



ESCO Announces Third Quarter Results and a 2 for 1 Stock Split

August 9, 2005

ST. LOUIS, Aug 09, 2005 /PRNewswire-FirstCall via COMTEX/ -- ESCO Technologies Inc. (NYSE: ESE) today announced its results for the fiscal 2005 third quarter ended June 30, 2005, along with a 2 for 1 stock split.

Third Quarter Summary

Net earnings for the fiscal 2005 third quarter were \$12.4 million, or \$0.95 per share compared to net earnings of \$12.0 million, or \$0.90 per share in the third quarter of fiscal 2004. The fiscal 2005 third quarter operating results were impacted by:

- An effective tax rate of 15.7 percent primarily resulting from the true-up of the prior year estimated foreign sourced income. Absent this adjustment, the fiscal 2005 third quarter effective tax rate would have been 33 percent, which is lower than the previously communicated estimated tax rate of 37.5 percent due to a significant increase in fiscal 2005 third quarter foreign sourced income. The difference between the 15.7 percent actual tax rate and the 33 percent tax rate approximated \$0.20 per share in the quarter. The specifics of the tax rate are explained below in the "Effective Tax Rate" section of this release.
- Approximately \$1.6 million in sales, and \$1.0 million of pretax earnings, resulting from a termination and settlement of a supply agreement with a medical device customer at Filtertek.
- Approximately \$0.8 million of pretax charges related to the write-off of certain patents and licenses resulting from Management's decision to abandon a sensor development program at PTI. This write-off was recorded as an asset impairment charge.
- Approximately \$0.8 million of additional Selling, General and Administrative expenses (SG&A) incurred in the Communications segment primarily relating to additional engineering, marketing and new product development efforts being expended.
- Approximately \$0.3 million of additional professional fees incurred related to the implementation of Sarbanes-Oxley compliance.

The fiscal 2004 third quarter results included a net gain from discontinued operations of \$0.8 million, or \$0.06 per share. Excluding the effect of discontinued operations, prior year third quarter "Operational" net earnings as defined in earlier releases were \$11.2 million, or \$0.84 per share.

Year-To-Date Summary

Net earnings for the first nine months of fiscal 2005 were \$33.4 million, or \$2.54 per share compared to net earnings of \$23.6 million, or \$1.77 per share for the first nine months of fiscal 2004. The fiscal 2005 year-to-date operating results were impacted by:

- The fiscal 2005 third quarter effective tax rate of 15.7 percent.
- The fiscal 2005 third quarter termination and settlement of a supply agreement with a medical device customer at Filtertek.
- The fiscal 2005 third quarter write-off of certain patents and licenses related to the sensor development program at PTI.
- Approximately \$3.6 million of additional Selling, General and Administrative expenses (SG&A) incurred in the Communications segment primarily relating to additional engineering, marketing and new product development efforts being expended.
- Approximately \$0.8 million of additional professional fees incurred related to the implementation of Sarbanes-Oxley compliance.

The fiscal 2004 year-to-date results included a net loss from discontinued operations of (\$1.8) million, or (\$0.14) per share, and the after-tax charges related to the exit and shutdown of the Puerto Rican facility of (\$1.0) million, or (\$0.08) per share. Excluding these items, prior year first nine months "Operational" earnings as defined in earlier releases were \$26.4 million, or \$1.98 per share.

A reconciliation of the fiscal 2004 GAAP reported earnings to "Operational" earnings is included in the Exhibits attached to this release. The Company believes that the presentation of fiscal 2004 "Operational" earnings provides meaningful additional insight into the Company's performance.

Sales

Fiscal 2005 third quarter sales were \$108.8 million compared to third quarter 2004 sales of \$107.9 million. Fiscal 2005 year-to-date sales of \$319.3 million were \$12.8 million, or 4 percent higher than 2004 year-to-date sales of \$306.5 million. Favorable foreign currency values resulted in approximately \$0.9 million and \$3.2 million of the sales increases realized in the 2005 third quarter and year-to-date periods, respectively.

On a segment basis for the fiscal 2005 third quarter, Communications sales decreased 16 percent; Filtration / Fluid Flow ("Filtration") sales increased 2 percent; and Test sales increased 24 percent as compared to the prior year period. Year-to-date, fiscal 2005 Communications sales increased 2 percent; Filtration sales increased 3 percent; and Test sales increased 9 percent as compared to the first nine months of fiscal 2004.

Communications segment sales decreased \$6.1 million in the third quarter of fiscal 2005 compared to the third quarter of fiscal 2004 as a result of the following items: sales to Puerto Rico Electric Power Authority (PREPA) were \$3.2 million lower in the current period; sales in the prior year third quarter included deliveries to Bangor Hydro (\$2.8 million) and Idaho Power (\$1.9 million) which were not repeated in the current period; partially offset by higher shipments of Comtrak's SecurVision(R) video security products, which generated \$2.3 million in sales during the third quarter of 2005 versus \$1.0 million of sales in the 2004 third quarter. DCSI's sales to electric utility cooperative customers (COOP) were approximately \$23 million in both the third quarter of fiscal 2005 and 2004. The year-to-date sales increase of \$1.8 million includes an \$11 million increase of SecurVision product deliveries (\$12.9 million versus \$1.9 million), offset by a reduction in sales to PPL Electric Utilities Corporation (PPL) of \$18.7 million (\$1.9 million versus \$20.6 million).

Filtration segment sales increased \$0.7 million during the third quarter of fiscal 2005 due to the following items: \$1.6 million of sales resulting from the above mentioned settlement and termination of a supply agreement for a medical device customer at Filtertek; \$1.1 million of additional shipments of commercial and military aerospace products at PTI; partially offset by a \$1.1 million decrease in defense spares shipments at VACCO; and lower automotive shipments at Filtertek. Year-to-date, Filtration segment sales increased primarily due to \$4.1 million of additional volume of commercial and military aerospace products at PTI.

Test segment sales increased during the third quarter and year-to-date periods of 2005 due to higher component sales, additional test chamber installations, the completion of several government shielding projects, the achievement of certain revenue milestones on the large Boeing contract, and higher sales recorded at the Company's Asian operations. These increases were partially offset by a \$3.3 million decrease in sales in the third quarter of fiscal 2005, and a \$6.4 million decrease in the year-to-date period of 2005 at the Company's European operations resulting from the fiscal 2004 completion of two large test chamber installations.

Earnings Before Interest and Taxes (EBIT)

Although fiscal 2005 third quarter sales increased in total, the sales mix changed reflecting decreased sales in Communications, which were replaced by higher sales in the Test segment. As a result, fiscal 2005 third quarter EBIT decreased by \$3.8 million as compared to the fiscal 2004 third quarter.

On a segment basis, items that impacted EBIT dollars and EBIT as a percent of sales ("EBIT margin") during the third quarter of fiscal 2005 included the following.

In the Communications segment, EBIT for the 2005 third quarter was lower than the prior year period due to the decreased sales volume of AMR products noted above, and due to an \$0.8 million increase in SG&A expenses relating to additional engineering, marketing and new product development efforts being expended to further differentiate DCSI's technology and enhance its competitive position. EBIT for the year-to-date 2005 period was higher than prior year primarily due to the additional profit associated with the increased sales volume of SecurVision products.

In the Filtration segment, EBIT was lower during the 2005 third quarter primarily due to an \$0.8 million asset impairment charge related to the abandonment of a sensor development program at PTI. The Company ended its development efforts on this program after it determined that the market was not developing as quickly as anticipated and the future costs and timeframe to fully commercialize the product were not acceptable. Filtertek's current-year EBIT was favorably impacted by \$1.0 million in the third quarter and \$1.9 million year-to-date as a result of the termination of a supply agreement with a medical device customer. This settlement was offset by \$1 million reduction in EBIT realized during the third quarter of 2005 at VACCO resulting from the decreased sales of defense spares. The 2004 year-to-date EBIT in the Filtration segment was negatively impacted by the exit and move costs incurred and the inefficiencies being absorbed at Filtertek during the first six months of fiscal 2004 as a result of operating in both the Puerto Rico and Juarez facilities.

In the Test segment, EBIT dollars increased in the third quarter and year-to-date periods of 2005 due to the additional sales volume and changes in sales mix resulting from additional large chamber projects which carry lower margins as compared to component products. In addition, EBIT was negatively impacted in 2005 as a result of significantly higher installation costs incurred during fiscal 2005 on government-shielding projects located in volatile areas of the world, and higher costs of steel and copper.

The Corporate office operating expenses were slightly higher in the third quarter of fiscal 2005 resulting from additional professional fees incurred related to Sarbanes-Oxley requirements.

EBIT from continuing operations for the prior year periods was affected by certain charges which are presented in detail in the financial Exhibits attached at the end of this release.

For fiscal 2004 year-to-date, the pretax charges in continuing operations related to these items were \$1.3 million. These items are included in "Earnings before income taxes" in the Exhibits.

Effective Tax Rate

During the third quarter of fiscal 2005, the Company had an effective tax rate of 15.7 percent versus our previous expectations of 37.5 percent. The decrease in the third quarter tax rate was primarily driven by: a true-up of the estimated prior year foreign sourced income which was finalized during the book-to-tax reconciliation generated in the course of filing the Corporate tax return in June; an adjustment to the current year tax provision resulting from higher foreign sourced pretax income (including the June 2005 settlement reached with the medical device customer in Ireland); and a favorable state tax rate adjustment. The majority of the rate adjustment resulted from DCSI pretax income sourced in Puerto Rico. The fiscal 2005 third quarter tax rate, absent the true-up of the prior year foreign sourced income, would have been approximately 33 percent.

New Orders

New orders received were \$106.2 million and \$96.6 million in the third quarter of fiscal 2005 and 2004, respectively, and \$321.6 million and \$291.7 million for the nine-month periods of fiscal 2005 and 2004, respectively, resulting in a backlog of \$251.4 million at June 30, 2005. New orders received in the third quarter of fiscal 2005 compared to the third quarter of fiscal 2004, respectively, were: in Filtration, \$39.2 million and \$40.3 million; in Communications, \$37.4 million and \$31.8 million; and in Test were \$29.6 million and \$24.6 million.

Cash Flow

The Company generated \$9.3 million and \$33.8 million of free cash flow during the third quarter and year-to-date periods ended June 30, 2005, respectively. Free cash flow is defined as "Net Cash Provided by Operating Activities" less "Capital Expenditures." For a reconciliation of free cash flow, see the Exhibits attached to this release.

Stock Split

The Board of Directors declared a 2 for 1 split of the Company's stock to be effected in the form of a 100 percent stock dividend payable September 23, 2005 to shareholders of record on September 9, 2005. The stock dividend will be distributed by the Company's transfer agent, Registrar and Transfer Company.

Stock Repurchase Program

No shares were repurchased during the third quarter of fiscal 2005. The Company spent \$24.9 million during the first quarter of fiscal 2005 to repurchase 335,000 shares of its outstanding stock under its existing stock repurchase program. As of June 30, 2005, approximately 575,000 shares remain available for repurchase by the Company under the current program, which expires September 30, 2006.

Chairman's Commentary

Vic Richey, Chairman and Chief Executive Officer, commented, "Operationally, our third quarter results were generally in line with our expectations with the exception of the Communications segment where approximately \$1.2 million of expected sales and the associated profit shifted from the third quarter to the fourth quarter. The clear highlight of the third quarter was the progress we made in expanding our opportunities in the Investor-Owned Utility (IOU) market. As previously announced, we received a contract from TXU Electric Delivery (TXU) to cover an additional 265,000 endpoints, and we were selected by Pacific Gas and Electric Company (PG&E) as the single solution for all of PG&E's electric customers as part of its proposed Advanced Metering Infrastructure (AMI) project. We are under way on the TXU program and it is our hope that the performance and economies we deliver through our TWACS(R) system will encourage TXU to further expand its deployment of our product. In the case of the PG&E program, we are actively working with the customer to finalize a contract. In addition to finalizing a contract, the program is also subject to Regulatory and Board approvals. If we are successful in advancing these two IOU projects, we should see significant incremental sales and profit contributions beginning in the second half of fiscal 2006.

"In terms of the current market and operating environments for our businesses, we are seeing a wide range of conditions.

"In Filtration, while the commercial aerospace market has improved, our defense spares business is declining given the changing nature of activity in the Middle East. The demand in the automotive markets we serve has been soft, and taken together with higher raw material prices and our competitors' response to the softness, we are in a challenging position in spite of the actions we have taken to relocate our production to lower cost facilities. While we are not without opportunities in Filtration, in the near term we expect continued market pressure and a difficult operating environment.

"In Communications, we remain encouraged by the activity in the Automatic Meter Reading (AMR) market. While we are seeing a somewhat higher level of competition in the COOP space, I think we are well positioned to respond both in terms of the functionality we deliver and the opportunities we have to further reduce our costs. The IOU markets remain active and the competitive landscape is unchanged. We are continuing to increase our investments in the AMR business to expand our presence through new or enhanced products and to service the increased volume we anticipate.

"In the Test segment, the overall market remains strong and we continue to regard Asia as our best opportunity for growth. The investments we have made in both Japan and China are delivering results beyond what we initially expected. In particular, during the third quarter we received a \$4.2 million contract in Japan from Mitsubishi Motors to provide a turnkey EMC test facility. Also in the third quarter, we completed a state of the art shielded multi-purpose anechoic chamber at the Telecommunications Metrology Center (TMC) in Beijing. The TMC is the regulatory body responsible for all mobile and network equipment standards development in China, and as such, we consider both our selection and the chamber performance as significant in the context of further expanding our business in China.

"Across our businesses, while we have pockets that are challenging, we believe we have more opportunity than risk. The entire ESCO team is committed to dealing with the challenges and is focused on capitalizing on the opportunities."

Mr. Richey concluded, "As indicated in the headline of this release, the Board of Directors today approved a split of the Company's stock. Our decision to effect the split was based not only on our optimism about our long-term outlook but also our belief that the split will both broaden our shareholder base and enhance the marketability of our shares."

Fiscal 2005 Business Outlook

Statements contained in the preceding and following paragraphs are based on current expectations. Statements that are not strictly historical are considered forward-looking, and actual results may differ materially.

Revenues

Management expects the aggregate revenues to be up slightly for the fourth quarter of fiscal 2005 compared to the third quarter of fiscal 2005 as presented above. On a segment basis, Filtration revenues should be in the range of \$40 million to \$42 million, down from the third quarter of fiscal 2005 which included the \$1.6 million in revenue from the medical device settlement. Test revenues should be in the range of \$30 million to \$32 million dependent upon the timing of the completion of certain chamber projects in process. Communications revenues are expected to increase in the fourth

quarter and should be in the range of \$35 million to \$37 million.

EBIT

Management expects the aggregate EBIT to be up slightly for the fourth quarter of fiscal 2005 compared to the third quarter of fiscal 2005. On a segment basis, Filtration EBIT should be in the range of \$4.5 million to \$5.5 million, a decrease from the \$5.9 million recorded in the third quarter of fiscal 2005 which included the \$1 million profit contribution from the medical device settlement. Test EBIT should be in the range of \$2.7 million to \$3.2 million, and in Communications, EBIT should be in the range of \$9.5 million to \$10.5 million.

Corporate operating expenses are expected to be slightly lower than the third quarter fiscal 2005 amounts.

EBIT for the fourth quarter of fiscal 2005 is expected to be lower than the fiscal 2004 fourth quarter primarily as a result of lower sales within the Communications segment related to Bangor Hydro and PREPA, and lower sales of defense spares products at Vacco.

Earnings Per Share

Management anticipates fourth quarter fiscal 2005 EPS to be in the range of \$0.75 to \$0.78 per share. The resulting fiscal year EPS is expected to be \$3.29 to \$3.32 per share, which increased from our previous range of \$3.10 to \$3.20 per share, as a result of the lower effective tax rate for fiscal 2005.

As a result of the lower tax rate realized in the third quarter of fiscal 2005, the effective tax rate for the fourth quarter and full year of fiscal 2005 is expected to be approximately 37 percent and 32.5 percent, respectively, compared to the previous expectation of 37.5 percent.

Other Matters

At the end of August, ESCO will be relocating its corporate headquarters to a nearby and smaller facility in St. Louis. The new location is expected to reduce the Company's lease and operating expenses over the next several years.

Effective September 1, 2005, the new address will be 9900A Clayton Road, St. Louis, Missouri, 63124. All telephone and fax numbers will remain the same.

Conference Call

The Company will host a conference call today, August 9, at 9:30 a.m., Central Time, to discuss the Company's third quarter operating results. A live audio webcast will be available on the Company's Web site at <http://www.escotechnologies.com>. Please access the Web site at least 15 minutes prior to the call to register, download and install any necessary audio software.

A replay of the conference call will be available for seven days on the Company's website noted above or by phone (dial 1-888-203-1112 and enter the pass code 4889050).

Forward-Looking Statements

Statements in this press release regarding future revenues and the level of revenue contributions from each segment, potential customer contracts, further deployment of our TWACS system by TXU, the Company's successful negotiation and receipt of a contract with PG&E, growth in the AMR market, the success of cost reduction efforts, fiscal 2005 corporate operating expenses, the fiscal 2005 effective tax rate, future fiscal 2005 results, earnings, sales and profit contributions from IOU projects, revenue growth, EBIT margins, EPS, long term success of the Company, expected results of the stock split, and other written and oral statements which are not strictly historical are "forward-looking" statements within the meaning of the safe harbor provisions of the federal securities laws. Investors are cautioned that such statements are only predictions and speak only as of the date of this release, and the Company undertakes no duty to update. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including, but not limited to: actions by the California Public Utility Commission or PG&E's Board of Directors impacting PG&E's AMI projects; weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties; unforeseen charges impacting corporate operating expenses; the performance of the Company's international operations; successful execution of the planned sale of the Company's Puerto Rico facility; material changes in the costs of certain raw materials including steel, copper and petroleum based resins; delivery delays or defaults by customers; termination for convenience of customer contracts; timing and magnitude of future contract awards; performance issues with key customers, suppliers and subcontractors; 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.

ESCO, headquartered in St. Louis, is a leading supplier of engineered filtration products to the process, health care and transportation markets worldwide. In addition, the Company markets proprietary, special purpose communications systems and is the industry leader in RF shielding and EMC test products.

ESCO Technologies Inc. and Subsidiaries

Condensed Consolidated Statements of Operations (Unaudited)

(Dollars in thousands, except per share amounts)

Three Months Ended

June 30, 2005

GAAP

Net Sales	\$ 108,800
Cost and Expenses:	

Cost of sales	71,911
Asset impairment	790
SG&A	21,722
Interest (income) expense	(534)
Other (income) expenses, net	198
Total costs and expenses	94,087
Earnings before income taxes	14,713
Income taxes	2,312
Net earnings	\$ 12,401
Earnings per share:	
Basic	
Net earnings	\$ 0.98
Diluted	
Net earnings	\$ 0.95
Average common shares O/S:	
Basic	12,712
Diluted	13,094

ESCO Technologies Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
(Dollars in thousands, except per share amounts)

Three Months Ended June 30, 2004

	GAAP	Adj.	(1) "Operational"
Net Sales	\$107,911		107,911
Cost and Expenses:			
Cost of sales	70,125		70,125
SG&A	19,670		19,670
Interest (income) expense	(129)		(129)
Other (income) expenses, net	71		71
Total costs and expenses	89,737		89,737
Earnings before income taxes	18,174		18,174
Income taxes	6,958		6,958
Net earnings from continuing operations	11,216		11,216
Loss from discontinued operations, net of tax	(1,100)	1,100	(2) --
Gain on sale of discontinued operations, net of tax	1,925	(1,925)	(2) --
Net earnings from discontinued operations	825	(825)	--
Net earnings	\$ 12,041	(825)	11,216
Earnings per share:			
Basic			
Net earnings from continuing operations	\$ 0.87		0.87
Net earnings from discontinued operations	.06		0.00

Net earnings	\$ 0.93	0.87
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Diluted

Net earnings from continuing operations	\$ 0.84	0.84
Net earnings from discontinued operations	0.06	0.00
Net earnings	\$ 0.90	0.84

Average common shares O/S:

Basic	12,938	12,938
Diluted	13,315	13,315

- (1) Represents results on an adjusted basis, after removing the item described below in (2).
- (2) Relates to the Microfiltration and Separations businesses which are classified as "discontinued operations."

ESCO Technologies Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
(Dollars in thousands, except per share amounts)

Nine Months Ended
June 30, 2005

GAAP

Net Sales	\$ 319,335
Cost and Expenses:	
Cost of sales	209,409
Asset impairment	790
SG&A	62,804
Interest (income) expense	(1,317)
Other (income) expenses, net	(492)
Total costs and expenses	271,194
Earnings before income taxes	48,141
Income taxes	14,790
Net earnings	\$ 33,351
Earnings per share:	
Basic	
Net earnings	\$ 2.62
Diluted	
Net earnings	\$ 2.54
Average common shares O/S:	
Basic	12,721
Diluted	13,113

ESCO Technologies Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
(Dollars in thousands, except per share amounts)

Nine Months Ended June 30, 2004

	(1)
GAAP	Adj. "Operational"

Net Sales	\$306,477		306,477
Cost and Expenses:			
Cost of sales	207,175		207,175
SG&A	57,549	(470) (2)	57,079
Interest (income) expense	(648)		(648)
Other (income) expenses, net	1,199	(860) (3)	339
Total costs and expenses	265,275	(1,330)	263,945
Earnings before income taxes	41,202	1,330	42,532
Income taxes	15,833	305 (4)	16,138
Net earnings from continuing operations	25,369	1,025	26,394
Loss from discontinued operations, net of tax	(3,737)	3,737 (5)	--
Gain on sale of discontinued operations, net of tax	1,925	(1,925) (5)	--
Net loss from discontinued operations	(1,812)	1,812	--
Net earnings	\$ 23,557	2,837	26,394
Earnings (loss) per share:			
Basic			
Net earnings from continuing operations	\$ 1.97		2.05
Net loss from discontinued operations	(0.14)		0.00
Net earnings	\$ 1.83		2.05
Diluted			
Net earnings from continuing operations	\$ 1.91		1.98
Net loss from discontinued operations	(0.14)		0.00
Net earnings	\$ 1.77		1.98
Average common shares O/S:			
Basic	12,885		12,885
Diluted	13,310		13,310

- (1) Represents results on an adjusted basis, after removing the items described below in (2)-(4).
- (2) Represents severance charges related to the exit of the Puerto Rico facility.
- (3) Represents shutdown costs related to the exit of the Puerto Rico facility.
- (4) Represents the tax impact of items described above in (2)-(3).
- (5) Relates to the Microfiltration and Separations businesses which are classified as "discontinued operations."

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

Three Months Ended	Nine Months Ended
June 30,	June 30,
2005	2004
2005	2004

Net Sales-GAAP

Filtration	\$ 44.7	44.0	129.6	126.2
Communications	31.1	37.2	100.8	99.0
Test	33.0	26.7	88.9	81.3
Totals	\$108.8	107.9	319.3	306.5

EBIT-GAAP basis (1)

Filtration	\$ 5.9	6.4	18.0	14.1 (2)
Communications	8.2	11.7	28.4	26.3
Test	3.3	2.8	8.7	8.3
Corporate	(3.2)	(2.9)	(8.3)	(8.1)
Totals	\$ 14.2	18.0	46.8	40.6

Note: Prior year amounts presented above exclude the operations of the MicroSep businesses, which are classified as "discontinued operations." Depreciation and amortization expense for continuing operations was \$3.2 million and \$3.1 million for the fiscal quarters ended June 30, 2005 and 2004, respectively, and \$9.3 million and \$9.0 million for the nine-month periods ended June 30, 2005 and 2004, respectively.

- (1) EBIT is defined as earnings from continuing operations before interest and taxes.
(2) The reconciliation to Operational Revenue/EBIT for the Filtration segment is below:

	YTD FY 04	
	Net Sales	EBIT
Filtration Segment - GAAP	\$126.2	14.1
Add: Puerto Rico facility exit costs	--	1.3
Filtration Segment - "Operational"	\$126.2	15.4

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Reconciliation of Non-GAAP Financial Measures
(Unaudited)
(Dollars in millions)

EBIT (1) - As Reported

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
EBIT	\$14.2	18.0	46.8	41.9
Interest income	0.5	0.1	1.3	0.6
Less: Income taxes	2.3	6.9	14.8	16.1
Net earnings from continuing operations	\$12.4	11.2	33.3	26.4

- (1) EBIT is defined as earnings from continuing operations before interest and taxes. Excludes the operations of the MicroSep businesses, which are classified as "discontinued operations" in fiscal 2004.

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

	June 30, 2005	September 30, 2004
Assets		
Cash and cash equivalents	\$ 85,765	\$ 72,281
Accounts receivable, net	71,045	77,729
Costs and estimated earnings on long-term contracts	3,056	2,476
Inventories	53,881	44,287
Current portion of deferred tax assets	20,022	27,810
Other current assets	9,184	8,947
Total current assets	242,953	233,530
Property, plant and equipment, net	67,360	69,103
Goodwill	68,884	68,949
Deferred tax assets	6,529	10,055
Other assets	23,894	20,803
	\$409,620	\$402,440
Liabilities and Shareholders' Equity		
Short-term borrowings and current maturities of long-term debt	\$ 37	\$ 151
Other current liabilities	61,089	68,171
Total current liabilities	61,126	68,322
Deferred income	3,288	2,738
Other liabilities	23,527	23,396
Long-term debt	360	368
Shareholders' equity	321,319	307,616
	\$409,620	\$402,440

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Nine Months Ended June 30, 2005
Cash flows from operating activities:	
Net earnings	\$ 33,351
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation and amortization	9,263
Changes in operating working capital	(3,020)
Effect of deferred taxes	3,526
Other	(2,689)
Net cash provided by operating activities	40,431
Cash flows from investing activities:	
Capital expenditures	(6,580)
Net cash used by investing activities	(6,580)
Cash flows from financing activities:	
Principal payments on long-term debt	(122)
Purchases of common stock into treasury	(24,928)
Other, including exercise of stock options	4,683
Net cash used by financing activities	(20,367)
Net increase in cash and cash equivalents	13,484
Cash and cash equivalents, beginning of period	72,281
Cash and cash equivalents, end of period	\$ 85,765

ESCO Technologies Inc. and Subsidiaries
Reconciliation of Free Cash Flow - June 30, 2005
(Dollars in thousands)

	Three Months Ended June 30, 2005	Nine Months Ended June 30, 2005
Net cash provided by operating activities	\$ 11,323	40,431
Less: Capital expenditures	(2,012)	(6,580)
Free cash flow	\$ 9,311	33,851

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

Backlog And Entered Orders-Q3 FY 2005	Filtration	Comm.	Test	Total
Beginning Backlog- 3/31/05	\$ 92,523	101,706	59,716	253,945
Entered Orders	39,198	37,402	29,609	106,209
Sales	(44,652)	(31,141)	(33,007)	(108,800)
Ending Backlog- 6/30/05	\$ 87,069	107,967	56,318	251,354
Backlog And Entered Orders-YTD FY 2005	Filtration	Comm.	Test	Total
Beginning Backlog- 9/30/04	\$ 77,753	108,661	62,664	249,078
Entered Orders	138,947	100,065	82,599	321,611
Sales	(129,631)	(100,759)	(88,945)	(319,335)
Ending Backlog- 6/30/05	\$ 87,069	107,967	56,318	251,354

SOURCE ESCO Technologies Inc.

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