

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

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 17, 2020

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

Missouri
(State or Other
Jurisdiction of Incorporation)

1-10596
(Commission
File Number)

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

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

63124-1186
(Zip Code)

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

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ESE	New York Stock Exchange

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2 (b) under the Exchange Act (17 CFR 240.14d-2 (b))
- Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.113d-4 (c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

Today, November 19, 2020, ESCO Technologies Inc. (the Registrant, or the “Company”) is issuing a press release (furnished as [Exhibit 99.1](#) to this report) announcing its financial and operating results for the fourth quarter and fiscal year ended September 30, 2020. See Item 7.01, Regulation FD Disclosure, below.

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

Compensation of Executive Officers

On November 17 and 18, 2020, the Human Resources and Compensation Committee (the “Committee”) of the Company’s Board of Directors approved the following base salaries and target cash incentive compensation opportunities for its executive officers for the Company’s 2021 fiscal year ending September 30, 2021.

The Committee determined that increases in target total cash compensation (base salary plus cash incentive target) of 2.8%, 5.2% and 6.2% were warranted for Mr. Richey, Mr. Muenster and Ms. Barclay, respectively. As it had done for fiscal 2020 the Committee provided Mr. Muenster and Ms. Barclay with the discretion to allocate their increase prospectively between their base salaries and their cash incentive targets. A portion of the base salary increase was provided to offset the elimination of the tax gross-up on perquisites effective in January 2021. For Mr. Richey, the entire dollar amount of his increase was allocated to his base salary. Mr. Muenster and Ms. Barclay elected to allocate their increases between their base salaries and their cash incentive targets, resulting in fiscal 2021 base salaries of \$874,000, \$637,100 and \$377,500 and cash incentive targets of \$927,965, \$499,200 and \$251,000 for Mr. Richey, Mr. Muenster and Ms. Barclay, respectively.

For fiscal 2021 the Committee allocated 100% of the executive officers’ cash incentive compensation opportunity to the Company’s Performance Compensation Plan (“PCP”). The Committee also approved the fiscal 2021 performance criteria for determining the percentage of such target incentive compensation opportunity that will actually be earned by the executive officers, depending on actual fiscal 2021 results compared to the criteria. The Committee established two performance criteria for fiscal 2021:

- Earnings per share adjusted for certain defined non-recurring gains and charges (“Adjusted EPS”), weighted at 70% of the total target opportunity; and
- Cash generated from operations at the subsidiary level, including corporate cash activity related to debt and interest payments, tax payments, and corporate general administrative expenses, and excluding corporate cash activity related to acquisitions, dividends and share repurchases (“Cash Flow”), weighted at 30% of the total target opportunity.

The actual cash incentive compensation payable under the PCP for fiscal 2021 will range from 0.2 to 2.0 times the target opportunity for both Adjusted EPS and Cash Flow, depending on actual 2021 performance, based on a separate matrix for each of the measures.

Modifications to 2018 and 2019 Long-Term Incentive Compensation Awards

On November 17, 2020, the Committee approved amendments to the April 30, 2018 and May 1, 2019 Performance-Accelerated Restricted Stock (PARS) Award Agreements for its Named Executive Officers, Mr. Richey, Mr. Muenster and Ms. Barclay, each of whom has agreed to the amendments. The 2018 and 2019 PARS Awards are the only ones outstanding for the Named Executive Officers.

The purpose of the amendments is to provide a “double trigger” for acceleration of the PARS awards upon a Change of Control (as defined in the Agreements) of the Company. Vesting of the PARS Award will not accelerate if the acquirer or successor company is willing and able to substitute a replacement award agreement, substituting for the Company common stock underlying the Award an equivalent total value of the acquirer’s common stock which is widely held and publicly traded on the NYSE or NASDAQ, as described in the ESCO Technologies Inc. Fourth Amended and Restated Severance Plan dated November 17, 2020 (the “Severance Plan”), described in the section below

If the substitution is made, then vesting of the PARS Award will not occur if the executive’s employment terminates prior to the end of the PARS vesting period by the acquirer for Cause or by the executive without Good Reason, as those terms are defined in the PARS Award Agreements. In the event of the executive’s retirement prior to the end of the PARS vesting period the executive may be entitled to partial vesting, as under the original PARS Awards. Vesting of the PARS Award will occur if the executive’s employment terminates during the Severance Coverage Period Without Cause or with Good Reason, as those terms are defined in the PARS Award Agreements.

However, if the acquirer or successor company is unwilling or unable to make the above substitution, then the executive will be entitled, subject to certain conditions, to receive cash in an amount equal to the value of the underlying shares of Company common stock based on the average NYSE closing price of the stock on the last ten trading days prior to the Change of Control.

The form of amendment, which is identical for all three Named Executive Officers, is included herein as [Exhibit 10.1](#). The original forms of the 2018 and 2019 PARS Award Agreements were filed as [Exhibit 10.6\(f\) to the Company's Form 10-K for the fiscal year ended September 30, 2018](#) and [Exhibit 10.1 to the Company's Form 8-K filed May 7, 2019](#), respectively.

Amendment and Restatement of Severance Plan for Executive Officers

On November 17, 2020, the Committee approved the Fourth Amended and Restated Severance Plan for the Company's executive officers (the "Severance Plan"). The amendments to the Severance Plan expand and broaden the "double trigger" requirement under the Severance Plan in a similar manner to the above-described changes to the 2018 and 2019 PARS Awards, by providing that upon a Change of Control of the Company, the executive will not be entitled to acceleration of unvested equity awards if the acquirer or successor company is willing and able to substitute for the Company common stock underlying the awards an equivalent total value of the acquirer's common stock which is widely held and publicly traded on the NYSE or NASDAQ. However, if the acquirer or successor company is unwilling or unable to make the above substitution, then the executive's equity awards will vest immediately prior to the Change of Control and be distributed in accordance with the terms of the award agreements. The 2018 and 2019 PARS Awards are the only currently outstanding equity awards held by the Company's executive officers. The amendments also make certain other changes in the calculation of the amount due in certain cases and increase the interest rate applicable in case of the Company's failure to make payments when due.

A copy of the Fourth Amended and Restated Severance Plan is included herein as [Exhibit 10.2](#), marked to show the substantive changes from the previous version of the Severance Plan, which was filed as [Exhibit 10.1 to the Company's Form 8-K/A filed November 30, 2015](#).

Amendments to 2018 Omnibus Incentive Plan

On November 17, 2020, the Committee approved an amendment and restatement of the Company's 2018 Omnibus Incentive Plan (the "Omnibus Plan"). The amendments deleted obsolete language relating to the former exclusion under Section 162(m) of the Internal Revenue Code from the \$1 million cap on deductibility for U.S. corporate income tax purposes of certain performance-based executive compensation; this exclusion was repealed for tax years beginning after December 31, 2017. The amendments also made certain minor changes in terminology and to clarify certain provisions, and relocated the language regarding service requirements so that it would apply to all awards under the Plan rather than only to PARS awards. The amendments do not change the compensation of the Company's executive officers or increase the number of shares available under the Plan. The Company does not consider the amendments to be individually or collectively material.

A copy of the Omnibus Plan as amended and restated is included herein as [Exhibit 10.3](#), marked to show the substantive changes from the Omnibus Plan as originally adopted, which was filed as [Exhibit 10.1 to the Company's Form 8-K filed February 6, 2018](#).

Changes to Terms of Future Compensation of Non-Employee Directors

On November 17, 2020, the Committee decided to implement a one-year vesting requirement on future awards of Company Common Stock to the Company's Non-Employee Directors. The vesting requirement will be effective beginning with the share-based component of the directors' annual retainer currently scheduled to be awarded in January 2021.

Item 7.01 Regulation FD Disclosure

Today, November 19, 2020, the Company is issuing a press release (attached as [Exhibit 99.1](#)) announcing its financial and operating results for the fourth quarter and fiscal year ended September 30, 2020. The Company will conduct a related Webcast conference call today at 4:00 p.m. Central Time. The press release will be posted on the Company's web site located at <http://www.escotechnologies.com>. It can be viewed through the "Investor News" page of the web site under the "Investor Center" tab, although the Company reserves the right to discontinue that availability at any time.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No. Description of Exhibit

[10.1](#) [Form of Amendment to 2018 and 2019 PARS Award Agreements](#)

[10.2](#) [Fourth Amendment and Restatement of Severance Plan, marked to indicate substantive changes](#)

[10.3](#) [2018 Omnibus Incentive Plan, as Amended and Restated November 18, 2020, marked to indicate substantive changes](#)

[99.1](#) [Press Release issued November 19, 2020](#)

104 Cover Page Inline Interactive Data File

Other Matters

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

Any references to the Company’s web site address included in this Form 8-K and the press release are intended only as inactive textual references and not as active links to its web site. Information contained on the Company’s web site does not constitute part of this Form 8-K or the press release.

SIGNATURE

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

Date: November 19, 2020

ESCO TECHNOLOGIES INC.

By: /s/ Gary E. Muenster

Gary E. Muenster

Executive Vice President
and Chief Financial Officer

AMENDMENT TO PARS AWARD AGREEMENTS

To: _____ (“you”)

From: Human Resources and Compensation Committee of the Board of Directors (the “Committee”)

Subject: Amendment to 2018 and 2019 Awards under the ESCO Technologies Inc. 2018 Omnibus Incentive Plan (the “Plan”)

- A. This Amendment amends the awards of Performance-Accelerated Restricted Share Units (“PARS Units”) granted to you under the Plan on April 30, 2018 and May 1, 2019 (the “Awards”) Capitalized terms not otherwise defined in this Amendment shall have the meanings given to them in the original Awards.
- B. Subsection 2(d) of each of the Awards is amended to read as follows:

(d) Payout Terms in the Event of a Change of Control.

(i) If there is a Change of Control resulting in the Company Stock no longer being publicly held and traded on the New York Stock Exchange before all shares of Company Stock under this Award have been issued to you under this Award and you are and have been continuously employed by the Company or a subsidiary, limited liability company, other entity directly or indirectly wholly owned by the Company (“Company Owned Entity”) through and on the effective date of the Change of Control (the “CoC Effective Date”) then (A) below shall apply and if the conditions in (A) cannot be met then (B) shall apply.

(A) The PARS Units granted to you pursuant to this PARS Award Agreement shall be replaced by an equity award agreement of Acquirer, as defined in the ESCO Technologies Inc. Fourth Amended and Restated Severance Plan dated November 17, 2020 (the “Severance Plan”) provided all of the following conditions are met:

(I) Acquirer’s common stock is publicly held and widely traded on an established U.S. stock exchange, either NYSE or NASDAQ; and

(II) Such PARS Units are converted to units of the Acquirer’s common stock at a total value equal to the PARS Units (“Replacement Units”) under an equity award agreement (“Replacement Agreement”) with terms at least as favorable as the terms of this PARS Award Agreement. For the purposes of conversion, the value of the PARS Units shall be calculated based on the average closing price of the Company shares for the ten days prior to the Change of Control and the value of the Replacement Units shall be calculated based on the average closing price of common stock of the Acquirer for the ten days prior to the Change of Control. The Replacement Agreement shall provide that each Replacement Unit when vested shall equal one share of Acquirer’s common stock and unless earlier distributed such Acquirer common stock (net of tax withholdings) will be distributed to you three years after the original date of the award of the PARS Units (“Replacement Award”). Such Replacement Agreement shall not include the ownership requirements of Section 3. The Replacement Agreement shall also provide that (a) Replacement Units shall vest and Acquirer common stock will be issued to you equivalent to such Replacement Units (less shares withheld for applicable taxes) on the termination of your employment Without Cause (as defined in the Severance Plan) or your termination with Good Reason (as defined in the Severance Plan), and (b) if you retire with at least 5 years of total employment with the Company and/or the Acquirer (“Retirement”) then you shall receive the number of shares equal to the undistributed shares under this PARS Award multiplied by the percentage which is the number of months elapsed during the PARS Award Term as of the retirement date compared to the total number of months in the PARS Award Term. If prior to the vesting of such Replacement Units your employment ends, other than for Retirement, Without Cause, or with Good Reason, Replacement Units shall not vest and the Replacement Award shall be cancelled.

(B) The PARS Units granted to you pursuant to this PARS Award Agreement shall not be replaced if the Successor Entity determines it will not or cannot replace the PARS Award granted pursuant to this Agreement. In such event then the entire then-remaining undistributed portion of the Award will be converted into the right to receive cash in an amount equal to the number of then-remaining undistributed PARS Units multiplied by the average of the daily closing price of the Company’s common stock on the New York Stock Exchange over the last ten trading days preceding the CoC Effective Date, and such cash will be paid to you (net of required tax withholdings) within 30 days after the CoC Effective Date.

(ii) If before a CoC, all PARS Units under this Award have not been distributed to you in shares of Company Stock and you have been continuously employed by the Company or a Company Owned Entity and not more than ninety (90) days prior to the CoC Effective Date your employment with the Company or Company Owned Entity was terminated not because of your death, Disability, or for Cause, and such termination was done at the request of a third party who, at such time, had taken steps reasonably calculated to effect a Change of Control, and such Change of Control subsequently does occur then the entire then-remaining undistributed portion of the Award will be converted into the right to receive cash in an amount equal to the number of then-remaining PARS Units multiplied by the average of the daily closing price of the Company's common stock on the New York Stock Exchange over the last ten trading days preceding the CoC Effective Date, and such cash will be paid to you (net of required tax withholdings) within 30 days after the CoC Effective Date.

(iii) In the event of a CoC this subsection 2(d) shall control all distributions of shares and compensation under this Award.

(iv) Anything in this PARS Award Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company, Company Owned Entity or Successor Entity to or for the benefit of you (whether paid or payable or distributed or distributable pursuant to the terms of this PARS Award Agreement or otherwise) would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 (the "Code") (or any other provision of the Code relating to excise taxes or "excess parachute payments") then Section 10 of the Severance Plan shall apply.

C. Except as herein amended, the Awards shall remain in effect according to their terms.

Executed effective November 17, 2020.

ESCO TECHNOLOGIES INC.

AGREED TO AND ACCEPTED:

By: _____
Vice President

Participant

ESCO TECHNOLOGIES INC.

FOURTH AMENDED AND RESTATED
SEVERANCE PLAN

November 17, 2020

[Marked to indicate substantive additions or ~~deletions~~ from the previous version of the Plan]

This Fourth Amended and Restated Severance Plan (“Plan”) is hereby adopted as of November 17, 2020 by ESCO TECHNOLOGIES INC., a Missouri corporation (the “Company”), formerly known as ESCO Electronics Corporation. The Plan was originally adopted by the Company as of the 10th day of August, 1995, was amended and restated effective February 5, 2002, October 3, 2007, November 11, 2015 and is now amended and restated by this Fourth Amendment to Severance Plan effective November 17, 2020 .

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

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

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

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

- (e) “Code” shall mean the Internal Revenue Code of 1986, as amended.
- (f) “Effective Date” shall mean the date on which a Change of Control occurs. Anything in this Plan to the contrary notwithstanding, (i) in the event of an Adverse Amendment, the Effective Date shall be the date immediately prior to the Adverse Amendment; and (ii) the Effective Date with respect to a Previously Terminated Executive shall be the date immediately prior to the date of such Executive’s termination.
- (g) “Equity Awards” shall mean an Equity Award approved by the HRCC or Executive Committee and given to an Executive pursuant to the Company’s 2018 Omnibus Incentive Plan, or such other Plan as may be approved by shareholders from time-to-time.
- (h) “Executive’s Equity Award Agreement(s)” shall mean the agreement provided to the Executive detailing the timing and number of shares of Company common stock and/or compensation awarded to the Executive under terms and conditions outlined therein.
- (i) “Fiscal Year” shall mean the fiscal year of the Company which, as of the date hereof, is the twelve month period commencing October 1 and ending September 30.
- (j) “Previously Terminated Executive” shall mean an Executive whose employment with the Company is terminated within ninety calendar days prior to a Change of Control; such termination was at the request of a third party who, at such time, had taken steps reasonably calculated to effect a Change of Control; and such termination was not because of Death or Disability, for Cause or by the Executive Without Good Reason, as such terms are defined in Sections 5(a), 5(b) and 5(e) respectively.
- (k) “Severance Coverage Period” shall mean the period commencing on the Effective Date and ending on the third anniversary of such date.

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

3. ~~*Performance Accelerated Restricted Stock Awards under the Company’s Incentive Compensation Plans. Upon a Change of Control, Executive shall be entitled to receive an amount equal to the dollar value of any Performance Accelerated Restricted Stock shares which had been awarded to Executive but had not been distributed to Executive, whether such shares have been accelerated, vested or earned, or in the case of a Previously Terminated Executive, notwithstanding that such shares have been cancelled as a result of such termination. The dollar value amount shall be determined by multiplying the average of the closing price of the Company’s common stock on the New York Stock Exchange (“NYSE”) on the last ten trading days prior to the Change of Control by the number of such shares. All such outstanding Performance Accelerated Restricted Stock awards for which Executive receives payment, as described above, shall be considered cancelled. Such amounts shall be paid within thirty (30) days of the Change of Control.*~~
Equity Awards under the Company’s Omnibus Incentive Plan. Upon a Change of Control the Acquirer or Successor Entity shall assume all obligations of the Company under the Executive’s outstanding Equity Awards. The Equity Awards will be converted to equivalent awards of Acquirer shares in accordance with the terms of the Equity Award Agreement(s). In the event the Company’s obligations under the Executive’s Equity Award(s) cannot or will not be assumed by the Acquirer or Successor Entity, then the Executive’s Equity Award(s) will vest immediately prior to the Change of Control and be distributed in accordance with the terms and conditions of the Executive’s Equity Award Agreement(s).

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

(a) Location and Duties.

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

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

- i. Base Salary. An annual base salary ("Base Salary") in an amount not less than the annual base salary as determined by the HRCC for the Fiscal Year in which the Effective Date occurs in effect immediately prior to the Effective Date. Base Salary shall be paid in equal installments each year in accordance with the Employer's normal payroll practices, but not less frequently than monthly. Such Base Salary shall be prorated for any partial year of employment during the Severance Coverage Period.
- ii. Annual Bonus. A minimum annual bonus ("Annual Bonus") in an amount not less than the Executive's Bonus Target for the Fiscal Year in which the Effective Date occurs last approved by the HRCC prior to the Effective Date. Such Annual Bonus shall be paid to the Executive each Fiscal Year prior to November 30. Such Annual Bonus shall be prorated for any partial year of employment during the Severance Coverage Period.
- iii. Benefits. All matching or other employer contributions under the ESCO Savings and Investment Plan and the Employee Stock Purchase Plan (or a cash equivalent in the event such plans are not provided by the Employer), welfare benefits and other employee benefits, fringe benefits, and perquisites in amounts and on terms not less favorable than those to which the Executive was entitled on the Effective Date, subject only to benefits reductions within the scope of Section 5(d)(i).
- iv. Payments in Lieu of Performance Accelerated Restricted Stock-Equity Awards under the Company's Incentive Compensation Plans. No later than October 30th of each Fiscal Year during the Severance Coverage Period, Executive shall receive (prorated for any partial year) the benefit described in either (a) or (b) below.
 - a. The cash equivalent of the shares of Company common stock included in the last Performance Accelerated Restricted Stock-Equity Award(s) given to Executive prior to the Effective Date. Such cash equivalent shall be calculated by taking the total number of shares of Company common stock in the Executive's last Equity Award(s) prior to the Effective Date, and multiplying it by the average of the closing price of the Company's common stock on the NYSE on the ten-fifteen trading days prior to the Change of Control (such annual value referred to as the "Annual Performance Share-Equity Award Value").
 - b. At the option of the Employer, freely transferrable time vested restricted shares of common stock of the Acquirer or Successor Entity (or the Acquirer's or Successor Entity's parent) (provided such shares are publicly traded on the NYSE or NASDAQ stock exchange and freely transferrable once vested) equivalent in share value to the Annual Performance Share-Equity Award Value, valued using the average closing price of such common stock on the last ten-fifteen trading days prior to the end of such Fiscal Year date such common stock is awarded to Executive ("Equity Award Equivalents"). Such Equity Award Equivalents shall be subject to time based vesting requirements equivalent to the vesting requirements contained in the last Equity Award given to Executive prior to the Effective Date but in no case greater than three years from the date of Equity Award.

5. Termination of Employment.

- (a) **Death or Disability.** An Executive's employment shall terminate automatically upon the Executive's death during the Severance Coverage Period. If the Employer determines in good faith and as set forth below that the Disability of the Executive has occurred or is continuing during the Severance Coverage Period, it may provide to the Executive written notice of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Employer shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Plan, "Disability" shall mean the absence of the Executive from the Executive's duties with the Employer on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which incapacity is determined to be total and permanent by a physician selected by the Employer or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).
- (b) **Cause.** The Employer may terminate an Executive's employment during the Severance Coverage Period for Cause. For the sole and exclusive purposes of this Plan, "Cause" shall mean:
- i. The willful and continued failure of the Executive to perform substantially all of the Executive's duties with the Employer or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for such performance is delivered to the Executive by the Employer's Board of Directors in a case where the Executive is the CEO, or otherwise by the CEO, which specifically identifies the manner in which such Board or CEO believes that the Executive has not substantially performed the Executive's duties, or
 - ii. The willful engaging by the Executive in (A) illegal conduct (other than minor offenses), or (B) conduct which is in breach of the Executive's fiduciary duty to the Employer and which is demonstrably injurious to the Employer, its reputation or its business prospects.
- For purposes of this Section 5(b), no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Employer. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Employer's Board of Directors or upon the instructions of such Executive's superior or based upon the advice of counsel for the Employer shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Employer. The termination of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of Employer's Board of Directors at a meeting of such Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before such Board), finding that, in the good-faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.
- (c) **Without Cause.** Any termination of an Executive's employment during the Severance Coverage Period, other than as provided in 5(a), 5(b) or 5(e), is referred to for the sole and exclusive purposes of this Plan as "Without Cause."
- (d) **Good Reason.** An Executive may terminate his employment for Good Reason. For the sole and exclusive purposes of this Plan, "Good Reason" shall mean:
- i. any material failure by the Company or Employer to comply with any of the provisions of this Plan, including but not limited to Section 11(c), other than a failure to comply with Section 4(b)(iii) solely by reason of a reduction in benefits that applies to all salaried employees who are exempt from the wage and hour provisions of the Fair Labor Standards Act;
 - ii. the Employer's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i);
 - iii. a material diminution in the Executive's authority, duties or responsibilities or any change in his compensation provided in Section 4(b) other than a failure to comply with Section 4(b)(iii) solely by reason of a reduction in benefits that applies to all salaried employees who are exempt from the wage and hour provisions of the Fair Labor Standards Act; or
-

iv. Executive is placed on terminal leave of absence by the Employer. Terminal Leave for purposes of this Plan is defined as a situation whereby the executive is willing and able to perform his normal responsibilities, is relieved of these normal responsibilities by the Employer and continues to receive normal pay and benefits. Provided, however, that termination of employment shall be for "Good Reason" only if (i) the Executive provides notice to the Employer of the existence of the applicable event described in this paragraph 5(d) no later than 90 days following the initial occurrence of such event, (ii) the Employer fails to remedy such event within 30 days after receiving such notice, and (iii) such termination occurs during the Severance Coverage Period.

(e) Without Good Reason. An Executive may voluntarily terminate his employment during the Severance Coverage Period without Good Reason and this shall be referred to for the sole and exclusive purposes of this Plan as "Without Good Reason".

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

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

6. Obligations of the Employer upon Termination.

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

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

A. To the extent not theretofore paid, the Executive's current annual Base Salary pro-rated through the Date of Termination; plus

B. To the extent not theretofore paid, an Annual Bonus for the ~~Fiscal Year~~ year during which the termination occurs pro-rated through the Date of Termination; plus

C. The product of the Applicable Multiplier times Final Compensation, where "Final Compensation" means the sum of (x) the Base Salary, plus (y) an amount equal to the Annual Bonus; ~~plus.~~

~~D. Vacation pay equal to Final Compensation per business day based on 260 business days each fiscal year multiplied by the number of days of earned vacation not taken as of the Date of Termination.~~

- ii. The Employer shall continue to provide to the Executive, or reimburse the Executive for the cost of, all health, vision, disability, dental, and life insurance, financial planning, club membership, and automobile benefits (including gross up for taxes if provided prior to the Effective Date) in amounts and on terms not less favorable than those to which the Executive was entitled on the Date of Termination or on the Effective Date, whichever is greater, for that number of years after the Date of Termination as is equal to the Applicable Multiplier, and the Employer shall pay or provide any other amounts or benefits required by law to be paid or provided to the Executive or which the Executive is entitled to receive under any plan, program, policy, practice, contract or agreement of the Employer or any of its affiliated companies.
- iii. If the aggregate amounts under (i) above are not paid to the Executive when due, interest thereon shall accrue and be paid to the Executive at the rate of the lesser of (A) ~~prime plus 3%~~ 15% per annum, compounded monthly or (B) the maximum rate allowed by law.
- iv. As a condition of receiving payments and benefits under this Section 6(a), the Executive must provide the Employer with a release, satisfactory to the Employer in its sole discretion, of all claims, charges and causes of action the Executive may have arising out of or relating in any way to the Executive's employment by the Employer and its affiliated companies and the termination of such employment, including, but not limited to, ADEA waivers.

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

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

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

9. Legal Expenses. The Employer and its affiliated companies shall pay promptly upon submission of appropriate invoices, to the full extent permitted by law, all reasonable attorneys' fees and related expenses which any Executive reasonably deems necessary to incur in connection with any dispute with respect to the validity or enforceability of, or liability under, any provision of this Plan (including without limitation any dispute as to the amount of any payment pursuant to this Plan); provided, however, that if the Employer is advised by independent counsel that it will probably prevail if the dispute is litigated on a motion for summary judgment, the Employer may refrain from such payments so long as the Employer actively pursues a decision on such motion, and if such motion is granted and becomes a final, non-appealable order, the Employer shall have no obligation under this Section 9 with respect to the Executive's attorneys' fees and related expenses in connection with such dispute. However, if such motion for summary judgment is denied and if such denial becomes a final, non-appealable order, the Employer shall pay such attorneys' fees and related expenses, or, if the Executive had already paid such attorneys' fees and related expenses, the Employer shall reimburse the Executive for such payment, together with interest, from the date of such payment to the date of reimbursement, at the rate of the lesser of (A) ~~prime plus 3%~~ 15% per annum, compounded monthly or (B) the maximum rate allowed by law.

10. Provisions Relating to Taxation of Payments.

- (a) Anything in this Plan to the contrary notwithstanding, in the event it shall be determined that any Payment or distribution by the Employer to or for the benefit of any Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise) would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 (the "Code") (or any other provision of the Code relating to excise taxes or "excess parachute payments") or any interest or penalty is imposed on an Executive with respect to such excise tax, the Executive shall not be entitled to receive any additional Payment in any amount to compensate for such tax, interest or penalty.
- (b) For purposes of this Section, (i) "Payment" shall mean any payment or distribution in the nature of compensation to or for the benefit of an Executive, whether paid or payable pursuant to this Plan or otherwise; (ii) "Net After Tax Receipt" shall mean the Present Value of a Payment net of all taxes imposed on the Executive with respect thereto under Sections 1 and 4999 of the Code, determined by applying the highest marginal rate under Section 1 of the Code which applied to the Executive's taxable income for the immediately preceding year; (iii) "Present Value" shall mean such value determined in accordance with Section 280G(d)(4) of the Code; and (iv) "Reduced Amount" shall mean the largest aggregate amount of Payments which (a) is less than the sum of all Payments and (b) results in aggregate Net After Tax Receipts which are equal to or greater than the Net After Tax Receipts which relate to or would result if Payments were made without regard to this Section 10.
- (c) Anything in this Plan to the contrary notwithstanding, in the event a certified public accounting firm designated by the Employer (the "Accounting Firm") shall determine that receipt of all Payments would subject the Executive to tax under Section 4999 of the Code, it shall determine whether some amount of Payments would meet the definition of a "Reduced Amount." If the Accounting Firm determines that there is a Reduced Amount, the Payments under this Plan shall be reduced so that the aggregate Payments shall equal such Reduced Amount.
- (d) While it is the intention of the Employer that the amount of Payments to the Executive shall result in the maximum aggregate Net After Tax Receipts to the Executive, as a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Employer to or for the benefit of the Executive pursuant to this Plan which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or distributed by the Employer to or for the benefit of the Executive pursuant to this Plan could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based either upon the assertion of a deficiency by the Internal Revenue Service against the Employer or the Executive which the Accounting Firm believes has high probability of success or controlling precedent or other substantial authority, determines that an Overpayment has been made, any such Overpayment paid or distributed by the Employer to or for the benefit of the Executive shall be treated for all purposes as a loan ab initio to the Executive which the Executive shall repay to the Employer together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no such loan shall be deemed to have been made and no amount shall be payable by the Executive to the Employer if and to the extent such deemed loan and payment would not either reduce the amount on which the Executive is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Employer to or for the benefit of the Executive together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code.

11. Successors.

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

12. Miscellaneous.

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

If to the Executive:

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

If to the Company:

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

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

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

IN WITNESS WHEREOF, the foregoing Fourth Amended and Restated Severance Plan was adopted on the 17th day of November, 2020.

ESCO TECHNOLOGIES INC.

By: _____

ESCO TECHNOLOGIES INC.

FOURTH AMENDED AND RESTATED SEVERANCE PLAN

NOTICE OF ACCEPTANCE

I acknowledge that I have received a copy of the ESCO Technologies Inc. Fourth Amended and Restated Severance Plan, dated and to be effective November 17, 2020 (the "Amended Plan"). I accept the terms of the Amended Plan and acknowledge and agree that my participation in the Amended Plan is subject to all of the terms and conditions set forth in the Amended Plan or as it may hereafter be further amended as provided therein.

Signature

Print Name

Date Signed

ESCO TECHNOLOGIES INC.
2018 OMNIBUS INCENTIVE PLAN
AS AMENDED AND RESTATED NOVEMBER 17, 2020

[Marked to indicate substantive additions or ~~deletions~~ from the previous version of the Plan]

1. Purpose of the Plan.

This ESCO Technologies Inc. 2018 Omnibus Incentive Plan (the “Plan”) has been adopted by ESCO Technologies Inc., a Missouri corporation (the “Company”), to:

- (a) attract and retain executive, managerial and other employees;
- (b) motivate participants, by means of appropriate incentives, to achieve long-range goals;
- (c) provide incentive compensation opportunities that are competitive with those of other similar businesses; and
- (d) in the case of stock-based awards, further align a participant’s interests with those of the Company’s stockholders through compensation that is based on the Company’s common stock, and thereby promote the long-term financial interests of the Company, including the growth in value of the Company’s equity and enhancement of long-term stockholder returns.

2. Types of Incentive Compensation Awards Available Under the Plan.

The following types of incentive compensation awards (“Awards”) may be granted under the Plan:

- (a) Stock-Based Awards. Awards granted on the basis of shares of Common Stock (defined in Section 3) or the value thereof (“Stock-Based Awards”), whether paid in cash or distributed in Common Stock, as follows:
 - (i) Stock options as described in Section 6 (“Stock Options”);
 - (ii) Stock appreciation rights as described in Section 7 (“Tandem SARs”);
 - (iii) Performance-accelerated restricted share awards as described in Section 8 (“PARS Awards”);
 - (iv) Other restricted share awards as described in Section 9 (“Other Restricted Share Awards”); and
 - (v) Other Stock-Based Awards as described in Section 10 (“Other Stock-Based Awards”).
- (b) Cash-Based Awards. Awards other than Stock-Based Awards, which are valued and paid in cash (“Cash-Based Awards”), as follows:
 - (i) Long term cash incentive awards as described in Section 12 (“Long Term Cash Incentive Awards”); and
 - (ii) Other cash incentive awards as described in Section 13 (“Other Cash Incentive Awards”).

3. Stock Available Under the Plan.

(a) Number of Shares Available. The following shares of common stock of the Company, par value \$0.01 per share (“Common Stock”) are hereby reserved and made available for issuance pursuant to Stock-Based Awards under the Plan:

- (i) 350,000 shares of Common Stock; plus
 - (ii) 527,878 shares of Common Stock which were authorized under the ESCO Technologies Inc. 2013 Incentive Compensation Plan (the “2013 Plan”) but not awarded prior to termination of the 2013 Plan and which were available under the 2013 Plan for “Performance Accelerated Restricted Stock Awards” (as defined in the 2013 Plan), “Restricted Stock Awards” (as defined in the 2013 Plan) or any other awards authorized under the 2013 Plan wherein actual shares of Common Stock could have been distributed without requiring any payment to the Company by the participant; plus
 - (iii) One hundred thousand (100,000) shares of Common Stock which were authorized under the 2013 Plan but not awarded prior to termination of the 2013 Plan and which were to be used under the 2013 Plan only for “Stock Options” as defined in the 2013 Plan or any other awards authorized under the 2013 Plan which would have required the recipient of the award to make a payment to the Company in order to receive actual shares of Common Stock; provided that these 100,000 shares may only be used under the Plan for Stock Options or other Stock-Based Awards which require the recipient of the Award to make a payment to the Company in order to receive actual shares of Common Stock.
-

(b) Adjustments in Numbers of Shares. The number of shares of Common Stock allocated to the Plan shall be appropriately adjusted to reflect subsequent stock dividends, stock splits, reverse stock splits and similar matters affecting the number of outstanding shares of Common Stock.

(c) No Reload. Shares which have once been the subject of any Stock-Based Award but which are not actually issued or delivered to the participant, by reason of expiration or cancellation of the Award, termination of the participant's employment, failure to meet performance goals or other terms of such Award, tender of the shares in payment for a Stock Option, delivery or withholding of the shares in satisfaction of any tax withholding obligation, or any other reason whatsoever, shall not be returned to the Plan and shall not again become available for Stock-Based Awards under the Plan.

4. Administration.

(a) Committee. The Plan shall be administered by the Human Resources and Compensation Committee (the "Committee") of the Company's Board of Directors (the "Board"). The Committee shall at all times be constituted to comply with Rule 16b-3(d) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor to such Rule, and the independence requirements of the New York Stock Exchange or other applicable exchange.

(b) Authority of Committee. Subject to the express provisions of the Plan, the Committee shall have plenary authority, in its discretion, to determine the individuals to whom, and the time or times at which, Awards shall be granted and for each Award the potential number or value of shares of Common Stock (in the case of Stock-Based Awards) or the potential cash incentive (in the case of Cash-Based Awards) subject to the Award. In making such determinations the Committee may take into account the nature of the services rendered by the respective individuals, their present and potential contributions to the Company's success, and such other factors as the Committee, in its discretion, shall deem relevant. Subject to the express provisions of the Plan, the Committee shall also have plenary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Awards (which need not be identical for all recipients) and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations on the matters referred to in this Section 4 shall be conclusive.

(c) Limited Authority to Delegate. The Committee may delegate to the Chief Executive Officer the authority to grant Stock Options of up to 10,000 shares of Common Stock per person (and 50,000 per year in the aggregate) to selected employees who are not ~~either~~ reporting persons under Section 16 of the Exchange Act ~~or covered employees (as defined in section 162(m) of the Internal Revenue Code)~~. The Committee may delegate to the Executive Committee of the Board the authority to grant Stock-Based Awards other than Stock Options of up to 10,000 shares of Common Stock per person (and 50,000 per year in the aggregate) to selected employees who are not ~~either~~ reporting persons under Section 16 of the Exchange Act ~~or covered employees (as defined in section 162(m) of the Internal Revenue Code)~~.

(d) Award Agreement. Every Award granted under the Plan shall be memorialized by a written grant agreement ("Award Agreement") setting forth in writing all of the terms and conditions of the Award, including without limitation the number or value of shares of Common Stock, or the cash, as the case may be, which the holder shall be entitled to receive depending upon satisfaction of the vesting, service, performance or other criteria specified in the Award, which Award Agreement shall be delivered to the participant receiving the Award promptly as practicable after the Award is approved by the Committee or its delegate.

(e) Effective Dates of Awards; No Retroactive Grants. Awards may be granted with an effective date which is on or after, but not before, the date the material terms of the grant are approved by the Committee or other authorized person, and which, in the case of Stock-Based Awards, is a trading day on the New York Stock Exchange. Notwithstanding the foregoing, the performance and/or service criteria for an Award (if any) may be determined with respect to a period (such as a fiscal year) which begins prior to the effective date of the Award, provided that the effective date of the Award must be prior to the time it can be determined whether the criteria will be satisfied, ~~or in the case of a 162(m) Award as defined in subsection 14(g), such earlier date as may be required under such subsection.~~

(f) Sub-Plans and Performance Programs.

(i) For clarity and convenience in granting, administering and referring to Awards which have similar provisions or which are made to similarly-situated recipients, the Committee may authorize sub-plans (hereafter, "Sub-Plans") under the Plan. Each Sub-Plan shall be subject to all of the terms, conditions and restrictions in the Plan, and all Sub-Plans in the aggregate shall not exceed the limitations, including without limitation those on the aggregate number of authorized shares, set forth in the Plan.

(ii) The Committee may establish from time to time one or more performance programs under the Plan or any Sub-Plan, each with one or more specified objectives and specified performance periods over which the specified objectives are targeted for achievement. The specified performance criteria, performance goals and/or service contingencies need not be the same for all participants and may be established for the Company as a whole or separately for its various groups, divisions and subsidiaries, all as the Committee may determine in its discretion. Performance criteria may, but *except in the case of 162(m) Awards* need not, be limited to those specified in subsection 15(g).

5. Eligibility.

(a) Incentive Stock Options (defined in subsection 6(a)) may be granted only to full-time or part-time employees of the Company or its Qualifying Corporate Subsidiaries as defined in clause 5(d)(iii).

(b) Tandem SARS and Stock Options other than Incentive Stock Options may be granted only to full-time or part-time employees of the Company or its Subsidiaries.

(c) PARS Awards, Other Restricted Share Awards, Other Stock-Based Awards and Cash-Based Awards may be granted only to full time employees (or such other employees as the Company may determine) of the Company or its Subsidiaries who are determined by the Committee in its discretion to be management personnel important to the future success of the Company; such management personnel may, but need not be, officers of the Company or of its Subsidiaries or divisions.

(d) For purposes of the eligibility and service requirements set forth in the Plan:

(i) The term “employees” does not include temporary employees, contract employees, or directors who are not regular employees of the Company or its Subsidiaries;

(ii) “Subsidiary” means any domestic or foreign corporation, limited liability company, partnership or other entity in which the Company controls, directly or indirectly, 50% or more of the voting power or equity interests; for clarity, the term includes a Qualifying Corporate Subsidiary;

(iii) “Qualifying Corporate Subsidiary” means any domestic or foreign corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the Incentive Stock Option in question, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain; or such other meaning as may be hereafter ascribed to it in Section 424 of the Code; and

(iv) the term “corporation” has the meaning ascribed to it in Internal Revenue Regulations Section 1.421-1(i)(1).

6. Stock Options.

(a) Types of Stock Options. In the discretion of the Committee (or the Chief Executive Officer with respect to Stock Options granted under subsection 4(c)), Stock Options may or may not be intended to qualify as incentive stock options within the meaning of Section 422 of the Code (“Incentive Stock Options”). Neither the Company nor the Chief Executive Officer nor the Committee shall have any liability to the optionee or any other person on account of the failure of a Stock Option to qualify as an Incentive Stock Option.

(b) Limitation on Incentive Stock Options. The maximum aggregate fair market value (determined at the time an Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any optionee during any calendar year (under all plans of the Company and its Subsidiaries) shall not exceed \$100,000.

(c) Individual Limit on Number of Stock Options and Tandem SARs. The aggregate number of shares of Common Stock with respect to which Stock Options and Tandem SARs may be granted to any individual during any calendar year may not exceed one hundred fifty thousand shares (150,000).

(d) Minimum Exercise Prices. The exercise price of Common Stock purchased under each Stock Option shall not be less than 100% of the fair market value of the Common Stock on the effective date of the Stock Option. Such fair market value per share shall generally be the closing price per share of the Common Stock on the New York Stock Exchange on the effective date; provided, however, that the Committee may adopt any other criterion for the determination of such fair market value as it may determine to be appropriate and in compliance with, or in conformity with the requirements of, any laws and regulations applicable to the Company and the Stock Option.

(e) Payment of Exercise Price. The exercise price for Common Stock subject to a Stock Option is to be paid in full upon the exercise of the Stock Option, either:

(i) In cash; or

(ii) By the tender to the Company (either actually or by attestation) of shares of Common Stock 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 the Company as may be required in order to comply with, or to conform to the requirements of, any applicable laws or regulations applicable to the Company and the Stock Options; or

(iii) Except as may be limited or prohibited by the Committee or the Company, by effecting a “cashless exercise” of the Stock Option by means of a “same day sale” in which the option shares are sold through a broker selected by the optionee and a portion of the proceeds equal to the exercise price plus any taxes due is paid to the Company; or

(iv) By any combination of the foregoing payment methods; or

(v) By such other method or methods as may be determined by the Committee or the Company.

Provided, however, 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 (A) the tendered shares have been held by the optionee for at least one year and (B) the Incentive Stock Option through which such tendered shares were received was granted at least two years prior to the tender.

(f) Use of Exercise Proceeds. The proceeds from the exercise of a Stock Option shall be added to the general funds of the Company or to treasury shares, as the case may be, and used for such corporate purposes as the Company shall determine.

(g) Term of Stock Options. The term of a Stock Option shall be five (5) years from its effective date, or such shorter period as the Committee may determine. Subject to the other provisions of this Section 6, a Stock Option will be exercisable at such time or times within the stated term, and subject to such restrictions and conditions, as the Committee shall, in each circumstance, approve, which need not be uniform for all optionees.

(h) Employment Requirement. No Stock Option may be exercised unless the optionee is an employee of the Company or a Subsidiary at the time of exercise and has been so employed continuously since the granting of the Stock Option, except that:

(i) If the employment of an optionee terminates with the consent and approval of the Company, the Committee or its designee, may, in its absolute discretion, permit the optionee to exercise a Stock Option (to the extent the optionee was entitled to exercise it at the date of such termination of employment) (A) within ninety (90) days after such termination, or (B) for Stock Options other than Incentive Stock Options, within one (1) year after termination of the optionee’s employment on account of retirement on or after age 55, but in no event after the expiration of its term as specified in the Award Agreement.

(ii) An optionee whose employment terminates on account of disability may exercise such Stock Option (to the extent the optionee was entitled to exercise it at the date of such termination) within one (1) year of such termination of employment, but in no event after the expiration of its term as specified in the Award Agreement. For this purpose “disability” means permanent and total disability within the meaning of Section 22(e)(3) of the Code, which, as of the date hereof, means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. An optionee shall be considered disabled only if the optionee furnishes such proof of disability as the Committee may require.

(iii) In the event of the death of an optionee, the optionee’s Stock Option may be exercised (to the extent the optionee was entitled to exercise it at the date of death) by the optionee’s personal representative, by the person succeeding to ownership of the Stock Option under the optionee’s last will, or by such other person legally entitled to do so, at any time within a period of one (1) year after the optionee’s death, but in no event after the expiration of its term as specified in the Award Agreement.

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

(v) Stock Option Award Agreements may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence.

A Stock Option shall not be affected by any change in the optionee’s employment so long as the optionee continues to be an employee of the Company or a Subsidiary thereof.

(i) Non-Transferability of Stock Options. Each Stock Option granted under the Plan shall, by its terms, be non-transferable otherwise than by will or the laws of descent and distribution, and may be exercised during the lifetime of the optionee only by the optionee. Notwithstanding the foregoing, the Committee may permit a Stock Option which is not an Incentive Stock Option to be transferred to a trust for the benefit of the optionee's immediate family member(s) or a partnership, limited liability company, or similar entity in which the optionee's immediate family member(s) comprise the majority partners or equity holders. For purposes of this provision, an optionee's immediate family shall mean the optionee's spouse, children and grandchildren.

(j) Successive Stock Option Grants. Successive Stock Option grants may be made to any optionee under the Plan.

(k) Vesting. Subject to the other provisions and limitations of the Plan, the Committee may, in its sole discretion, determine the time when, or criteria upon which, options may vest including, but not limited to stock price, continued service or performance measures. The vesting criteria, which need not be uniform for all optionees, shall be specified in the Award Agreement.

7. Tandem SARs

(a) Grant. At the time of grant of a Stock Option, the Committee, in its discretion, may grant to the optionee, in tandem with the Stock Option (the "Linked Option"), a Tandem SAR for all or any part of the number of shares covered by the Linked Option. The Tandem SAR Award Agreement shall specify the Linked Option in respect of which the Tandem SAR is granted. A Tandem SAR shall specify a time period for its exercise, which may not extend beyond, but may be less than, the time period during which the Linked Option may be exercised.

(b) Exercise. At any time when a Tandem SAR and its Linked Option are both exercisable, the optionee may, in lieu of exercising the Linked Option, elect to exercise the Tandem SAR, by delivering to the Company a written notice stating that the optionee elects to exercise the Tandem SAR as to the number of shares specified in the notice and stating what portion, if any, of the Tandem SAR Exercise Amount the holder requests to have paid in cash and what portion, if any, the holder requests to have paid in Common Stock. For purposes of this section, "Tandem SAR Exercise Amount" means the excess of the closing price per share of the Common Stock on the New York Stock Exchange on the date of exercise over the exercise price per share under the Linked Option, multiplied by the number of shares as to which the Tandem SAR is exercised. The Committee promptly shall cause to be paid to such holder the Tandem SAR Exercise Amount either in cash, in Common Stock, or any combination of cash and stock as it may determine. Such determination may be either in accordance with the request made by the optionee or otherwise, in the sole discretion of the Committee.

(c) Effect of Exercise. Any exercise of the Linked Option by the optionee shall reduce the Tandem SAR by the same number of shares as to which the Linked Option is exercised; and any exercise of the Tandem SAR shall reduce the Linked Option by the same number of shares as to which the Tandem SAR is exercised. The failure of the optionee to fully exercise it within the time period specified shall not reduce the optionee's remaining exercise rights under the Linked Option.

(d) Other Provisions of Plan Applicable. All provisions of the Plan applicable to Stock Options granted hereunder shall apply with equal effect to Tandem SARs.

8. PARS Awards

(a) Definition; Performance Objectives. A PARS Award is a right to receive shares of Common Stock (which may include stock with certain restrictions attached) at a future time specified in the Award Agreement (the "PARS Award Term") if specified performance goals and/or service contingencies established from time to time by the Committee and set forth in the PARS Award are achieved.

(b) Grants of PARS Awards. Eligible employees may be granted PARS Awards under any one or more of the performance programs. The number of shares per PARS Award and the PARS Award frequency shall be determined at the discretion of the Committee. In determining the participants in any performance program, the Committee shall take into account such factors as the participant's level of responsibility, job performance, level and types of compensation, and such other factors as the Committee deems relevant. The Committee may require the participant to retain shares received from the payout of a PARS Award until ownership guidelines are achieved. The Committee may also require the participant to certify ownership of such shares from time to time in its discretion and to secure approval of any sales or other disposition of Common Stock during the performance period.

(c) Determination of Achievement of Objectives. The Committee, in regard to any performance program adopted by it, may thereafter change or modify the terms of the program, so long as the number of shares subject to the PARS Award is not reduced and the PARS Award Term is not extended, and the Committee may determine reasonably whether any performance goal of any program has been met. The Committee may, but is not obligated to, authorize a distribution of all or a portion of the PARS Award based upon its discretionary evaluation of the Company's financial performance during the period of the PARS Award even if the performance goals are not fully met.

~~(d) Employment Requirement. Except as otherwise herein provided or determined by the Committee, a participant, in order to be entitled to receive any distribution in respect of the PARS Award, must be continuously in the employ of the Company or a Subsidiary from the effective date of the PARS Award until the expiration of the relevant performance and/or service period, except for leaves of absence which may be approved by the Company, and except that:~~

~~(i) Exception for Retirement. For a participant whose employment terminates on account of retirement with the approval of the Committee:~~

~~(A) Any PARS Award granted to the participant within 12 months prior to the participant's retirement date shall be forfeited and no distribution shall be made;~~

~~(B) With respect to any other outstanding PARS Award, that portion, if any, of the Award for which the distribution date has been accelerated in full or in part due to satisfaction of the applicable performance goal(s) prior to the participant's retirement date shall vest and be distributed in full;~~

~~(C) All other outstanding PARS Awards (including any non-distributed portion of an Award distributed in part under the preceding clause (B)) shall vest and be distributed pro-rata based on the number of months elapsed during the PARS Award Term as of the retirement date compared to the total number of months in the PARS Award Term; and~~

~~(D) Any distribution to which the retired participant shall be entitled under this section 8(d) shall be made as soon as administratively feasible but not later than 2½ months after the participant's retirement date.~~

~~(ii) Discretionary Exception for Death or Disability. The Committee, in its absolute discretion, may make such full, pro-rata, or no share distribution as it may determine, to a participant whose employment terminates on account of death or disability (as defined in section 6(h)(ii)) prior to the time the participant is entitled to receive distribution in respect of the PARS Award. If termination is on account of death, the Committee may make any distribution it authorizes to the participant's surviving spouse, heirs or estate, as the Committee may determine.~~

9. Other Restricted Share Awards.

Subject to the terms of the Plan, the Committee may also grant eligible employees Other Restricted Share Awards, which may include grants of Common Stock subject to specified restrictions or conditions (including without limitation forfeiture of the shares in certain events), or grants of rights to receive shares of Common Stock in the future upon the satisfaction of specified conditions. Such Other Restricted Share Awards shall include an employment requirement not less restrictive than that specified in section 8(d) and if to NEOs, shall comply with Section 11, and shall otherwise be subject to all of the limitations and restrictions provided in the Plan. Such Other Restricted Share Awards may also specify, without limitation, restrictions on transfer of such Other Restricted Share Award and/or the underlying Common Stock, and whether the participant may make elections with respect to the taxation of such Other Restricted Share Award either with or without the consent of the Committee.

10. Other Stock-Based Awards.

The Committee may from time to time grant Other Stock-Based Awards pursuant to which shares may be acquired in the future, such as Other Stock-Based Awards denominated in Common Stock, stock units, securities convertible into Common Stock or phantom securities. The Committee, in its sole discretion, shall determine, and provide in the applicable Award Agreement, the terms and conditions of such Other Stock-Based Awards. The Committee may, in its sole discretion, direct that shares of Common Stock issued pursuant to Other Stock-Based Awards shall be subject to restrictive legends, stop transfer instructions or other restrictions as it may deem appropriate.

11. Special Provisions for Stock-Based Awards to Named Executive Officers.

Every Stock-Based Award granted to a person who is a "named executive officer" of the Company as defined in Item 402(a)(3) of Securities and Exchange Commission Regulation S-K (an "NEO") shall provide that, in addition to any other applicable restrictions on transfer, the NEO may not dispose of any portion of the beneficial interest in Common Stock received (net of any withheld shares) on account of such Award: (i) within 12 months after the Common Stock is delivered to the NEO, or such earlier time as the person ceases to be an NEO; or (ii) if after such disposition the NEO would fail to satisfy the NEO's minimum ownership requirement for Company Common Stock established by the Company.

12. Long Term Cash Incentive Awards.

Long Term Cash Incentive Awards provide for the payment of cash if certain performance goals are met over a specified performance period. The Committee may also permit Long-Term Cash Incentive Awards to be distributed in shares of Common Stock, which may be issued subject to restrictions to be determined by the Committee in each specific case. Each performance goal and performance period shall be set forth in the relevant Long Term Cash Incentive Award agreement, which need not be uniform for all awardees.

13. Other Cash Incentive Awards.

The Committee may from time to time grant Other Cash Incentive Awards, upon such terms, conditions and restrictions as the Committee shall determine in its sole discretion and specify in a corresponding Award Agreement.

14. [Reserved]

15. Additional Provisions.

(a) No Rights as Shareholder until Stock Issued. The recipient of a Stock-Based Award shall have no voting rights, dividend rights, or other rights of a shareholder with respect to the shares of Common Stock subject to the Award until such shares are actually issued to the recipient.

(b) No Adjustment of Award Shares for Dividends or Rights. No adjustment shall be made in the number of shares of Common Stock subject to a Stock-Based Award on account of dividends which may be paid, or other rights which may be issued to, the holders of Common Stock during the term of such Award except as provided in Section 15, and no dividends or dividend equivalents shall be paid or accrued on any such shares unless the shares have actually been issued to the participant pursuant to the Award prior to the record date for payment of the dividend or rights.

(c) No Right to Continuation of Employment. No participant in the Plan shall have any right because of being a participant in the Plan or receiving an Award to continue in the employ of the Company or of any of its subsidiaries for any period of time, or any right to a continuation of the participant's present or any other level of compensation; and such rights and powers as the Company now has or which it may have in the future to dismiss or discharge any participant from employment or to change the assignments of any participant are expressly reserved to the Company.

(d) Tax Withholding. At the time any Award is paid out to the recipient, the Company shall withhold (or direct the appropriate Subsidiary to withhold) from such payout any amount necessary to satisfy the tax withholding requirements in respect of such payout under the tax laws applicable to the payout; and if permitted by applicable law, the Company may withhold (or direct the appropriate Subsidiary to withhold) additional amounts at such rate as it may determine in its discretion to be advisable up to the highest individual marginal Federal income tax and applicable state income tax rate then in effect. In the case of Awards payable in shares of Common Stock, the Company shall effect such withholding, unless otherwise required by applicable law, by deducting from the distribution shares of Common Stock having a fair value equal to the amount to be withheld.

(e) Common Stock. The Company may, in its discretion, fund Stock-Based Awards using either treasury shares or authorized but unissued shares. The Board and the Company's officers are authorized to take such action as may be necessary to provide for the issuance of any and all of the shares which may be necessary to satisfy the Company's obligations hereunder and to cause said shares to be registered under the Securities Act of 1933, as amended (the "Securities Act"), and to be listed on the New York Stock Exchange and any other stock exchanges on which Common Stock may at such time be listed; provided that in the Company's discretion, shares of Common Stock delivered to participants hereunder in satisfaction of a Stock-Based Award may be issued as restricted stock under the Securities Act, or otherwise subject to specified restrictions on resale.

(f) Minimum Vesting Periods. The minimum vesting period for any Award shall be 1 year; except that Awards which amount in the aggregate to no more than 5% of the total number of shares available under the Plan, and which are made to participants who are not NEOs, may have a shorter vesting period.

(g) Performance-Based (162(m)) Awards. *If an Award is granted to a person who is, or who is likely to be as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a "covered employee" as defined in section 162(m) of the Code (a "Covered Employee") then the Committee may qualify such Award as "performance-based compensation" pursuant to section 162(m) of the Code (a "162(m) Award"). The Committee has complete discretion concerning whether a particular Award should be qualified as a 162(m) Award. Each 162(m) Award shall be subject to the following additional provisions: The Committee may structure any Award as a "Performance-Based Award" such that the amount payable shall be subject to the attainment of specified performance criteria within a specified performance period.*

(i) Performance Criteria for Performance-Based ~~(162(m))~~ Awards. The performance criteria for any Performance-Based ~~(162(m))~~ Award shall consist of objective tests which may, but need not, be based on one or more of the following: earnings per share; adjusted earnings per share; sales; earnings; cash flow; profitability; customer satisfaction; investor relations; revenues; financial return ratios; market performance; shareholder return and/or value; operating profits (including earnings before income taxes, depreciation and amortization); net profits; earnings per share growth; profit returns and margins; stock price; working capital; business trends; production cost; project milestones; plant and equipment performance; safety performance; environmental performance; gross margin; operating margin; net margin; expense margins; EBIT margin; EBIT growth; EBITDA margin; EBITDA growth; adjusted EBITDA; NOPAT margin; net assets; working capital; asset turnover; working capital turnover; accounts receivable turnover; accounts payable turnover; inventory turnover; inventory days outstanding; accounts receivable days outstanding; accounts payable days outstanding; debt to equity; debt to capital; current ratio; return on equity; return on assets; return on net assets; return on invested capital; return on gross assets; return on tangible assets; cash flow return on investment; cash value added; price to earnings ratio; market to book ratio; market to capital ratio; cost of capital; cost of debt; cost of equity; market risk premium; stock price appreciation with or without divisions; total shareholder return; economic value added; economic profit; sales growth percentage; EPS growth percentage; cash flow growth year over year; return on total capital; ESG performance metrics; or any combination of the foregoing. Performance criteria may be measured solely on a corporate, subsidiary, business unit or individual basis, or a combination thereof; may be measured in absolute levels or relative to another company or companies, a peer group, an index or indices or Company performance in a previous period; and may be measured annually or over a longer period of time. Satisfaction of Common Stock ownership guidelines may also be a prerequisite to payment.

(ii) Establishment of Performance Goals. The performance goals for each Performance-Based ~~(162(m))~~ Award and the amount payable or distributable depending on the extent to which those goals are met shall be established in writing for each specified period of performance by the Committee *no later than 90 days after the commencement of the period of service to which the performance goals relate and* while the outcome of whether or not those goals will be achieved is substantially uncertain. *However, in no event will such goals be established after 25% of the period of service to which the goals relate has elapsed.*

(iii) Limited Discretion to Adjust Payment. If the applicable performance goals under a ~~162(m)~~ Award are achieved for a given performance period, the Committee nevertheless has full discretion to reduce or eliminate the amount otherwise payable for that performance period. Under no circumstances may the Committee use discretion to increase the amount payable to a participant under a ~~162(m)~~ Award.

(iv) Limitation on Certain Awards. Except for Stock Options and Tandem SARs, in any fiscal year of the Company no Covered Employee may receive aggregate distributions of more than \$2,500,000 from Awards which are also ~~162(m)~~ Awards.

(h) Maximum Distributions. In no event shall the total distributions of Common Stock under the Plan exceed the number of shares reserved under Section 3 (as such number may be adjusted as provided in Section 16).

(i) Compliance with Code Section 409A. It is intended that no Award granted under the Plan shall be subject to any interest or additional tax under Section 409A of the Code, and the terms of the Plan should be construed accordingly. In the event Code Section 409A is amended after the date hereof, or regulations or other guidance is promulgated after the date hereof that would make an Award under the Plan subject to the provisions of Code Section 409A, then the terms and conditions of the Plan shall be interpreted and applied, to the extent possible, in a manner to avoid the imposition of the provisions of Code Section 409A. Notwithstanding the preceding, a participant shall be responsible for any and all tax liabilities, including liability under 409A (but excluding the employer's share of employment taxes) with respect to Awards made to the participant; and neither the Committee nor the Company shall have any liability to a participant for reimbursement or otherwise on account of any such tax liabilities which may be imposed on the participant.

(j) Amendments to Awards. The Committee reserves the right to amend the terms of any outstanding Award, provided that:

(i) No amendment may reduce the rights of the recipient of the Award without the consent of such recipient; and

(ii) Except for adjustments described in Section 16, shareholder approval shall be required to (A) reduce the exercise price of outstanding Stock Options or Tandem SARs or (B) cancel outstanding Stock Options or Tandem SARs in exchange for cash or other Awards having an exercise price that is less than the exercise price of the original Stock Options or Tandem SARs.

(k) Limitation on Acceleration Upon Change of Control. No Award may permit acceleration of vesting or payment by reason of a Change of Control of the Company prior to the date on which the Change of Control is consummated, except where the participant's employment is terminated within 90 days prior to a Change of Control at the direction of a third party who, at such time, had taken steps reasonably calculated to effect the Change of Control, and acceleration in such event is expressly provided for in a written severance agreement with the participant the terms of which have been approved by the Committee. For purposes of this section 15(k), "Change of Control" means any of the following events:

(i) The individuals who constitute the Board on the effective date of the Award (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the effective date of the Award whose election or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Securities and Exchange Commission Rule 14a-11) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or

(ii) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) directly or indirectly acquires or beneficially owns (as defined in Rule 13d-3 under the Exchange Act) more than either (x) 50% of the then outstanding shares of Common Stock ("Outstanding Common Stock") or (y) 50% of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors ("Outstanding Voting Securities"), provided that no acquisition or beneficial ownership by the Company or a Subsidiary or an employee benefit plan (or related trust) sponsored or maintained by the Company or a Subsidiary shall be considered in determining if either of such thresholds has been met; or

(iii) The sale or other disposition of all or substantially all of the assets of the Company (in a single transaction or a series of transactions, provided that in the latter case the date of consummation of the Change of Control shall be the date on which the first sale or disposition in such series occurs); or

(iv) The commencement of a shareholder-approved liquidation or dissolution of the Company; or

(v) The consummation of a reorganization, merger, share exchange or consolidation (a "Business Combination"), unless immediately after the Business Combination:

(A) All or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of both the outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or other governing body) of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company through one or more subsidiaries); and

(B) No individual, entity or group (excluding any employee benefit plan or related trust of the entity resulting from such Business Combination) beneficially owns, directly or indirectly, more than 50% of either the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities of such entity entitled to vote generally in the election of directors (or other governing body) of the entity resulting from such Business Combination, except to the extent that such individual, entity or group owned more than 50% of the Outstanding Common Stock or Outstanding Voting Securities prior to the Business Combination; and

(C) At least a majority of the members of the board of directors or other governing body of the entity resulting from such Business Combination were members of the Board at the time of the execution of the initial agreement, or at the time of the initial Board action, approving such Business Combination.

Notwithstanding the foregoing, "Change of Control" shall not include a transaction commonly known as a Reverse Morris Trust transaction.

(l) Employment Requirement. Except as otherwise herein provided or determined by the Committee, a participant, in order to be entitled to receive any distribution in respect of an Award, must be continuously in the employ of the Company or a Subsidiary from the effective date of the Award until the expiration of the relevant performance and/or service period, except for leaves of absence which may be approved by the Company, and except that:

(i) Exception for Retirement. For a participant whose employment terminates on account of retirement with the approval of the Committee, except as may otherwise be determined by the Committee in its sole discretion:

(A) Any Award granted to the participant within 12 months prior to the participant's retirement date shall be forfeited and no distribution shall be made;

(B) With respect to any other outstanding Award, that portion, if any, of the Award for which the distribution date has been accelerated in full or in part due to satisfaction of the applicable performance goal(s) prior to the participant's retirement date shall vest and be distributed in full;

(C) All other outstanding Awards (including any non-distributed portion of an Award distributed in part under the preceding clause (B)) shall vest and be distributed pro rata based on the number of months elapsed during the Award Term as of the retirement date compared to the total number of months in the Award Term; and

(D) Any distribution to which the retired participant shall be entitled under this section 15(l) shall be made as soon as administratively feasible but not later than 2½ months after the participant's retirement date.

(ii) Discretionary Exception for Death or Disability. The Committee, in its absolute discretion, may make such full, pro-rata, or no share distribution as it may determine, to a participant whose employment terminates on account of death or disability (as defined in section 6(h)(ii)), prior to the time the participant is entitled to receive distribution in respect of the Award. If termination is on account of death, the Committee may make any distribution it authorizes to the participant's surviving spouse, heirs or estate, as the Committee may determine.

16. Adjustments to Stock-Based Awards Upon Changes in Capitalization or Corporate Acquisitions.

(a) Notwithstanding any other provisions of the Plan, Stock Option and Tandem SAR agreements may contain such provisions as the Committee shall determine to be appropriate for the adjustment of the number and class of shares subject to each outstanding Stock Option or Tandem SAR and the Stock Option prices and Tandem SAR exercise amounts in the event of changes in the outstanding Common Stock by reason of stock dividends, stock splits, reverse stock splits, recapitalization, mergers, consolidations, split-ups, combinations or exchanges of shares and the like; and in the event of any such change in the outstanding Common Stock, the aggregate number and class of shares available under the Plan and the maximum number of shares and respective exercise prices as to which Stock Options and Tandem SARs which have been granted or may be granted to any individual shall be appropriately adjusted by the Committee, whose determination shall be conclusive.

(b) In the event the Company or a Subsidiary enters into a transaction described in Section 424(a) of the Code with any other corporation, the Committee may grant a Stock Option or Tandem SAR to employees or former employees of such corporation in substitution of a Stock Option or Tandem SAR previously granted to them upon such terms and conditions as shall be necessary to qualify such grant as a substitution described in Section 424(a) of the Code.

(c) In the event of stock dividends, stock splits or reverse stock splits affecting the number of outstanding shares of Common Stock during the term of the Plan, appropriate adjustments shall be made to outstanding Awards, including but not limited to per-share-based objectives and the number of shares awarded, if and as may be required in the Committee's discretion to fairly reflect the effect of such stock dividend, stock split or reverse stock split on the interests of the recipients of the Awards.

(d) In the event of a special, non-recurring distribution with respect to Common Stock, the Committee may (i) adjust the number of shares subject to each outstanding Stock Option and Tandem SAR, and the exercise price per share in such manner as it deems just and equitable to reflect such distribution, and (ii) pay such special bonus or take such other action with respect to PARS Awards, Other Restricted Share Awards and Other Stock-Based Awards as it deems just and equitable to reflect such distribution.

(e) In no event shall the foregoing adjustments cause the total number of shares used under the Plan to exceed the number authorized under Section 3 (as may be adjusted).

17. Data Privacy.

As a condition of acceptance of an Award, each participant explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in this Section 17 for the exclusive purpose of implementing, administering and managing the participant's participation in the Plan. The participant understands that the Company holds certain personal information about the participant, including the participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to Common Stock awarded, canceled, exercised, vested, unvested or outstanding in the participant's favor, for the purpose of implementing, managing and administering the Plan (the "Data"). The participant further understands that the Company may transfer the Data internally as necessary for the purpose of implementation, management and administration of the participant's participation in the Plan, and that the Company may further transfer the Data to any third parties assisting the Company in the implementation, management, and administration of the Plan. The participant understands that these recipients may be located in the participant's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than the participant's country. The participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The participant, through participation in the Plan and acceptance of an Award under the Plan, authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the participant may elect to deposit any Shares. The participant understands that the Data will be held only as long as is necessary to implement, manage, and administer the participant's participation in the Plan. The participant understands that he or she may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data, or refuse or withdraw the consents herein in writing, in any case without cost, by contacting the Company's Vice President of Human Resources. The participant understands that refusal or withdrawal of consent may affect the participant's ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, the participant understands that he or she may contact the Company's Vice President of Human Resources.

18. Effectiveness of the Plan.

The Plan shall become effective upon and subject to approval by the shareholders of the Company within twelve (12) months after the date of its adoption by the Board at a duly convened meeting of shareholders. Grants of Awards may be made after adoption of the Plan by the Board and prior to such shareholder approval, but all Awards made prior to shareholder approval shall be subject to the obtaining of such approval and if such approval is not obtained, such Awards shall not be effective for any purpose.

19. Amendment and Termination.

Either the Board or the Committee may at any time amend or terminate the Plan; provided, however, that neither the Board nor the Committee may, without shareholder approval, increase (except under the anti-dilution provisions hereof, including those under Section 16) either the maximum number of shares as to which Stock-Based Awards may be granted under the Plan or any specified limit on any particular type or types of Award, or change the class of employees to whom an Award may be granted, or withdraw the authority to administer the Plan from a committee whose members satisfy the requirements of Section 4(a). No amendment or termination of the Plan may adversely affect any holder of an outstanding Award without the consent of the holder.

20. Term of Plan.

Unless terminated earlier pursuant to Section 19, the Plan shall terminate five (5) years after the date on which it is approved and adopted by the shareholders pursuant to Section 18, and no Award shall be granted hereunder after the termination of the Plan. Awards outstanding at the termination of the Plan shall continue in accordance with their terms and shall not be affected by such termination.



NEWS FROM

For more information contact:

Kate Lowrey
Director, Investor Relations
ESCO Technologies Inc.
(314) 213-7277

ESCO ANNOUNCES FISCAL 2020 RESULTS

- *GAAP EPS \$3.90 (Includes Technical Packaging Gain and Pension Termination Charge) –*
- *Adjusted EPS \$2.76 (Tops Consensus Estimate)*
- *Net Debt of \$10 Million, Leverage Ratio 0.47x, Liquidity of \$725 Million -*

ST. LOUIS, November 19, 2020 – ESCO Technologies Inc. (NYSE: ESE) (ESCO, or the Company) today reported its operating results for the fourth quarter (Q4 2020) and fiscal year (2020) ended September 30, 2020.

COVID-19 Update

Vic Richey, Chairman and Chief Executive Officer, commented, “As we continue to manage through the COVID-19 global pandemic, we remain focused on the health and safety of our employees, customers and suppliers, thereby securing the financial well-being of the Company.

“Our 2020 results reflect the importance of maintaining diversity across our end-markets, as this diversity, coupled with our strong balance sheet and substantial liquidity will support our long-term growth. Because of our multi-segment platform, we were able to partially mitigate COVID-19’s impact on sales and earnings as we reported 2020 sales of \$733 million with an Adjusted EBITDA of \$137 million and Adjusted EPS of \$2.76 per share. Additionally, we generated record cash flow in 2020 and paid down our net debt to \$10 million resulting in a 0.47 leverage ratio at September 30th. Driven by effective cost management, solid operating execution, and acquisition contributions, we delivered solid performance in a challenging year.

“I’m confident that our well-tested operating model and our track record of taking action to reduce spending and resize the business will position us for solid earnings growth as our end-markets return to normal.

“Our deep and experienced leadership team has us well-positioned for the future and we continue to invest in growth initiatives both organically and through acquisition. The fundamentals of our portfolio remain strong and our goal remains the same – to create long-term shareholder value.”

2020 Discrete Items

On January 2, 2020, the Company announced that it had completed the sale of its Technical Packaging segment effective December 31, 2019 which resulted in \$191 million of gross cash proceeds and \$77 million, or \$2.93 per share of net earnings from discontinued operations. Earnings from discontinued operations are excluded from Adjusted EBITDA and Adjusted EPS.

In Q4 2020, the Company completed its previously announced “Pension Plan Termination” and fully funded, terminated, and annuitized its defined benefit pension plan. Annuitizing this non-strategic liability through an insurance company removes equity market risk and interest rate volatility, reduces ongoing costs, and eliminates future cash payments. The termination resulted in a \$41 million, or \$1.55 per share non-cash charge, which is excluded from the calculation of Adjusted EBITDA and Adjusted EPS.

Additionally, the Company took cost reduction actions in Q4 2020 to lower its Aerospace & Defense (A&D) and Utility Solutions Group (USG) segments’ operating costs by reducing headcount, eliminating certain under-performing product lines, and reducing the footprint at a less-efficient manufacturing operation. As a result, the Company recognized \$6 million, or \$0.18 per share of discrete charges in Q4 2020 (total of \$8 million, or \$0.24 for the full year) which are excluded from the calculation of Adjusted EBITDA and Adjusted EPS in their respective periods. Certain additional period costs related to these items will be recognized in 2021.

Discontinued operations, the pension termination, and the cost reduction actions are collectively referred to as the “2020 Discrete Items” in the following discussion.

The financial results presented include certain non-GAAP financial measures such as EBIT, EBITDA, Adjusted EBITDA and Adjusted EPS, as defined within the “Non-GAAP Financial Measures” described below. Any non-GAAP financial measures presented are reconciled to their respective GAAP equivalents.

Management believes these non-GAAP financial measures are useful in assessing the ongoing operational profitability of the Company’s business segments, and therefore, allow shareholders better visibility into the Company’s underlying operations. See “*Non-GAAP Financial Measures*” described below.

Subsequent Event – Acquisition

On October 22, 2020, the Company acquired Advanced Technology Machining, Inc. and its affiliate TECC Grinding, Inc. (collectively TECC and ATM referred to as “ATM”), small, privately held manufacturers of precision machined metal parts serving the aerospace, defense, and space industries. Located in Valencia, California near Crissair’s facility, ATM has a solid customer base supplying custom-designed parts widely used on defense and commercial aircraft, as well as missile and tank programs.

ATM will become part of Crissair in the A&D operating segment and has annual sales of approximately \$7 million with EBITDA margin percentages in the high teens.

Vic Richey ESCO’s Chairman and CEO, commented, “ATM is a great addition to the Crissair portfolio of products, and I welcome the ATM team to ESCO, and look forward to growing their sales of high-quality products which serve the same end users in A&D that we serve today.”

Earnings Summary – Full Year

2020 GAAP EPS was \$3.90 per share (GAAP net earnings of \$102 million) and included the net earnings impact of the 2020 Discrete Items described above. Excluding the net earnings impact of the 2020 Discrete Items, 2020 Adjusted EPS was \$2.76 per share.

2019 GAAP EPS was \$3.10 per share (GAAP net earnings of \$81 million) and included \$0.15 per share from discontinued operations and other non-operating items described in prior releases. Excluding discontinued operations and other non-operating items, 2019 Adjusted EPS was \$2.95 per share.

2020 Adjusted EBITDA was \$137 million, compared to 2019 Adjusted EBITDA of \$141 million.

Earnings Summary – Q4

Q4 2020 GAAP EPS was (\$0.81) per share (GAAP net loss of \$21 million) and included the quarterly impact of the 2020 Discrete Items. Excluding the net earnings impact of the 2020 Discrete Items, Q4 2020 Adjusted EPS was \$0.90 per share.

Q4 2019 GAAP EPS was \$0.95 per share (GAAP net earnings of \$25 million) and included \$0.07 per share from discontinued operations and other non-operating items described in prior releases. Excluding discontinued operations and other non-operating items, Q4 2019 Adjusted EPS was \$1.02 per share.

Q4 2020 Adjusted EBITDA was \$42 million, compared to Q4 2019 Adjusted EBITDA of \$48 million.

Operating Highlights

- Net sales increased \$7 million in 2020 to \$733 million, compared to \$726 million in 2019.
 - A&D segment sales increased \$29 million (9 percent) from 2019, including a \$41 million increase in navy and space sales from Globe (full year contribution), Westland, and Vacco, partially offset by lower commercial aerospace sales due to COVID-19.
 - Test sales were \$187 million in 2020 compared to \$188 million in 2019, driven by strong chamber project sales, offset by timing delays on certain installation projects due to COVID-19 related customer closure mandates and on-site personnel restrictions at customer locations.
 - USG sales decreased \$20 million in 2020 due to deferrals of various project deliverables as utility customers re-aligned their short-term maintenance and spending protocols to focus on uninterrupted power delivery due to COVID-19. Maintenance deferrals also reflect various mandates restricting on-site personnel at substations, large transformers and other customer locations. Q4 2020 sales were only down \$2 million from Q4 2019 as USG began seeing some recovery in customer spending.
 - SG&A expenses decreased \$3 million in 2020 driven by cost mitigation programs implemented to help offset the negative sales impact from COVID-19, despite continued spending on R&D and new product development to enhance future growth.
 - 2020 non-cash amortization of intangible assets increased \$3 million, or 18 percent, compared to 2019 as a result of the Globe acquisition.
-

- Interest expense decreased in 2020 due to the lower net debt outstanding.
- The effective income tax rate used for determining Adjusted EPS was approximately 18 percent in 2020 and 20 percent in 2019 as both periods were favorably impacted by tax reduction initiatives.
- Entered orders were \$799 million in 2020 (book-to-bill of 1.09x) resulting in an ending backlog of \$517 million at September 30, 2020, an increase of \$66 million, or 15 percent, from September 30, 2019.
- 2020 net cash provided by operating activities from continuing operations was \$109 million, and included a \$26 million cash payment to fund the pension plan termination completed in Q4 2020. Net debt (total borrowings, less cash on hand) was \$10 million at September 30, 2020 reflecting a 0.47x leverage ratio.

Chairman's Commentary

Vic Richey, Chairman and Chief Executive Officer, commented, "While 2020 was a clearly a challenging year, there are several highlights to touch on in this unprecedented period.

"The key highlight of 2020 was the strength of our cash generation, which was driven by the sale of our packaging business and our increased focus on working capital management to improve and increase our liquidity. We believe we will benefit from this strong liquidity position during 2021 as we continue our pursuit of acquisitions and expand our internal investments in new product development across the company.

"The performance of the Test segment in 2020 was also noteworthy as we increased our EBIT margin to 14.6 percent, up from 13.6 percent in 2019 despite flat sales. Our A&D segment demonstrated its resilience by delivering an EBIT margin of 21.1 percent despite a decrease in high-margin commercial aerospace sales. A&D's solid margin was driven by its program, product and end-market diversity, as the navy and defense markets remained strong which offset the decline in commercial aerospace. PTI, Crissair and Mayday's sales decline reflected the reduction in both OEM build rates and air traffic, while Globe, Vacco and Westland outperformed on their navy / submarine platforms.

"While we expect the softness in commercial aerospace deliveries to continue for the next few quarters, the commercial aerospace industry continues to see signs of a recovery emerging as several airlines are bringing more of their idled fleets back into service and daily aircraft passenger boarding has been increasing.

"The defense portion of A&D, both military aerospace and navy products, is expected to remain strong for the foreseeable future given its sizeable backlog coupled with the timing of expected platform deliveries.

"We expect Test to remain relatively solid given the strength of its served markets, primarily related to new communications technologies such as 5G and our growing shielding business. Our view of 5G's future is favorable given the size of the investments being made by numerous large, global companies leading the development of this technology.

"USG sales remained soft over the second half of 2020 as utility customers continued deferring test equipment purchases and maintenance-related projects to focus their resources on issues such as critical power delivery. Given their ongoing travel and site access restrictions, Doble's service business was largely on hold in the second half of the year while utilities tried to reduce personal safety risks.

“On the positive side, USG’s order pipeline was solid in 2020 with over \$200 million in new orders received. A significant number of the orders at Doble related to cyber security solutions such as the DUCe, and I’m pleased to see the enthusiasm being generated in the market surrounding several new products and solutions recently introduced. We continue to see NRG’s end markets recovering as investments in renewable energy have been increasing in both wind and solar. Our new products supporting solar have been growing far better than anticipated and we expect that growth to continue.

“We expect Doble’s customer spending softness to continue for the next few quarters before returning to normal levels. We take comfort knowing that COVID-19 does not change the fundamentals of the global utility market as society needs reliable, safe and secure electricity. While customers can defer testing and maintenance for a period of time, they cannot do it indefinitely without significantly increasing the risk of catastrophic failure.

“Doble is using this temporary pause in the market to accelerate development of several new products and software solutions that we expect to introduce over the next several quarters.

“Wrapping up 2020, I’m pleased that we were able to generate substantial cash from operations and maintain our Adjusted EBITDA margin at 19 percent despite the lower contribution from our highest margin businesses.

“Given our solid financial condition, we plan to use a portion of our liquidity and debt capacity to fund future acquisitions and grow our business. We continue to evaluate a robust pipeline of M&A opportunities, but we are taking a particularly prudent and deliberate approach evaluating our near-term targets. As end-markets continue to settle down and more clarity appears in our targeted areas, we are comfortable adding to our current portfolio and capitalizing on today’s slightly lower valuations.

“Despite the recent economic challenges, we plan to continue our history of proven cost management and believe that we will benefit from our disciplined operating culture to minimize our risks going forward. We have positioned ourselves favorably from a cost structure standpoint entering 2021, and we anticipate a gradual return to a more normal operating environment. I continue to have a strong, favorable view of our future.”

Dividend Payment

The next quarterly cash dividend of \$0.08 per share will be paid on January 19, 2021 to stockholders of record on January 4, 2021.

2021 Annual Meeting

The 2021 Annual Meeting of the Company’s Shareholders will be held on February 5, 2021.

Business Outlook – 2021 (COVID Uncertainty)

In mid-year 2020, business disruptions related to the pandemic started to affect the Company’s operations and continued throughout the balance of the year. Entering 2021, the commercial aerospace and utility end-markets are seeing some degree of customer stabilization, as well as notable pockets of recovery. However, there is still some uncertainty as to the timing and pace of the recovery in these areas.

The prospect of a viable COVID-19 vaccine will certainly benefit and accelerate the anticipated recovery of commercial air travel and utility spending with customers resuming normal testing protocols and equipment purchases, but Management determined it is best to take a “wait and see” approach for at least the next 90 days before resuming specific and finite guidance.

Given this uncertainty, it is difficult to predict how 2021 will be affected using our normal forecasting methodologies, therefore, the Company will continue the suspension of forward-looking guidance.

To assist shareholders and analysts, Management will offer “directional” guidance for 2021, by stating we are seeing tangible signs of recovery in the second half of fiscal 2021 that point to a solid outlook for the back half of the year.

Given the strength of the first half of 2020 pre-COVID, it is projected that the first half of 2021 will be a slightly lower comparison to 2020’s first half. The outlook for the second half of 2021 is expected to be a favorable comparison to the second half of 2020 given the tangible elements of recovery we are anticipating.

Management’s current expectations for the 2021 outlook show growth in Sales, Adjusted EBITDA, and Adjusted EPS compared to 2020, with Adjusted EBITDA and Adjusted EPS reasonably consistent with 2019.

Conference Call

The Company will host a conference call today, November 19th, at 4:00 p.m. Central Time, to discuss the Company’s 2020 results. A live audio webcast will be available on the Company’s website at www.escotechnologies.com. Please access the website at least 15 minutes prior to the call to register, download and install any necessary audio software. A replay of the conference call will be available on the Company’s website noted above or by phone (dial 1-855-859-2056 and enter the pass code 2765908).

Forward-Looking Statements

Statements in this press release regarding the future impacts of COVID-19, including the impact of a viable COVID-19 vaccine on the Company’s results, the financial success of the Company, the strength of its end markets, including without limitation, the slowdown in commercial aerospace and the timing of expected recovery, growth in the Company’s solar business, the outlook for the A&D, Test and USG segments, the ability to increase shareholder value, the success of acquisition efforts, internal investments in new products, the long-term success of the Company, and any other statements which are not strictly historical are “forward-looking” statements within the meaning of the safe harbor provisions of the federal securities laws.

Investors are cautioned that such statements are only predictions and speak only as of the date of this release, and the Company undertakes no duty to update them except as may be required by applicable laws or regulations. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including but not limited to those described in Item 1A, "Risk Factors", of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2019, in Item 8.01 of the Company's Form 8-K filed May 6, 2020, and the following: impacts arising from COVID-19 including without limitation labor shortages due to illness, shelter in place policies or quarantines, material shortages, transportation delays, delays or termination of Company contracts, the inability of our suppliers to perform, weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; inability to access work sites; competition; intellectual property rights; technical difficulties; delivery delays or defaults by customers; material changes in the costs and availability of certain raw materials; the appropriation, allocation and availability of Government funds; the termination for convenience of Government and other customer contracts; the timing and content of future contract awards or customer orders; performance issues with key customers, suppliers and subcontractors; labor disputes; the impacts of natural disasters on the Company's operations and those of the Company's customers and suppliers; changes in laws and regulations, including but not limited to changes in accounting standards, taxation requirements, and new or modified tariffs; changes in interest rates; costs relating to environmental matters arising from current or former facilities; the availability of select acquisitions; and the uncertainty regarding the ultimate resolution of current disputes, claims, litigation or arbitration.

Non-GAAP Financial Measures

The financial measures EBIT, EBITDA, Adjusted EBITDA and Adjusted EPS are presented in this press release. The Company defines "EBIT" as earnings before interest and taxes, "EBITDA" as earnings before interest, taxes, depreciation and amortization, "Adjusted EBITDA" as EBITDA excluding certain defined charges, and "Adjusted EPS" as GAAP earnings per share (EPS) excluding the net impact of the items described above which were \$1.73 per share in Q4 2020 and \$1.79 per share in 2020.

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

ESCO, headquartered in St. Louis, Missouri: Manufactures highly-engineered filtration and fluid control products for the aviation, navy, space and process markets worldwide, as well as composite-based products and solutions for navy, defense and industrial customers; is the industry leader in RF shielding and EMC test products; and provides diagnostic instruments, software and services for the benefit of industrial power users and the electric utility and renewable energy industries. Further information regarding ESCO and its subsidiaries is available on the Company's website at www.escotechnologies.com.

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

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Net Sales	\$ 208,030	213,177
Cost and Expenses:		
Cost of sales	129,763	126,961
Selling, general and administrative expenses	40,467	43,641
Amortization of intangible assets	5,247	5,276
Interest expense	1,466	2,506
Pension plan termination charge	40,600	-
Other expenses, net	6,948	4,201
Total costs and expenses	<u>224,491</u>	<u>182,585</u>
(Loss) earnings before income taxes	(16,461)	30,592
Income tax expense	5,347	7,319
(Loss) earnings from continuing operations	(21,808)	23,273
Earnings from discontinued operations, net of tax (benefit) expense of \$(502) and \$535, respectively	<u>502</u>	<u>1,585</u>
Net earnings	<u>\$ (21,306)</u>	<u>24,858</u>
Diluted EPS:		
Diluted - GAAP		
Continuing operations	\$ (0.83)	0.89
Discontinued operations	0.02	0.06
Net earnings	<u>\$ (0.81)</u>	<u>0.95</u>
Diluted - As Adjusted Basis		
Continuing operations	<u>\$0.90(1)</u>	<u>1.02(2)</u>
Diluted average common shares O/S:	<u>26,163</u>	<u>26,146</u>

- (1) Q4 FY 20 Adjusted EPS excludes \$1.55 per share of charges related to the pension plan termination and \$0.18 per share of charges incurred within the USG and A&D segments due to facility consolidation, asset impairment and severance charges in the fourth quarter of FY 20.
- (2) Q4 FY 19 Adjusted EPS excludes \$0.13 per share net impact of purchase accounting charges related to the Globe acquisition and restructuring charges incurred primarily at Doble, PTI and VACCO during the fourth quarter of FY 19.

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

	Year Ended September 30, 2020	Year Ended September 30, 2019
Net Sales	\$ 732,915	726,044
Cost and Expenses:		
Cost of sales	457,418	437,998
Selling, general and administrative expenses	159,490	162,734
Amortization of intangible assets	21,812	18,492
Interest expense	6,730	8,092
Pension plan termination charge	40,600	-
Other expenses, net	7,122	851
Total costs and expenses	<u>693,172</u>	<u>628,167</u>
Earnings before income taxes	39,743	97,877
Income tax expense	<u>14,278</u>	<u>20,388</u>
Earnings from continuing operations	25,465	77,489
(Loss) earnings from discontinued operations, net of tax expense of \$269 and \$789	(601)	3,550
Gain on sale of discontinued operations, net of tax expense of \$23,232	77,116	-
Earnings from discontinued operations	<u>76,515</u>	<u>3,550</u>
Net earnings	<u>\$ 101,980</u>	<u>81,039</u>
Diluted EPS:		
Diluted - GAAP		
Continuing operations	\$ 0.97	2.97
Discontinued operations	2.93	0.13
Net earnings	<u>\$ 3.90</u>	<u>3.10</u>
Diluted - As Adjusted Basis		
Continuing operations	<u>\$2.76(1)</u>	<u>2.95(2)</u>
Diluted average common shares O/S:	<u>26,135</u>	<u>26,097</u>

- (1) FY20 Adjusted EPS excludes \$1.55 per share of charges related to the pension plan termination and \$0.24 per share of charges within the USG and A&D segments related to facility consolidation, asset impairment, severance charges, and the incremental costs associated with COVID-19.
- (2) FY 19 Adjusted EPS excludes \$0.02 per share of after-tax income mainly resulting from the gain on the sale of the Doble Watertown property partially offset by certain restructuring charges primarily at Doble, PTI & VACCO.

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

	GAAP		As Adjusted	
	Q4 2020	Q4 2019	Q4 2020	Q4 2019
Net Sales				
Aerospace & Defense	\$ 97,613	96,966	97,613	96,966
USG	52,524	54,276	52,524	54,276
Test	57,893	61,935	57,893	61,935
Totals	<u>\$ 208,030</u>	<u>213,177</u>	<u>208,030</u>	<u>213,177</u>
EBIT				
Aerospace & Defense	\$ 21,555	23,050	22,075	23,459
USG	4,058	11,708	9,884	12,715
Test	9,718	10,849	9,718	10,849
Corporate	(50,326)	(12,509)	(9,718)	(9,349)
Consolidated EBIT	(14,995)	33,098	31,959	37,674
Less: Interest expense	(1,466)	(2,506)	(1,466)	(2,506)
Less: Income tax expense	(5,347)	(7,319)	(6,872)	(8,386)
Net (loss) earnings from cont ops	<u>\$ (21,808)</u>	<u>23,273</u>	<u>23,621</u>	<u>26,782</u>

Note 1: Adjusted net earnings were \$23.6 million in Q4 20 which excluded \$40.6 million (or \$1.55 per share) net impact related to the pension plan termination and \$6.3 million (or \$0.18 per share) of pretax charges incurred within the USG and A&D segments due to facility consolidation, asset impairment and severance charges in the fourth quarter of FY 20.

Note 2: Adjusted net earnings were \$26.8 million in Q4 19 which excluded \$3.5 million (or \$0.13 per share) net impact of the purchase accounting charges related to the Globe acquisition and the restructuring charges incurred at Doble, PTI and VACCO during the fourth quarter of FY 19.

EBITDA Reconciliation to Net earnings:

	Q4 2020	Q4 2019	Adjusted Q4 2020	Adjusted Q4 2019
Consolidated EBITDA	\$ (4,723)	43,291	42,231	47,867
Less: Depr & Amort	(10,272)	(10,193)	(10,272)	(10,193)
Consolidated EBIT	(14,995)	33,098	31,959	37,674
Less: Interest expense	(1,466)	(2,506)	(1,466)	(2,506)
Less: Income tax expense	(5,347)	(7,319)	(6,872)	(8,386)
Net (loss) earnings from cont ops	<u>\$ (21,808)</u>	<u>23,273</u>	<u>23,621</u>	<u>26,782</u>

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

	GAAP		As Adjusted	
	FY 2020	FY 2019	FY 2020	FY 2019
Net Sales				
Aerospace & Defense	\$ 354,320	325,735	354,320	325,735
USG	191,703	211,915	191,703	211,915
Test	186,892	188,394	186,892	188,394
Totals	\$ 732,915	726,044	732,915	726,044
EBIT				
Aerospace & Defense	\$ 73,213	70,142	74,618	71,316
USG	24,368	52,169	30,974	46,282
Test	27,201	25,640	27,270	25,640
Corporate	(78,309)	(41,982)	(37,510)	(38,153)
Consolidated EBIT	46,473	105,969	95,352	105,085
Less: Interest expense	(6,730)	(8,092)	(6,730)	(8,092)
Less: Income tax expense	(14,278)	(20,388)	(16,265)	(19,903)
Net earnings from cont ops	\$ 25,465	77,489	72,357	77,090

Note 1: Adjusted net earnings were \$72.4 million in FY 20 which excluded \$40.6 million (or \$1.55 per share) net impact related to the pension plan termination and \$8.3 million (or \$0.24 per share) of pretax charges within the USG and A&D segments related to facility consolidation, asset impairment, severance charges, and the incremental costs associated with COVID-19.

Note 2: Adjusted net earnings were \$77.1 million in FY 19 which excluded \$0.4 million (or \$0.02 per share) of after-tax income mainly resulting from the gain on the sale of the Doble Watertown property partially offset by certain restructuring charges at Doble, PTI & VACCO.

EBITDA Reconciliation to Net earnings:

	FY 2020	FY 2019	Adjusted FY 2020	Adjusted FY 2019
Consolidated EBITDA	\$ 87,811	141,964	136,690	141,080
Less: Depr & Amort	(41,338)	(35,995)	(41,338)	(35,995)
Consolidated EBIT	46,473	105,969	95,352	105,085
Less: Interest expense	(6,730)	(8,092)	(6,730)	(8,092)
Less: Income tax expense	(14,278)	(20,388)	(16,265)	(19,903)
Net earnings from cont ops	\$ 25,465	77,489	72,357	77,090

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

	September 30, 2020	September 30, 2019
Assets		
Cash and cash equivalents	\$ 52,560	61,808
Accounts receivable, net	144,082	158,715
Contract assets	96,746	110,211
Inventories	136,189	124,956
Other current assets	17,053	14,190
Assets of discontinued operations-current	-	25,314
Total current assets	446,630	495,194
Property, plant and equipment, net	139,870	127,843
Intangible assets, net	346,632	381,605
Goodwill	408,063	390,256
Operating lease assets	21,390	-
Other assets	10,938	4,445
Assets of discontinued operations-other	-	67,377
	<u>\$ 1,373,523</u>	<u>1,466,720</u>
Liabilities and Shareholders' Equity		
Current maturities of long-term debt & short-term borrowings	\$ 22,368	20,000
Accounts payable	50,525	63,800
Contract liabilities	100,551	81,177
Other current liabilities	82,585	75,141
Liabilities of discontinued operations-current	-	11,517
Total current liabilities	256,029	251,635
Deferred tax liabilities	60,938	60,856
Non-current operating lease liabilities	16,785	-
Other liabilities	38,176	59,008
Long-term debt	40,000	265,000
Liabilities of discontinued operations-other	-	3,999
Shareholders' equity	961,595	826,222
	<u>\$ 1,373,523</u>	<u>1,466,720</u>

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

	Year Ended September 30, 2020
Cash flows from operating activities:	
Net earnings	\$ 101,980
Earnings from discontinued operations	(76,515)
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation and amortization	41,338
Stock compensation expense	5,550
Changes in assets and liabilities	23,793
Effect of deferred taxes	(2,562)
Pension contributions related to terminated pension plan	(25,650)
Pension plan termination charge	40,600
Net cash provided by operating activities - continuing operations	108,534
Net cash used by operating activities - discontinued operations	(26,254)
Net cash provided by operating activities	82,280
Cash flows from investing activities:	
Capital expenditures	(32,108)
Additions to capitalized software	(9,023)
Net cash used by investing activities - continuing operations	(41,131)
Proceeds from sale of discontinued operations	183,812
Capital expenditures - discontinued operations	(1,728)
Net cash provided by investing activities - discontinued operations	182,084
Net cash provided by investing activities	140,953
Cash flows from financing activities:	
Proceeds from long-term debt and short-term borrowings	12,368
Principal payments on long-term debt	(235,000)
Dividends paid	(8,323)
Other	(3,125)
Net cash used by financing activities - continuing operations	(234,080)
Net cash used by financing activities - discontinued operations	(2,140)
Net cash used by financing activities	(236,220)
Effect of exchange rate changes on cash and cash equivalents	3,739
Net decrease in cash and cash equivalents	(9,248)
Cash and cash equivalents, beginning of period	61,808
Cash and cash equivalents, end of period	\$ 52,560

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

Backlog And Entered Orders - Q4 FY 2020	Aerospace & Defense	Test	USG	Total
Beginning Backlog - 7/1/20	\$ 370,429	126,410	53,709	550,548
Entered Orders	71,845	53,515	49,503	174,863
Sales	(97,613)	(57,893)	(52,524)	(208,030)
Ending Backlog - 9/30/20	<u>\$ 344,661</u>	<u>122,032</u>	<u>50,688</u>	<u>517,381</u>

Backlog And Entered Orders - FY 2020	Aerospace & Defense	Test	USG	Total
Beginning Backlog - 10/1/19	\$ 276,273	133,571	41,715	451,559
Entered Orders	422,708	175,353	200,676	798,737
Sales	(354,320)	(186,892)	(191,703)	(732,915)
Ending Backlog - 9/30/20	<u>\$ 344,661</u>	<u>122,032</u>	<u>50,688</u>	<u>517,381</u>

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

EPS – Adjusted Basis Reconciliation – Q4 FY 20

EPS from Continuing Ops – GAAP Basis – Q4 FY 20	\$	(0.83)
Adjustments (defined below)		1.73
EPS from Continuing Ops – As Adjusted Basis – Q4 FY 20	\$	0.90

Adjustments consist of \$1.55 per share related to the pension plan termination and \$0.18 per share of restructuring charges within the USG and A&D segments due to facility consolidation, asset impairment and severance charges in Q4 FY 20.

(The \$1.73 per share of EPS adjustments consists of \$46.9 million of pre-tax charges offset by \$1.5 million of tax benefit for net impact of \$45.4 million.)

EPS – Adjusted Basis Reconciliation – FY 20

EPS from Continuing Ops – GAAP Basis – FY 20	\$	0.97
Adjustments (defined below)		1.79
EPS from Continuing Ops – As Adjusted Basis – FY 20	\$	2.76

Adjustments consist of \$1.55 per share related to the pension plan termination and \$0.24 per share of restructuring charges within the USG and A&D segments due to facility consolidation, asset impairment, severance and incremental costs associated with COVID-19 in FY 20.

(The \$1.79 per share of EPS adjustments consists of \$48.9 million of pre-tax charges offset by \$2 million of tax benefit for net impact of \$46.9 million.)

EPS – Adjusted Basis Reconciliation – Q4 FY 19

EPS from Continuing Ops – GAAP Basis – Q4 FY 19	\$	0.89
Adjustments (defined below)		0.13
EPS from Continuing Ops – As Adjusted Basis – Q4 FY 19	\$	1.02

Adjustments consist of \$0.13 per share net impact of the purchase accounting charges related to the Globe acquisition and the restructuring charges related to Doble, PTI, & VACCO during Q4 FY 19.

(The \$0.13 per share of EPS adjustments consists of \$4.6 million of pre-tax charges offset by \$1.1 million of tax benefit for net impact of \$3.5 million.)

EPS – Adjusted Basis Reconciliation – FY 19

EPS from Continuing Ops – GAAP Basis – FY 19	\$	2.97
Adjustments (defined below)		(0.02)
EPS from Continuing Ops – As Adjusted Basis – FY 19	\$	2.95

Adjustments consist of \$0.02 per share net impact of income related to the gain on sale of the Doble Watertown property partially offset by certain restructuring charges at Doble, PTI & VACCO in FY 19.

(The \$0.02 per share of EPS adjustments consists of \$0.9 million of pre-tax income offset by \$0.5 million of tax expense for net impact of \$0.4 million.)