI Advanced Filtration Inc., located in Oxnard, California, PTI Technologies Limited, located in Sheffield, England, and PTI S.p.A., located in Milan, Italy. The MicroSep businesses represent approximately 20% of the Filtration/Fluid Flow segment net sales. The MicroSep businesses are accounted for as a discontinued operation in accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144) and, accordingly, amounts in the financial statements and related notes for all periods shown, reflect discontinued operations presentation. The net sales from the MicroSep businesses were $43.8 million, $41.4 million and $34.4 million for the years ended September 30, 2003, 2002, and 2001, respectively. The major classes of discontinued assets and liabilities related to the MicroSep businesses included in the Consolidated Balance Sheet at September 30, 2003 and 2002 are as follows (in thousands):

ASSETS:	SEPTEMBER 30, 2003	September 30, 2002
Accounts receivable, net	$10,728	10,463
Inventories	8,778	7,550
Current portion of deferred tax assets	1,379	710
Other current assets	755	1,019
Current assets	21,640	19,742
Net property, plant and equipment	9,096	12,350
Goodwill	-	36,634
Deferred tax assets	7,493	(1,716)
Other assets	136	13,172
Total assets of Discontinued Operations	$38,365	80,182
LIABILITIES:		
Accounts payable	$ 4,522	4,086
Accrued expenses and other current liabilities	4,875	3,036
Current liabilities	9,397	7,122
Other liabilities	8,115	7,834
Total liabilities of Discontinued Operations	$17,512	14,956

RANTEC--

In February 2003, the Board of Directors approved the plan to dispose of the Rantec Power Systems Inc. (Rantec). Rantec, a manufacturer of power supplies for commercial and military applications, is located in Los Osos, California. Rantec was previously reported in the "Other" segment. Effective April 11, 2003, the Company completed the sale of Rantec to an entity owned by a group of investors primarily comprised of the subsidiary's management. The Company received $6.0 million from the buyer at closing. A pretax gain of $1.6 million related to the sale is reflected in the Company's fiscal 2003 results in discontinued operations. Rantec is accounted for as a discontinued operation in accordance with SFAS 144 and, accordingly, amounts in the financial statements and related notes for all periods shown, reflect discontinued operations presentation. The net sales from Rantec were $5.7 million, $11.4 million and $12.2 million for the

years ended September 30, 2003, 2002, and 2001, respectively. The major classes of discontinued assets and liabilities included in the Consolidated Balance Sheet at September 30, 2002 are as follows (in thousands):

ASSETS:	September 30, 2002
Accounts receivable, net	$ 2,149
Inventories	1,588
Current portion of deferred tax assets	1,471
Other Current Assets	150
Current assets	5,358
Net property, plant and equipment	2,268
Deferred tax assets	(24)
Other assets	130
Total assets of Discontinued Operations	$ 7,732
LIABILITIES:	
Accounts payable	$ 864
Accrued expenses and other current liabilities	637
Current liabilities	1,501
Other liabilities	647
Total liabilities of Discontinued Operations	$ 2,148

3 (Y) ACQUISITIONS

On December 31, 2002, the Company acquired the assets and certain liabilities of Austin Acoustics Systems, Inc. (Austin Acoustics) for $4.0 million in cash. Austin Acoustics is a leading supplier of noise control chambers for the test, medical and broadcast/music industries. Austin Acoustics is headquartered in Austin, TX and has annual sales of approximately $8.0 million. The assets, liabilities and results of operations since the date of acquisition are included within the Company's Test segment.

In March 2002, pursuant to a license agreement, the Company acquired the exclusive rights to the patent portfolio and related intellectual property of North Carolina Separations Research Technology Inc. and its affiliate (SRT), a manufacturer of cross-flow filtration and separation modules and equipment. The Company also acquired certain production assets and inventory of SRT. The purchase price was $11.5 million of which the Company paid $9.5 million at closing and additional consideration of $1.0 million was paid in March 2003 and $0.9 million will be paid throughout fiscal year 2004. In October 2003, the Company terminated its existing license with SRT. SRT is included in the discontinued operations of the MicroSep businesses as a part of PTI Advanced Filtration Inc. as discussed in note 2, above.

On June 8, 2001, the Company acquired all of the outstanding common stock of Bea Filtri S.p.A. (Bea) for approximately $13.5 million in cash and debt. Bea, headquartered in Milan, Italy, is a supplier of filtration products to the pharmaceutical, food and beverage, healthcare, and petrochemical markets. Bea is included in the discontinued operations of the MicroSep businesses as a part of PTI S.p.A. as discussed in note 2, above.

All of the Company's acquisitions have been accounted for using the purchase method of accounting and accordingly, the respective purchase prices were allocated to the assets (including intangible assets) acquired and liabilities assumed based on estimated fair values at the date of acquisition. The financial results from these acquisitions have been included in the Company's financial statements from the date of acquisition.

4 (Y) ASSET IMPAIRMENTS

In May 2003, the Company committed to plans to close the Filtertek manufacturing operation in Puerto Rico (Filtration/Fluid Flow segment). The manufacturing will be moved to existing facilities in Hebron, Illinois and Juarez, Mexico. This action resulted in a fiscal 2003 asset impairment charge of $4.3 million consisting of a $3.5 million write down of the Puerto Rico facility to its appraised value and a $0.8 million write down of machinery and equipment to their estimated salvage value. Severance charges of $0.5 million are included within SG&A expense and move costs of $0.4 million are included within Other, net, in the fiscal 2003 results of operations related to the closure. The closure of the Filtertek manufacturing operation in Puerto Rico will be completed in fiscal 2004.

In May 2003, the Company committed to plans to restructure its Test operations in the U.K. and centralize the management of the European Test operations. The European consolidation resulted in a fiscal 2003 asset impairment charge of $0.2 million related to the write-off of leasehold improvements. The European consolidation will be completed in fiscal 2004.

5 (Y) GOODWILL AND OTHER INTANGIBLE ASSETS

Management adopted the provisions of SFAS 142, "Goodwill and Other Intangible Assets" effective October 1, 2001, the beginning of the Company's fiscal year 2002. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company is required to test the intangible asset for impairment in accordance with the provisions of SFAS 142.

Included on the Company's Consolidated Balance Sheet at September 30, 2003 and 2002 are the following intangible assets gross carrying amounts and accumulated amortization:

(Dollars in millions)	2003	2002
Goodwill:		
Gross carrying amount	$ 77.6	75.5
Less: accumulated amortization	8.9	8.9
Net	$ 68.7	66.6
Intangible assets with determinable lives: (included in Other Assets)		
Patents		
Gross carrying amount	$ 16.7	16.1
Less: accumulated amortization	11.2	10.1
Net	$ 5.5	6.0
Other		
Gross carrying amount	$ 1.1	1.0
Less: accumulated amortization	0.6	0.5
Net	$ 0.5	0.5

At September 30, 2003, the net goodwill balance of $68.7 million is comprised of $39.6 million and $29.1 million related to the Filtration and Test segments, respectively.

Amortization expense related to intangible assets with determinable lives was $2.4 million and $1.6 million in 2003 and 2002, respectively. These assets, primarily patents, are amortized over the life of the patents, generally 17 years. Estimated intangible assets amortization for each of the subsequent five fiscal years is estimated at $2.4 million per year.

The following table presents a reconciliation of net earnings (loss) for the fiscal year ended September 30, 2001, to reflect the removal of goodwill amortization in accordance with SFAS 142, to be used for comparison purposes with the fiscal year ended September 30, 2003:

(Dollars in thousands, except per share amounts)	2003	2002	2001
Reported net earnings	$ (41,138)	21,781	30,107
Add back: Goodwill amortization, net of tax	-	-	1,872
Adjusted net earnings	$ (41,138)	21,781	31,979
Earnings per share - Basic:			
As Reported	$ (3.25)	1.74	2.43
Goodwill amortization	-	-	0.15
Adjusted	$ (3.25)	1.74	2.58
Earnings per share - Diluted:			
As Reported	$ (3.13)	1.67	2.35
Goodwill amortization	-	-	0.14
Adjusted	$ (3.13)	1.67	2.49

Note: 2001 includes the tax gain related to the elimination of the valuation allowance of $12.7 million, or $0.99 per share.

6 (Y) ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30, 2003 and 2002:

(Dollars in thousands)	2003	2002
Commercial	$65,247	54,341
U. S. Government and prime contractors	4,132	2,543
Total	$69,379	56,884

7 (Y) INVENTORIES

Inventories consist of the following at September 30, 2003 and 2002:

(Dollars in thousands)	2003	2002
Finished goods	$12,449	10,417
Work in process - including long-term contracts	14,611	12,393
Raw materials	21,372	20,631
Total	$48,432	43,441

8 (Y) PROPERTY, PLANT AND EQUIPMENT

Depreciation expense from continuing operations of property, plant and equipment for the years ended September 30, 2003, 2002 and 2001 was $11.1 million, $9.3 million and $8.9 million, respectively.

During fiscal 2003, the Company repaid a $31.5 million obligation under a synthetic lease facility, which had been accounted for as an operating lease for GAAP purposes. This obligation was secured by three manufacturing locations, two of which are located in Oxnard, CA, and the other in Cedar Park, TX, as well as a $10.6 million letter of credit issued under the Company's $65 million credit facility. The net book value of the property, plant and equipment consolidated under the synthetic lease obligation was approximately $29.3 million. Approximately $11.5 million of the $29.3 million was related to the MicroSep businesses. As part of the divestiture described in note 2, the MicroSep assets were written down to estimated net realizable value and are included in the asset amounts in note 2.

The Company leases certain real property, equipment and machinery under noncancelable operating leases. Rental expense under these operating leases for the years ended September 30, 2003, 2002 and 2001 was $6.1 million, $5.3 million and $5.4 million, respectively. Future aggregate minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2003 are:

(Dollars in thousands)	Years ending September 30:	
	2004	$ 4,693
	2005	3,888
	2006	2,930
	2007	2,376
	2008 and thereafter	3,332
Total		$17,219

9 (Y) INCOME TAX EXPENSE (BENEFIT)

Total income tax expense (benefit) for the years ended September 30, 2003, 2002 and 2001 was allocated as follows:

(Dollars in thousands)	2003	2002	2001
Income tax expense (benefit) from continuing operations	$ 16,625	13,400	(3,375)
Discontinued operations (including establishment of valuation allowance in 2003)	(9,576)	(552)	541
Tax impact of cumulative effect of accounting change	(842)	-	-
Total income tax expense (benefit)	$ 6,207	12,848	(2,834)

For the year ended September 30, 2003, pretax earnings (loss) related to United States (U.S.) and foreign tax jurisdictions were $(22.2) million and $(12.7) million, respectively. For the year ended September 30, 2002, pretax earnings related to U.S. and foreign tax jurisdictions were $27.2 million and $7.4 million, respectively. For the year ended September 30, 2001, pretax earnings related to U.S. and foreign tax jurisdictions were $21.7 million and $5.6 million, respectively.

The principal components of income tax expense (benefit) from continuing operations for the years ended September 30, 2003, 2002 and 2001 consist of:

(Dollars in thousands)	2003	2002	2001
Federal:			
Current (including Alternative Minimum Tax)	$ 3,407	1,366	451
Deferred (including elimination of valuation allowance in 2001)	9,869	7,880	(5,880)
State and local:			
Current	1,982	2,433	861
Deferred	162	(150)	-
Foreign:			
Current	1,099	1,375	1,298
Deferred	106	496	(105)
Total	$16,625	13,400	(3,375)

The actual income tax expense (benefit) from continuing operations for the years ended September 30, 2003, 2002 and 2001 differs from the expected tax expense for those years (computed by applying the U.S. Federal corporate statutory rate) as follows:

	2003	2002	2001
Federal corporate statutory rate	35.0%	35.0%	35.0%
Change in tax valuation allowance:			
Utilization of capital loss carryforward	-	-	(2.5)
Elimination of valuation allowance	-	-	(45.8)
State and local, net of Federal benefits	3.1	3.1	3.2
Foreign	(0.8)	(3.6)	(3.6)
Other, net	1.1	2.0	1.6
Effective income tax rate	38.4%	36.5%	(12.1)%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at September 30, 2003 and 2002 are presented below. Net deferred tax assets of $8.9 million and $0.4 million are applicable to discontinued operations for September 20, 2003 and 2002, respectively. A valuation allowance in 2003 of $3.5 million has been established against certain deferred tax assets applicable to discontinued operations.

(Dollars in thousands)	2003	2002
Deferred tax assets:		
Inventories, long-term contract accounting, contract cost reserves and others	$ 4,841	7,163
Pension and other postretirement benefits	5,569	5,031
Net operating loss carryforward	29,293	36,813
Other compensation-related costs and other cost accruals	15,083	7,992
Total deferred tax assets	54,786	56,999
Deferred tax liabilities:		
Plant and equipment, depreciation methods, acquisition asset allocations, and other	(1,647)	(7,267)
Net deferred tax asset before valuation allowance	53,139	49,732
Less valuation allowance	(3,462)	-
Net deferred tax assets	49,677	49,732
Less deferred tax asset--discontinued operations	(8,872)	(441)
Net deferred tax assets excluding discontinued operations	$ 40,805	49,291

Net deferred tax assets are classified in the Consolidated Balance Sheets as set forth below. The current portion of the net deferred tax assets associated with discontinued operations was $1.4 million and $2.2 million in 2003 and 2002, respectively. The noncurrent portion of the net deferred tax assets (liabilities) associated with discontinued operations was $7.5 million and $(1.7) million for 2003 and 2002, respectively.

(Dollars in thousands)	2003	2002
Current portion of deferred tax assets	$25,566	22,782
Deferred tax assets (non-current)	24,111	26,950
Net deferred tax assets	49,677	49,732
Less current deferred tax assets--discontinued operations	1,379	2,181
Less deferred tax assets (liabilities)--discontinued operations noncurrent	7,493	(1,740)
Net deferred tax assets excluding discontinued operations	$40,805	49,291

Management believes that, based on the Company's historical pretax income together with the projection of future taxable income, and after consideration of the valuation allowance, it is more likely than not that the Company will realize the benefits of the net deferred tax assets existing at September 30, 2003. In order to realize this net deferred tax asset, the Company will need to generate future taxable income of approximately $117 million, of which $84 million is required to be realized prior to the expiration of the NOL carryforward, of which $29 million will expire in 2010; $4 million will expire in 2011; $11 million will expire in 2018; and $40 million will expire in 2019. The NOL carryforward may be used to reduce future Federal income tax cash payments.

During the year ended September 30, 2003 the Company established a valuation allowance against certain deferred tax assets associated with its discontinued operations. A valuation allowance of $3.5 million was established against certain deferred tax assets associated with the Company's stock holdings in PTL and PTB, as the disposition of such assets in 2004 is expected to generate a loss which may not be realized in future periods.

During 2001, as the result of certain residual tax effects related to the fiscal 2000 sale of the property in Calabasas, CA, the Company utilized approximately $2 million of the remaining $33 million capital loss carryforward available from the sale of its Hazeltine subsidiary in 1996. The remaining capital loss carryforward of approximately $31 million expired on September 30, 2001. As a result, the valuation reserve of $10.8 million maintained for the full value of the deferred tax asset related to the capital loss carryforward was eliminated in 2001. There was no impact to the Company's results of operations in 2001 as a result of this event.

Also during 2001, the Company eliminated its remaining net deferred tax valuation allowance of $12.7 million, which was the valuation allowance representing the amount of the deferred tax asset associated with temporary differences and NOLs which, prior to September 30, 2001, Management believed would likely not be realized due to limitations on future use. Management concluded in years prior to 2001, that the valuation allowance set forth in prior period financial statements was appropriate based on the following factors:

(1) The Company had a lengthy history of cumulative tax losses (NOL carryforwards of $138 million at September 30, 2002), including the addition of $11.6 million and $39.6 million of NOLs in the then recent fiscal years ended September 30, 1998 and 1999, respectively;

(2) The Company's divestiture of Systems & Electronics Inc. on September 30, 1999 transformed the Company from primarily a defense-oriented business to primarily a commercial and industrial manufacturing business, and the Company had not yet established a record of positive tax earnings;

(3) The Company had not fully integrated the operations of its three recent commercial acquisitions (Holaday, Lindgren, and Eaton space products) and could not reasonably project the tax or earnings impact of these acquisitions with respect to its newly transformed business base; and

(4) The Company was operating in commercial industries that, in 2000, were beginning to experience economic contraction in an environment that was beginning to show signs of a slowdown.

Based on these factors, Management concluded that the valuation allowance recorded in the September 30, 2000 (and earlier) financial statement was appropriate, and supported Management's belief, at the time, that it was more likely than not that the deferred tax asset may not be realized.

At the end of 2001, Management concluded that it was more likely than not that it would realize the benefits of the deferred tax assets existing at September 30, 2001, and therefore, eliminated the existing deferred tax valuation allowance. Management concluded that the elimination of the valuation allowance was appropriate based on the following factors:

(1) The Company had completed its second year of operations as a commercial and industrial manufacturer, and had successfully integrated its prior year acquisitions into their respective operating segments;

(2) The Company's financial projections, which incorporated the current operating structure and acquisitions, provided Management with reasonable assurance that taxable income in future years would be sufficient to fully utilize the tax NOL carryforwards prior to their expiration;

(3) The Company had two consecutive years of positive, and increasing, taxable income, which provided Management with assurance that a positive trend in taxable earnings was being established, and that significant future tax operating losses were unlikely; and

(4) During 2001, the Company experienced a substantial increase in the operating contribution of its Communications segment resulting from the rapidly expanding market for the Company's AMR equipment.

Based on these factors, Management eliminated the $12.7 million deferred tax asset valuation allowance at September 30, 2001 as a credit to its 2001 income tax expense.

No deferred taxes have been provided on the accumulated unremitted earnings of the Company's foreign subsidiaries as of September 30, 2003. The Company's intention is to reinvest these earnings indefinitely. In the event these foreign entities' earnings were distributed, it is estimated that U.S. taxes, net of available foreign tax credits, of approximately $7.1 million would be due, which would correspondingly reduce the Company's net earnings and net operating loss carryforward.

10 (Y) Debt

Long-term debt consists of the following at September 30, 2003 and 2002:

(Dollars in thousands)	2003	2002
Long-term borrowings under the revolving credit facility	$ -	-
Other debt	633	659
Less current maturities of long--term debt	(143)	(121)
Long-term debt-continuing operations	$ 490	538
Long-term debt under the revolving credit facility-discontinued operations	$ 8,018	7,739

Effective September 5, 2003, the Company amended its existing revolving credit facility to allow for the announced divestiture of its Microfiltration and Separations businesses as well as the repayment of the Company's $31.5 million synthetic lease facility. The credit facility continues to have $5 million annual reductions, a $25 million increase option through April 11, 2004 and a final maturity and expiration of April 11, 2005. As of September 30, 2003, the Company had not exercised the $25 million increase option and the revolving line of credit was $65 million. The credit facility is available for direct borrowings and/or the issuance of letters of credit, and is provided by a group of five banks, led by Bank of America as agent.

At September 30, 2003, the Company had approximately $43.7 million available to borrow under the credit facility in addition to its $31.3 million cash on hand. Against the $65 million available under the revolving credit facility at September 30, 2003, the Company had $10 million of short-term borrowings, $8.0 million of outstanding long-term borrowings related to PTB and included in other liabilities from discontinued operations, and outstanding letters of credit of $3.3 million.

The credit facility requires, as determined by certain financial ratios, a commitment fee ranging from 20-30 basis points per annum on the unused portion. The terms of the facility provide that interest on borrowings may be calculated at a spread over the London Interbank Offered Rate (LIBOR) or based on the prime rate, at the Company's election. Substantially all of the assets of the Company are pledged under the credit facility. The financial covenants of the credit facility include limitations on leverage and minimum consolidated EBITDA. As of September 30, 2003, the Company was in compliance with all bank covenants.

Long-term borrowings under the revolving credit facility were $8.0 million and $7.7 million at September 30, 2003 and 2002, respectively, and relate to discontinued operations. The $8.0 million of long-term borrowings are due on April 11, 2005. Short-term borrowings under the credit facility were $10.0 million and $0 as of September 30, 2003 and 2002, respectively. During 2003 and 2002, the maximum aggregate short-term borrowings at any month-end were $10.0 million and $0.6 million, respectively; the average aggregate short-term borrowings outstanding based on month-end balances were $0.8 million and $0.1 million, respectively; and the weighted average interest rates were 1.78% in 2003, 4.8% in 2002 and 6.4% in 2001. The letters of credit issued and outstanding under the credit facility totaled $3.3 million and $12.5 million at September 30, 2003 and 2002, respectively.

11 (Y) CAPITAL STOCK

The 13,933,193 and 13,601,095 common shares as presented in the accompanying Consolidated Balance Sheets at September 30, 2003 and 2002 represent the actual number of shares issued at the respective dates. The Company held 1,105,052 and 1,067,046 common shares in treasury at September 30, 2003 and 2002, respectively.

The Company has various stock option plans which permit the Company to grant key Management employees (1) options to purchase shares of the Company's common stock or (2) stock appreciation rights with respect to all or any part of the number of shares covered by the options. All outstanding options were granted at prices equal to fair market value at the date of grant.

Information regarding stock options awarded under the option plans is as follows:

	FY2003		FY2002		FY2001	
	SHARES	ESTIMATED AVG. PRICE	Shares	Estimated Avg. Price	Shares	Estimated Avg. Price
October 1,	1,039,538	$ 19.58	796,648	$ 12.60	792,699	$ 10.62
Granted	44,500	$ 34.76	437,500	$ 28.64	175,250	$ 18.65
Exercised	(300,937)	$ 15.93	(191,608)	$ 11.20	(151,298)	$ 9.18
Cancelled	(18,505)	$ 26.31	(3,002)	$ 22.89	(20,003)	$ 12.91
September 30,	764,596	$ 21.77	1,039,538	$ 19.58	796,648	$ 12.60
At September 30,						
Reserved for future grant	231,198		111,014		342,063	
Exercisable	431,225	$ 17.19	366,406	$ 11.89	370,854	$ 10.72

The weighted-average fair value of stock options granted in 2003, 2002, and 2001 was $14.01, $14.02, and $8.37, respectively.

Summary information regarding stock options outstanding at September 30, 2003 is presented below:

	Options Outstanding		
Range of Exercise Prices	Number Outstanding at September 30, 2003	Weighted-Average Remaining Contractual Life	Weighted Average Exercise Price
$6.17 - $7.37	20,640	3.0 years	$ 6.33
$9.14 - $12.91	183,586	5.4 years	$ 11.04
$14.19 - $19.22	132,260	6.4 years	$ 17.22
$21.44 - $27.28	169,281	7.9 years	$ 24.94
$29.04 - $36.33	258,829	9.0 years	$ 30.87
	764,596	7.3 years	$ 21.77

	Exercisable Options Outstanding	
Range of Exercise Prices	Number Exercisable at September 30, 2003	Weighted Average Exercise Price
$6.17 - $7.37	20,640	$6.33
$9.14 - $12.91	183,586	$11.04
$14.19 - $19.22	97,829	$17.22
$21.44 - $35.93	129,170	$27.64
	431,225	$17.19

The options have a ten-year contractual life from date of issuance, expiring in various periods through 2013.

In August 2003, the Company extended its previously authorized (February 2001) repurchase program to purchase up to 1.3 million shares of its common stock in the open market, subject to market conditions and other factors, through September 30, 2004. The Company repurchased 42,881, 127,100 and 76,700 shares in 2003, 2002 and 2001, respectively.

During 2001, the Board of Directors authorized and the shareholders approved, the 2001 Stock Incentive Plan, which states, in part, that on February 8, 2001 and on each October 1 thereafter, through October 1, 2004, there shall be added to the authorized shares allocated the lesser of (i) 1% of the total outstanding shares as of each such date, or (ii) 125,000 shares which may be used for the grant of stock options, stock appreciation rights, performance share awards or restricted stock. In addition, the Company may, in its discretion, use shares held in the Treasury in lieu of authorized but unissued shares.

At September 30, 2003, the maximum number of performance shares available for issue under the 2001 Stock Incentive Plan was 532,814 shares. As of September 30, 2003, 413,867 have been awarded and 278,733 shares have been earned. Compensation expense related to these awards was $1.8 million and $2.4 million in 2003 and 2002, respectively. These shares vest over five years with accelerated vesting over three years if certain performance targets are achieved.

See note 1(q) of notes to consolidated financial statements for a discussion of SFAS 148 and related disclosures.

12 (Y) RETIREMENT AND OTHER BENEFIT PLANS

Substantially all employees are covered by defined benefit or defined contribution pension plans maintained by the Company for the benefit of its employees. Benefits are provided to employees under defined benefit pay-related and flat-dollar plans, which are noncontributory. The annual contributions to retirement plans equal or exceed the minimum funding requirements of the Employee Retirement Income Security Act or applicable local regulations.

Subsequent to September 30, 2003, the Company announced several changes to certain of its employee benefit plans. Previously, the Company's employees were covered by a variety of plans and the purpose of these changes is to harmonize benefit programs throughout the Company's domestic operations. These changes are not expected to have a material adverse effect on the results of operations in 2004 or in future periods.

Net periodic benefit cost for the years ended September 30, 2003, 2002 and 2001 is comprised of the following:

(Dollars in millions)	2003	2002	2001
Defined benefit plans:			
Service cost	$1.9	1.7	1.4
Interest cost	2.9	2.7	2.5
Expected return on plan assets	(3.0)	(3.0)	(3.0)
Amortization of service costs	0.1	0.1	0.1
Net actuarial gain	0.2	(0.1)	(0.5)
Curtailment charge	0.4	-	-
Net periodic benefit cost	2.5	1.4	0.5
Defined contribution plans	0.4	0.6	0.7
Total	$2.9	2.0	1.2

The Company recognized a curtailment charge in 2003 as a result of a change in plan benefits and the sale of Rantec in April 2003.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for defined benefit pension plans with accumulated benefit obligations in excess of plan assets were $41.0 million, $41.0 million and $28.7 million, respectively, as of September 30, 2003. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for defined benefit pension plans with accumulated benefit obligations in excess of plan assets were $42.9 million, $35.3 million and $26.9 million, respectively, as of September 30, 2002.

The net benefit obligation of the Company's defined benefit pension plans as of September 30, 2003 and 2002 is shown below:

(Dollars in millions)	2003	2002
Change in benefit obligation --		
Net benefit obligation at beginning of year	$42.9	36.5
Service cost	1.9	1.7
Interest cost	2.9	2.7
Plan amendments	-	-
Actuarial loss	3.2	3.0
Curtailment	(8.6)	-
Gross benefits paid	(1.3)	(1.0)
Net benefit obligation at end of year	$41.0	42.9

The plan assets of the Company's defined benefit pension plans at September 30, 2003 and 2002 are shown below:

(Dollars in millions)	2003	2002
Change in plan assets:		
Fair value of plan assets at beginning of year	$26.9	28.1
Actual return on plan assets	3.0	(2.6)
Employer contributions	0.1	2.4
Gross benefits paid	(1.3)	(1.0)
Fair value of plan assets at end of year	$28.7	26.9

Pension plan assets consist principally of marketable securities including common stocks, bonds, and interest-bearing deposits.

The Company's defined benefit pension plans recognized the following net amounts at September 30, 2003 and 2002:

(Dollars in millions)	2003	2002
Funded status at end of year	$(12.3)	(16.0)
Unrecognized prior service cost	-	0.4
Unrecognized net actuarial loss	7.0	12.7
Accrued benefit cost	$(5.3)	(2.9)
Amounts recognized in the Balance Sheet consist of:		
Prepaid benefit cost	$ -	0.1
Accrued benefit cost	(5.3)	(3.0)
Additional minimum liability	(7.0)	(5.6)
Intangible asset	-	0.4
Accumulated other comprehensive income (before tax effect)	7.0	5.2
Accrued benefit liability (Included in Other liabilities)	$(5.3)	(2.9)

The benefit obligations of the defined benefit plans as of September 30, 2003 and 2002 were based on discount rates of 6% and 6.75%, respectively, and an assumed rate of increase in compensation levels of 4% and 4.5% in 2003 and 2002.

The 2003, 2002 and 2001 pension expense for the defined benefit plans was based on a 6.75%, 7.25% and 7.75% discount rate, respectively, a 4.5% increase in compensation levels in all three years, and a 8.5%, 9% and 9.5% expected long-term rate of return on plan assets, respectively.

In addition to providing retirement income benefits, the Company provides unfunded postretirement health and life insurance benefits to certain retirees. To qualify, an employee must retire at age 55 or later and the employee's age plus service must equal or exceed 75. Retiree contributions are defined as a percentage of medical premiums. Consequently, retiree contributions increase with increases in the medical premiums. The life insurance plans are noncontributory and provide coverage of a flat dollar amount for qualifying retired employees.

Net periodic postretirement benefit cost is comprised of the following:

(Dollars in millions)	2003	2002	2001
Service cost	$ -	-	-
Interest cost	0.1	0.1	0.1
Net amortization and deferral	(0.2)	(0.2)	(0.2)
Settlement charge	(2.2)	-	-
Net periodic postretirement benefit cost	$(2.3)	(0.1)	(0.1)

The Company recognized a settlement charge in 2003 as a result of a change in plan benefits and the sale of Rantec in April 2003.

The net benefit obligation for postretirement benefits at September 30, 2003 and 2002 is shown below:

(Dollars in millions)	2003	2002
Net benefit obligation at beginning of year	$ 1.3	1.7
Service cost	--	--
Interest cost	0.1	0.1
Plan participant contributions	0.1	--
Actuarial (gain) loss	(0.1)	(0.4)
Settlements	(0.7)	--
Gross benefits paid	(0.2)	(0.1)
Net benefit obligation at end of year	$ 0.5	1.3

The plan assets for postretirement benefits at September 30, 2003 and 2002 are shown below:

(Dollars in millions)	2003	2002
Fair value of plan assets at beginning of year	$ --	--
Employer contributions	0.1	0.1
Plan participant contributions	0.1	--
Gross benefits paid	(0.2)	(0.1)
Fair value of plan assets at end of year	$ --	--

The Company recognized the following accrued benefit liabilities for postretirement benefits at September 30, 2003 and 2002:

(Dollars in millions)	2003	2002
Funded status at end of year	$ (0.5)	(1.3)
Unrecognized prior service cost	--	--
Unrecognized net actuarial (gain) loss	(1.5)	(3.2)
Accrued benefit costs	$ (2.0)	(4.5)
Amounts recognized in the Balance Sheet consist of --		
Accrued benefit liability (Included in Other liabilities)	$ (2.0)	(4.5)

The net benefit obligations of the postretirement benefit plans as of September 30, 2003 and 2002 were based on discount rates of 6% and 6.75%, respectively. The September 30, 2003 net benefit obligation was based on a health care cost trend of 10% for fiscal 2003, decreasing 1% per year to 5% in fiscal 2008. The September 30, 2002 net benefit obligation was based on a health care cost trend of 11% for fiscal 2002, decreasing 1% per year to 5% in fiscal 2008. A 1% increase in the health care cost trend rate for each year would increase the September 30, 2003 net benefit obligation by approximately $6,000, while a 1% decrease in the health care cost trend rate for each year would decrease the September 30, 2003 net benefit obligation by approximately $7,500.

The fiscal 2003, 2002 and 2001 net periodic benefit costs were based on discount rates of 6.75%, 7.25% and 7.75%, respectively. The net periodic benefit cost was based on an assumed health care cost trend of 10% for 2003 decreasing 1% per year to 5% in fiscal 2008, 11% for 2002 decreasing 1% per year to 5% in fiscal 2008 and 5.5% for 2001. A 1% increase in the health care cost trend rate for each year would increase the aggregate of the service cost and interest cost components of the fiscal 2003 net periodic benefit cost by approximately $200, while a 1% decrease in the health care cost trend rate for each year would decrease the aggregate of the service cost and interest cost components of the fiscal 2003 net periodic benefit cost by approximately $500.

13 (Y) OTHER FINANCIAL DATA

Items charged to operations during the years ended September 30, 2003, 2002 and 2001 included the following:

(Dollars in thousands)	2003	2002	2001
Maintenance and repairs	$ 3,895	3,703	3,988
Salaries and wages (including fringes)	88,968	79,764	77,431
Research and development (R&D) costs:			
Company-sponsored	$10,978	11,876	8,416
Customer-sponsored	7,067	6,017	4,774
Total R&D	$18,045	17,893	13,190
Other engineering costs	6,694	5,927	8,478
Total R&D and other engineering costs	$24,739	23,820	21,668
As a % of net sales	6.2%	7.5%	7.3%

The increase in salaries and wages in 2003 compared to 2002 and 2001 is mainly due to the Company's acquisition activities and the addition of personnel within the Communications segment.

Customer-sponsored R&D is defined in note 1(n) of notes to consolidated financial statements.

Accrued expenses included accrued employee compensation of $9.7 million and $8.6 million at September 30, 2003 and 2002, respectively. Other liabilities include accrued benefit liabilities related to the Company's defined benefit pension plans, accrued benefit liabilities related to the Company's postretirement benefits, miscellaneous tax liabilities, and liabilities related to the Company's cash flow hedges, discussed earlier.

14 (Y) BUSINESS SEGMENT INFORMATION

The Company is organized based on the products and services that it offers. Under this organizational structure, the Company operates in three segments: Filtration/Fluid Flow, Communications and Test. Filtration/Fluid Flow continuing operations consist of: Filtertek Inc. (Filtertek), PTI Technologies Inc. (PTI) and VACCO Industries. The Microfiltration and Separations businesses consisting of PTI Advanced Filtration Inc. (PTA), PTI Technologies Limited (PTL) and PTI S.p.A. (PTB) are accounted for as discontinued operations, therefore, the operating results of these entities are not included in the tables below. Filtertek develops and manufactures a broad range of high-volume, original equipment manufacturer (OEM) filtration products at its facilities in North America, South America and Europe. PTI and VACCO develop and manufacture a wide range of filtration products and are leading suppliers of filters to the commercial and defense aerospace, satellite and industrial markets. Communications operations consist of Distribution Control Systems, Inc. (DCSI) which is principally involved in providing two-way power line communication systems for the utility industry. These systems provide the electric utilities with a patented communication technology for demand-side management, distribution automation and automatic meter reading capabilities. Communications also includes the operations of Comtrak Technologies, L.L.C., a provider of digital video security systems. Test segment operations represent the EMC Group, consisting of EMC Test Systems, L.P. (ETS) and Lindgren RF Enclosures, Inc. (Lindgren). The EMC Group is principally involved in the design and manufacture of EMC test equipment, test chambers, and electromagnetic absorption materials. The EMC Group also manufactures radio frequency (RF) shielding products and components used by manufacturers of medical equipment, communications systems, electronic products, and shielded rooms for high security data processing and secure communication. Accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to the Consolidated Financial Statements.

In accordance with SFAS 131, the Company evaluates the performance of its operating segments based on EBIT, which is defined as: Earnings Before Interest and Taxes. Intersegment sales and transfers are not significant. Segment assets consist primarily of customer receivables, inventories and fixed assets directly associated with the production processes of the segment. Segment assets also include goodwill. Segment depreciation and amortization is based upon the direct assets listed above.

NET SALES Year ended September 30, (Dollars in millions)	2003	2002	2001
Filtration/Fluid Flow	$ 164.1	151.5	153.7
Communications	142.3	94.6	59.1
Test	90.3	70.5	85.5
Consolidated totals	$ 396.7	316.6	298.3

Sales to PPL represented $63.9 million, or 16% of the total net sales in 2003. No other customers exceeded 10% of net sales in the periods presented.

EBIT Year ended September 30, (Dollars in millions)	2003	2002	2001
Filtration/Fluid Flow	$ 14.7	16.6	14.0
Communications	30.0	21.0	11.9
Test	5.3	3.6	7.5
Reconciliation to consolidated totals (Corporate)	(6.9)	(4.8)	(5.9)
Consolidated EBIT	43.1	36.4	27.5
Plus: interest income	0.2	0.3	0.2
Earnings before income tax	$ 43.4	36.7	27.7

IDENTIFIABLE ASSETS As of September 30, (Dollars in millions)	2003	2002	2001
Filtration/Fluid Flow	$ 155.5	141.8	144.8
Communications	42.4	31.2	22.4
Test	76.0	59.6	62.3
Reconciliation to consolidated totals (Corporate assets)	81.1	87.2	70.3
Reconciliation to consolidated totals (Discontinued operations)	38.4	87.9	75.8
Consolidated totals	$ 393.4	407.7	375.6

Corporate assets consist primarily of deferred taxes and cash balances.

CAPITAL EXPENDITURES Year ended September 30, (Dollars in millions)	2003	2002	2001
Filtration/Fluid Flow	$ 6.8	7.9	7.5
Communications	3.0	0.8	0.8
Test	0.7	0.7	1.1
Other	0.1	0.2	0.1
Consolidated totals	$ 10.6	9.6	9.5

GEOGRAPHIC INFORMATION

Net sales to customers (Dollars in millions)	2003	2002	2001
North America	$ 322.0	252.9	248.6
Europe	42.4	38.7	29.5
Far East	16.6	11.9	11.8
Other	15.7	13.1	8.4
Consolidated totals	$ 396.7	316.6	298.3

Long-lived Assets (Dollars in millions)	2003	2002	2001
North America	$ 60.7	44.6	45.4
Europe	10.4	9.3	7.6
Far East	0.1	--	--
Consolidated totals	$ 71.2	53.9	53.0

Net sales are attributed to countries based on location of customer. Long-lived assets are attributed to countries based on location of the asset.

15 (Y) Accounting Change

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," an interpretation of ARB No. 51, which addresses consolidation by business enterprises of variable interest entities. The Company adopted this Interpretation during the fiscal 2003 fourth quarter and consolidated the synthetic lease obligation, resulting in a $1.4 million after-tax charge recorded as a cumulative effect of accounting change. Also, during the fiscal 2003 fourth quarter, the Company fully repaid the $31.5 million synthetic lease obligation.

16 (Y) Commitments and Contingencies

At September 30, 2003, the Company had $3.3 million in letters of credit outstanding as guarantees of contract performance.

As a normal incidence of the businesses in which the Company is engaged, various claims, charges and litigation are asserted or commenced against the Company. With respect to claims and litigation asserted or commenced against the Company, it is the opinion of Management, that final judgments, if any, which might be rendered against the Company in current litigation are adequately reserved, covered by insurance, or would not have a material adverse effect on its financial statements.

17(Y)QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(Dollars in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
2003					
Net sales	$ 98,289	101,996	90,794	105,608	396,687
Net earnings from continuing operations	8,474	7,338	4,451	6,475	26,738
Net loss from discontinued operations	(1,922)	(1,707)	(296)	(62,532)	(66,457)
Cumulative effect of accounting change, net of tax	--	--	--	(1,419)	(1,419)
Net earnings (loss)	6,552	5,631	4,155	(57,476)	(41,138)
Basic earnings (loss) per share:					
Net earnings from continuing operations	.68	.58	.35	.50	2.10
Net loss from discontinued operations	(.15)	(.13)	(.02)	(4.88)	(5.24)
Cumulative effect of accounting change, net of tax	--	--	--	(.11)	(.11)
Net earnings (loss)	.53	.45	.33	(4.49)	(3.25)
Diluted earnings (loss) per share:					
Net earnings from continuing operations	.65	.56	.34	.49	2.04
Net loss from discontinued operations	(.15)	(.13)	(.02)	(4.71)	(5.06)
Cumulative effect of accounting change, net of tax	--	--	--	(.11)	(.11)
Net earnings (loss)	$ .50	.43	.32	(4.33)	(3.13)
2002					
Net sales	$ 71,586	75,194	81,622	88,209	316,611
Net earnings from continuing operations	4,905	5,274	6,066	7,092	23,335
Net loss from discontinued operations	(132)	(81)	(329)	(1,014)	(1,554)
Net earnings	4,773	5,193	5,737	6,078	21,781
Basic earnings per share:					
Net earnings (loss) from continuing operations	.40	.42	.48	.56	1.86
Net loss from discontinued operations	(.01)	(.01)	(.03)	(.08)	(.12)
Net earnings	.39	.41	.45	.48	1.74
Diluted earnings (loss) per share:					
Net earnings from continuing operations	.38	.40	.46	.54	1.79
Net loss from discontinued operations	(.01)	(.01)	(.03)	(.08)	(.12)
Net earnings	$ .37	.39	.43	.46	1.67

The 2003 and 2002 financial information presented above include the results of the MicroSep businesses and Rantec as discontinued operations. The 2003 fourth quarter results reflect the pretax impact of the interest rate swap charge of $2.6 million, the $1.3 million pretax gain related to the MSA settlement, and the $1.4 million after-tax cumulative effect of the accounting change related to the adoption of FASB Interpretation No 46.

MANAGEMENT'S STATEMENT OF FINANCIAL RESPONSIBILITY

The Company's Management is responsible for the fair presentation of ESCO's financial statements in accordance with accounting principles generally accepted in the United States of America, and for their integrity and accuracy. Management is confident that its financial and business processes provide accurate information on a timely basis.

Management, with the oversight of ESCO's Board of Directors, has established and maintains a strong ethical climate in which the Company's affairs are conducted. Management also has established an effective system of internal controls that provide reasonable assurance as to the integrity and accuracy of the financial statements, and responsibility for the Company's assets. KPMG LLP, the Company's independent accountants, reports directly to the Audit Committee of the Board of Directors. The Audit Committee has established policies consistent with newly enacted corporate reform laws for auditor independence. In accordance with corporate governance listing requirements of the New York Stock Exchange:

- A majority of Board members are independent of the Company and its Management

- All members of the key Board committees-the Audit and Finance, and the Human Resources, Ethics and Compensation Committees-are independent

- The independent members of the Board have begun to meet regularly without the presence of Management

- The Company has a clear code of ethics and conflict of interest policy to ensure that key corporate decisions are made by individuals who do not have a financial interest in the outcome separate from their interest as company officials

- The charters of the Board committees clearly establish their respective roles and responsibilities

- The Company has an ethics officer and an ombudsman hot line available to all domestic employees

ESCO has a strong financial team, from its executive leadership to each of its individual contributors. Management monitors compliance with its financial policies and practices over critical areas including internal controls, financial accounting and reporting, accountability, and safeguarding of its corporate assets. The internal audit control function maintains oversight over the key areas of the business and financial processes and controls, and reports directly to the Audit Committee. Additionally, all employees are required to adhere to the ESCO Code of Business Conduct that is monitored by the ethics officer.

Management is dedicated to ensuring that the standards of financial accounting and reporting that are established are maintained. ESCO's culture demands integrity and a commitment to strong internal practices and policies.

The consolidated financial statements have been audited by KPMG LLP, whose report appears on the following page.

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS AND SHAREHOLDERS
ESCO TECHNOLOGIES INC.:

We have audited the accompanying consolidated balance sheets of ESCO Technologies Inc. and subsidiaries as of September 30, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2003. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ESCO Technologies Inc. and subsidiaries as of September 30, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 5 of the notes to consolidated financial statements, in fiscal year 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

As discussed in note 15 of the notes to consolidated financial statements, on July 1, 2003, the Company adopted FASB Interpretation No. 46, "Consolidation of Variable Interest Entities."

/s/ KMPG LLP

St. Louis, Missouri
November 17, 2003

FIVE-YEAR FINANCIAL SUMMARY

(Dollars in millions, except per share amounts)	2003(1)	2002(2)	2001(3)	2000(4)	1999(5)
For years ended September 30:					
Net sales	$ 396.7	316.6	298.3	253.9	345.8
Net earnings from continuing operations	26.7	23.3	31.1	16.6	53.8
Net earnings (loss) from discontinued operations	(66.5)	(1.6)	(1.0)	.2	(3.3)
Net earnings (loss) before accounting change	(39.7)	21.8	30.1	16.8	50.5
Net earnings (loss)	(41.1)	21.8	30.1	16.8	25.4
Earnings (loss) per share:					
Basic:					
Continuing operations	2.10	1.86	2.51	1.35	4.36
Discontinued operations	(5.24)	(0.12)	(0.08)	0.02	(0.27)
Cumulative effect of accounting change, net of tax	(0.11)	--	--	--	(2.03)
Net earnings (loss)	(3.25)	1.74	2.43	1.37	2.06
Diluted:					
Continuing operations	2.04	1.79	2.43	1.31	4.26
Discontinued operations	(5.06)	(0.12)	(0.08)	0.02	(0.26)
Cumulative effect of accounting change, net of tax	(0.11)	--	--	--	(1.98)
Net earnings (loss)	(3.13)	1.67	2.35	1.33	2.02
As of September 30:					
Working capital	120.5	112.6	87.4	62.8	95.3
Total assets	393.4	407.7	375.6	331.1	378.4
Long-term debt	0.5	0.5	0.6	0.6	41.0
Shareholders' equity	275.4	306.3	287.3	259.4	248.7

(1) Includes the acquisition of Austin Acoustics. (See note 3 of notes to consolidated financial statements).

(2) Includes the acquisition of SRT, which is accounted for as a discontinued operation. (See notes 2 and 3 of notes to consolidated financial statements).

(3) Includes the acquisition of Bea, which is accounted for as a discontinued operation. (See notes 2 and 3 of notes to consolidated financial statements). Also, includes the elimination of the net deferred tax valuation allowance of approximately $12.7 million or $0.99 per share.

(4) Includes the acquisitions of Lindgren, Holaday, and Eaton Space Products and the sale of the Rantec microwave antenna business. Also, includes the after-tax gain on the sale of the Riverhead, NY property of approximately $2.2 million or $0.18 per share and the after-tax gain on the sale of the Calabasas, CA property of approximately $0.5 million or $0.04 per share.

(5) Includes the gain on sale of Systems & Electronics Inc., the accounting change (SOP 98-5) of $25 million, $5.1 million of restructuring charges, and $3.9 million of other charges related to cost of sales.

COMMON STOCK MARKET PRICE

The Company's common stock and associated preferred stock purchase rights (subsequently referred to as common stock) are listed on the New York Stock Exchange under the symbol "ESE." The following table summarizes the high and low prices of the Company's common stock for each quarter of fiscal 2003 and 2002.

	2003		2002	
Quarter	High	Low	High	Low
First	$37.20	$30.06	$34.70	$22.20
Second	37.02	30.75	40.00	31.80
Third	45.91	32.95	41.15	27.90
Fourth	49.10	41.90	36.35	25.80

The Company historically has not paid cash dividends on its common stock. Management continues to evaluate its cash dividend policy.

SHAREHOLDERS' SUMMARY

SHAREHOLDERS' ANNUAL MEETING

The Annual Meeting of the shareholders of ESCO Technologies Inc. will be held at 9:30 a.m. Thursday, February 5, 2004, at the Hilton St. Louis Frontenac Hotel, 1335 South Lindbergh Boulevard, St. Louis County, Missouri 63131. Notice of the meeting and a proxy statement were sent to shareholders with this Annual Report.

10-K REPORT

A copy of the Company's 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission is available to shareholders without charge. Direct your written request to the Investor Relations Department, ESCO Technologies Inc., 8888 Ladue Road, Suite 200, St. Louis, Missouri 63124.

INVESTOR RELATIONS

Additional investor-related information may be obtained by contacting the Director of Investor Relations at (314) 213-7277 or toll free at (888) 622-3726. Information is also available through the Company's website at www.escotechnologies.com or by e-mail at pmoore@escotechnologies.com.

TRANSFER AGENT AND REGISTRAR

Shareholder inquiries concerning lost certificates, transfer of shares or address changes should be directed to:

Transfer Agent/Registrar
Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016-3572
1 (800) 368-5948
E-mail: info@rtco.com

CAPITAL STOCK INFORMATION

ESCO Technologies Inc. common stock shares (symbol ESE) are listed on the New York Stock Exchange. There were approximately 3,600 holders of record of shares of common stock at September 30, 2003.

INDEPENDENT AUDITORS

KPMG LLP
10 South Broadway, Suite 900
St. Louis, Missouri 63102

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EXHIBIT 21

SUBSIDIARIES OF
ESCO TECHNOLOGIES INC.

STATE OR
JURISDICTION
OF
INCORPORATION
OR NAME
UNDER WHICH
NAME
ORGANIZATION
IT DOES
BUSINESS - -
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Comtrak
Technologies,
L.L.C.
Missouri
Same
Distribution
Control
Systems
Caribe, Inc.
Puerto Rico
Same
Distribution
Control
Systems,
Inc.
Missouri
Same ETS-
Lindgren,
L.P. Texas
Same and
Acoustics
Systems ESCO
Electronica
De Mexico,
Mexico Same
S.A. de C.V.
ESCO
Technologies
Holding Inc.
Delaware
Same
Euroshield
OY Finland
Same
Filtertek
Inc.
Delaware
Same and Tek
Packaging
Division
Filtertek BV
Netherlands
Same
Filtertek de
Puerto Rico,
Inc.
Delaware
Same
Filtertek do
Brazil
Industria E
Brazil Same
Commerico
Limitada
Filtertek SA
France Same
Lindgren
R.F.
Enclosures,
Inc.
Illinois
Same and
ETS-Lindgren
PTI Advanced
Filtration
Inc.*
Delaware
Same PTI
S.p.A.*
Italy Same
PTI
Technologies
Inc.
Delaware

Same PTI
Technologies
Limited*
England Same
Ray Proof
Limited
England Same
VACCO
Industries
California
Same

* THESE SUBSIDIARIES ARE ACCOUNTED FOR AS DISCONTINUED OPERATIONS.

EXHIBIT 23

Independent Auditors' Consent

The Board of Directors
ESCO Technologies Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 33-39737, 33-47916, 33-98112, 333-92945, 333-77887, 333-96309, 333-63930 and 333-85268) on Form S-8 of ESCO Technologies Inc. of our reports dated November 17, 2003, with respect to the consolidated balance sheets of ESCO Technologies Inc. and subsidiaries as of September 30, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2003, which report appears in the Annual Report to Stockholders for fiscal year ended September 30, 2003, and is incorporated by reference in the September 30, 2003 annual report on Form 10-K of ESCO Technologies Inc., and with respect to the related consolidated financial statement schedule, which report appears in the September 30, 2003 annual report on Form 10-K of ESCO Technologies Inc.

Our reports refer to changes in accounting for goodwill and other intangible assets and consolidation of variable interest entities.

/s/ KPMG LLP

KPMG LLP
St. Louis, Missouri
December 19, 2003

Exhibit 31.1

CERTIFICATION

I, V.L. Richey, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of ESCO Technologies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit and finance committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 23, 2003

(s) V.L. Richey, Jr.

V.L. Richey, Jr.
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, G.E. Muenster, certify that:

1. I have reviewed this annual report on Form 10-K of ESCO Technologies Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit and finance committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 23, 2003

(s) G.E. Muenster

G.E. Muenster
Vice President and Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of ESCO Technologies Inc. (the "Company") on Form 10-K for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, V. L. Richey, Jr., Chairman and Chief Executive Officer of the Company, and G. E. Muenster, Vice President and Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 23, 2003

(s) V.L. Richey, Jr.

V.L. Richey, Jr.
Chairman and Chief Executive Officer

(s) G.E. Muenster

G.E. Muenster
Vice President and Chief
Financial Officer