SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2002

OR

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

Commission file number: 1-10596

ESCO Technologies Inc.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Missouri (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	43-1554045 (I.R.S. EMPLOYER IDENTIFICATION NO.)
8888 Ladue Road, Ste. 200 St. Louis, Missouri (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	63124-2056 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:

(314) 213-7200

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

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

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

None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form l0-K or any amendment to this Form l0-K. [ ]

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

Aggregate market value of the Common Stock held by non-affiliates of the registrant as of close of business on December 16, 2002: $444,932,178.*

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

Number of shares of Common Stock outstanding at December 16, 2002:12,560,878

DOCUMENTS INCORPORATED BY REFERENCE:

1. Portions of the registrant's Annual Report to Stockholders for fiscal year ended September 30, 2002 (the "2002 Annual Report") (Parts I and II).

2. Portions of the registrant's Proxy Statement dated December 18, 2002 (Part III).

ESCO TECHNOLOGIES INC.
INDEX TO ANNUAL REPORT ON FORM 10-K

PART I

ITEM 1. BUSINESS

THE COMPANY

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

Filtration/Fluid Flow:

PTI Technologies Inc.
PTI Advanced Filtration Inc.
PTI Technologies Limited
PTI S.p.A.
Filtertek Inc.
Filtertek BV
Filtertek de Puerto Rico, Inc.
Filtertek do Brazil Industria E Commerico Limitada
Filtertek SA
VACCO Industries ("VACCO")
ESCO Electronica De Mexico, S.A. de C.V.

Communications:

Distribution Control Systems, Inc. ("DCSI")
Distribution Control Systems Caribe, Inc. ("DCSI-Caribe")
Comtrak Technologies, L.L.C. ("Comtrak")

Test:

EMC Test Systems, L.P. ("ETS")
Lindgren R.F. Enclosures, Inc. ("Lindgren")
Ray Proof Limited
Euroshield OY

Other:

Rantec Power Systems Inc. ("Rantec")

The above operating subsidiaries are engaged primarily in the research, development, manufacture, sale and support of the products and systems described below, and are subsidiaries of ESCO Technologies Holding Inc., a wholly-owned direct subsidiary of ESCO. ESCO and its direct and indirect subsidiaries are hereinafter referred to collectively as the "Company". The Company's businesses are subject to a number of risks and uncertainties, including without limitation those discussed below. See "Management's Discussion and Analysis" appearing in the 2002 Annual Report and "Forward-Looking Information" below.

PRODUCTS

The Company's products are described below. See Note 12 of the Notes to Consolidated Financial Statements in the 2002 Annual Report for financial information regarding segments, which Note is herein incorporated by reference.

FILTRATION/FLUID FLOW

The Company's Filtration/Fluid Flow segment accounted for approximately 52% of the Company's total revenue in fiscal year 2002.

The PTI group of companies develops and manufactures a wide range of filtration products. PTI

Technologies Inc. is a leading supplier of filters to the commercial aerospace and industrial markets. The industrial business includes the supply of filtration products for process and mobile fluid power applications. PTI Advanced Filtration Inc. ("PTA") and its integrated business units of PTI Technologies Limited and PTI S.p.A. (successor to Bea Filtri S.p.A.) produce membrane-based microfiltration and separation products and systems for use in process scale filtration and separation applications. Their key customer segments include the food and beverage, pharmaceutical, healthcare, microelectronics, industrial coatings and petrochemical markets. The acquisition of flat sheet module technology in fiscal 2002 from North Carolina SRT Inc. allows PTA to broaden its filtration and separation product lines for these markets. PTI Technologies Limited, located in England, and PTI S.p.A., located in Italy, primarily serve the European market. VACCO supplies flow control products to the aerospace industry for use in aircraft, satellite propulsion systems, satellite launch vehicles and the space shuttle. VACCO also uses its etched disc technology to produce quiet valves and manifolds for U.S. Navy and severe service industrial applications.

All of the Filtertek entities listed above under "THE COMPANY" are hereinafter collectively referred to as "Filtertek". Filtertek develops and manufactures a broad range of high-volume filtration products at its facilities in North America, South America and Europe. Filtertek's products, which are centered around its insert injection-molding technology wherein a filter medium is inserted into the tooling prior to injection-molding of the filter housing, have widespread applications in the medical and health care markets, automotive fluid system market, and other commercial and industrial markets. Typical Filtertek customers may require daily production of many thousands of units, at very high levels of quality, that are generally produced in highly-automated manufacturing cells. Many of Filtertek's products are produced utilizing patented designs or proprietary product or process design, or both. Filtertek's products are typically supplied to original equipment manufacturers under long-term contracts. In fiscal year 2002, Filtertek introduced a number of new products including diesel fuel injection filters and pleated fuel pump filter modules, newly patented transmission sump filters, new cell culture filtration products, drug delivery flow control devices, and industrial products such as spray paint system filters.

COMMUNICATIONS

In fiscal year 2002, approximately 26% of the Company's total revenue was derived from its Communications segment.

DCSI is a leading manufacturer of two-way power line communication systems for the utility industry. These systems provide electric utilities with a patented communication technology for automatic meter reading, demand-side management and distribution automation (the TWACS(R) systems). Revenue from the TWACS systems accounted for approximately 25%, 16% and 14% of the Company's consolidated revenue in fiscal years 2002, 2001 and 2000, respectively. During fiscal year 2002, DCSI was awarded a $112 million multi-year contract by PPL Electric Utilities Corporation for a TWACS automatic meter reading system. Revenue of $31.5 million was generated from this contract in fiscal 2002. Revenue from this contract is expected to continue through fiscal year 2004. In addition, revenue from a $50 million follow-on contract with Puerto Rico Electric Power Authority awarded in fiscal 2001 amounted to $10.4 million in fiscal 2002. This contract is expected to continue through fiscal year 2006. These contracts may be terminated at the convenience of the customer, in which event the Company is entitled to receive equitable compensation for work performed prior to the termination in addition to reimbursement of costs relating to the termination. In May 2002, the $9.3 million contract awarded to DCSI in fiscal 2001 by Wisconsin Public Service Corp. ("WPS"), after successful completion of its first-phase TWACS system installation, was temporarily halted voluntarily to conduct tests to evaluate the potential impact of stray voltage on dairy farms. The evaluation study concluded that the impact, if any, of power line readings utilizing the TWACS system did not adversely contribute to stray voltage and would not cause the stray voltage to exceed the level of concern previously established by the Public Service Commission of Wisconsin. WPS indicated it was set to resume deployment of its automatic meter reading system and the TWACS technology. However, for reasons unrelated to the TWACS system, WPS voluntarily decided that it would not install the TWACS system on 5,000-6,000 dairy farms, which represent approximately one percent of the total meters in its service territory. Electric utility cooperatives continue to represent a solid business base. In fiscal 2002, revenue of $38 million was generated from a total of 65 such customers.

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

TEST

The Company's Test segment accounted for approximately 19% of the Company's total revenue in fiscal year 2002.

ETS designs and manufactures electromagnetic compatibility ("EMC") test equipment. It also supplies controlled radio frequency ("RF") testing environments (anechoic chambers) and electromagnetic absorption materials for the telecommunications, transportation and industrial sectors. ETS's products include antennas, antenna masts, turntables, current probes, field probes, TEM (transverse electromagnetic) cells, GTEM (gigahertz transverse electromagnetic) cells, calibration equipment and other test accessories required to perform a variety of RF tests. ETS also provides all the design, program management and integration services required to supply customers with turnkey EMC solutions. Following the integration of the operations of Holaday Industries, Inc. into ETS, its products include probes, meters, analysis software, personal protection equipment and components used by original equipment manufacturers and service professionals. ETS now also performs calibration certification services for its probes, meters and other components.

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

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

In fiscal year 2002, the Test segment significantly expanded its Asian presence with the establishment of operations in both China and Japan.

OTHER

The Company's Other products segment represented approximately 3% of the Company's total revenue in fiscal year 2002.

Rantec designs and manufactures high voltage and low voltage power supplies and DC to DC converters which are marketed to a broad range of customers worldwide. Applications include medical and avionics CRT displays, as well as ground-based, shipboard and airborne electronic systems.

MARKETING AND SALES

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

The Company's international sales accounted for approximately 25%, 22% and 23% of the Company's total sales in the fiscal years ended September 30, 2002, 2001 and 2000, respectively. The increase in fiscal 2002 as compared to fiscal 2001 is primarily due to the acquisition of Bea Filtri S.p.A. in June 2001. See Note 12 of the Notes to Consolidated Financial Statements in the 2002 Annual Report for financial information regarding geographic areas.

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

Some of the Company's products are sold directly or indirectly to the U.S. Government under contracts with the Army, Navy and Air Force and subcontracts with prime contractors of such entities. Direct and indirect sales to the U.S. Government accounted for approximately 8%, 12% and 8% of the Company's total sales in the fiscal years ended September 30, 2002, 2001 and 2000, respectively.

INTELLECTUAL PROPERTY

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

With respect to the Filtration/Fluid Flow segment, an increasing number of products are based on patented or otherwise proprietary technology that sets them apart from the competition. Of particular importance to Filtertek is a United States patent covering certain transmission sump filters, which will expire approximately May 1, 2009. In March 2002, the Company acquired exclusive rights to the patent portfolio and related intellectual property of North Carolina SRT Inc. and its affiliate ("NCSRT") (including its flat sheet module technology), a manufacturer of cross-flow filtration and separation modules and equipment. In the Communications segment, many of the products are based on patented or otherwise proprietary technology. Patents covering the products in the Communications segment have varying expiration dates ranging between 2004 and 2013. The Communications segment policy is to seek patent and/or other forms of intellectual property protection on new and improved products, components of products and methods of operation for its businesses, as such developments are made. In the Test and Other segments, patent protection is sought for significant inventions.

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

BACKLOG

Total Company backlog at September 30, 2002 was $293.2 million, representing an increase of $113.1 million (62.8%) from the beginning of the fiscal year backlog of $180.1 million. The backlog of firm orders at September 30, 2002 and September 30, 2001, respectively, was: $80.3 million and $70.8 million for Filtration/Fluid Flow; $170.7 million and $72.8 million for Communications; $34.3 million and $27.4 million for Test; and $8.0 million and $9.1 million for Other. As of September 30, 2002, it is estimated that domestic customers accounted for approximately 81% of the Company's total firm orders, and international customers accounted for approximately 19%. Of the Company's total backlog of orders at September 30, 2002, approximately 69% is expected to be completed in the fiscal year ending September 30, 2003.

PURCHASED COMPONENTS AND RAW MATERIALS

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

COMPETITION

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

Pall Corporation is a major competitor in the Filtration/Fluid Flow market. Other significant competitors in this market include Millipore Corp., Osmonics Inc. and Cuno Inc.

Primary competitors of the Communications segment in the utility communications market include Itron, Inc. and Schlumberger Limited.

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

RESEARCH AND DEVELOPMENT

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

The Company performs research and development at its own expense, and also engages in research and development funded by customers. For the fiscal years ended September 30, 2002, 2001 and 2000, total Company-sponsored research and development expenses were approximately $14.9 million, $9.7 million and $6.1 million, respectively. The increase in fiscal 2002 for Company-sponsored research and development expenses was due to additional investments made within the Filtration/Fluid Flow and Communications segments. Total customer-sponsored research and development expenses were approximately $6.2 million, $5.2 million and $4.0 million for the fiscal years ended September 30, 2002, 2001 and 2000, respectively. All of the foregoing expense amounts exclude certain engineering costs primarily associated with product line extensions, modifications and maintenance, which amounted to approximately $7.8 million, $10.5 million and $8.4 million for the fiscal years ended September 30, 2002, 2001 and 2000, respectively.

ENVIRONMENTAL MATTERS

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

GOVERNMENT CONTRACTS

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

EMPLOYEES

As of November 30, 2002, the Company employed approximately 2,500 persons. Approximately 190 of these employees are covered by a collective bargaining agreement, which will expire in fiscal year 2005.

FINANCING

Effective April 5, 2002, the Company amended its existing $75 million revolving credit facility, changing the previously scheduled reductions and extending the Company's option to increase the credit facility by $25 million through April 11, 2004. The amendment calls for $5 million reductions to the credit facility on each April 11 beginning in 2002 through 2004, with the balance due upon maturity and expiration, April 11, 2005. As of September 30, 2002, the Company had not exercised the increase option, and the revolving line of credit was $70 million. The credit facility is available for direct borrowings and/or the issuance of letters of credit. The credit facility is provided by a group of five banks, led by Bank of America. Substantially all of the assets of the Company are pledged under the credit facility. The credit facility contains customary events of default, including change in control of the Company. See "Management's Discussion and Analysis--Capital Resources & Liquidity" in the 2002 Annual Report, and Note 8 of the Notes to Consolidated Financial Statements in the 2002 Annual Report, which information is herein incorporated by reference.

HISTORY OF THE BUSINESS

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

In March 2002, the Company acquired the exclusive rights to the patent portfolio and related intellectual property of North Carolina SRT, Inc. and its affiliate, a manufacturer of cross-flow filtration and separation modules and equipment. This business is included in the Filtration/Fluid Flow segment.

In fiscal year 2002, the Company completed the consolidation of the operations of Holaday Industries, Inc. and the Lindgren facilities in Minnesota and Florida into the Test segment's new facility in Cedar Park, Texas.

FORWARD-LOOKING INFORMATION

The statements contained in this Item 1. "Business" and in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the 2002 Annual Report concerning the Company's future revenues, profitability, financial resources, utilization of net deferred tax assets, product mix, production and deliveries, market demand, product development, competitive position, impact of environmental matters and statements containing phrases such as "believes", "anticipates", "may", "could", "should", and "is expected to" are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including, but not limited to: further weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; consolidation of internal operations; integration of recently acquired businesses; delivery delays or defaults by customers; termination for convenience of customer contracts; performance issues with key suppliers and subcontractors; collective bargaining and labor disputes; changes in laws and regulations; litigation uncertainty; and the Company's successful execution of internal operating plans.

AVAILABLE INFORMATION

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

ITEM 2. PROPERTIES

The Company's principal buildings contain approximately_________________ square feet of floor space. Approximately ___________________square feet are owned by the Company and approximately __________________square feet are leased. Substantially all of the Company's owned properties are encumbered in connection with the Company's credit facility. See Item 1. "Business--Financing" and Note 8 of the Notes to Consolidated Financial Statements in the 2002 Annual Report, which information is herein incorporated by reference. The principal plants and offices are as follows:

LOCATION	SIZE (SQ. FT.)	SQ. FT. OWNED/ LEASED	LEASE EXPIRATION DATE	PRINCIPAL USE (INDUSTRY SEGMENT)
Oxnard, CA	127,400	Leased	12-29-05	Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Oxnard, CA	125,000	Leased	12-29-05	Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Patillas, PR	110,000	Owned		Manufacturing (Filtration/Fluid Flow)
Durant, OK	100,000	Owned		Manufacturing (Test)
Hebron, IL	99,800	Owned		Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Milan, Italy	85,700	Leased	6-7-13 (w/one 6-year renewal option)	Management, Engineering and Manufacturing (Filtration/Fluid Flow)

Huntley, IL	85,000	Owned		Manufacturing (Filtration/Fluid Flow)
South El Monte, CA	80,800	Owned		Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Cedar Park, TX	70,000	Leased	12-29-05	Management, Engineering and Manufacturing (Test)
Glendale Heights, IL	59,400	Leased	3-31-05 (w/one 5-year and three 3-year renewal options)	Management, Engineering and Manufacturing (Test)
Los Osos, CA	40,000	Owned		Management, Engineering and Manufacturing (Other Products)
Newcastle West, Ireland	37,000	Owned		Manufacturing (Filtration/Fluid Flow)
St. Louis, MO*	35,000	Owned		Management and Engineering (Communications)
Juarez, Mexico	34,400	Leased	12-31-04	Engineering and Manufacturing (Filtration/Fluid Flow)
Sheffield, England	33,500	Owned		Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Plailly, France	33,000	Owned		Engineering and Manufacturing (Filtration/Fluid Flow)
Sao Paulo, Brazil	31,000	Leased	12-14-04	Manufacturing (Filtration/Fluid Flow)
Minocqua, WI	30,200	Leased	3-31-05 (w/one 5-year, and three 3-year renewal options)	Engineering and Manufacturing (Test)
Eura, Finland	29,300	Owned		Management, Engineering and Manufacturing (Test)
Stevenage, England	25,650	Leased	8-11-17 (w/option to terminate on 8-12-07)	Management, Engineering and Manufacturing (Test)
St. Louis, MO	21,800	Leased	8-31-05 (w/two 5-year renewal options)	ESCO Headquarters

Beijing, China	21,400	Leased	3-1-05	Manufacturing (Test)

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* This facility will be replaced in fiscal 2003 by a 58,600 square foot leased facility, with a lease expiration date of March 31, 2008, with two five-year renewal options.

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth certain information as of December 16, 2002 with respect to ESCO's executive officers. These officers have been elected to terms which expire at the first meeting of the Board of Directors after the next annual meeting of stockholders.

Name	Age	Position(s)
Dennis J. Moore *	64	Chairman and Director
Victor L. Richey, Jr.	45	Chief Executive Officer and Director
Charles J. Kretschmer	46	President, Chief Operating Officer and Director
Gary E. Muenster	42	Vice President and Chief Financial Officer
Alyson S. Barclay	43	Vice President, Secretary and General Counsel

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

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

Mr. Moore was Chairman, President and Chief Executive Officer of ESCO from October 1992 until August 2001, Chairman and Chief Executive Officer from August 2001 to October 2002, and Chairman since the latter date.

From February 1997 until March 1998, Mr. Richey was Vice President of Systems & Electronics Inc. (then a subsidiary of ESCO). From March 1998 until October 2000, he was Vice President of ESCO, and was Senior Vice President and Group Executive from October 2000 until August 2001. Mr. Richey was President and Chief Operating Officer from August 2001 until October 2002, and he has been Chief Executive Officer since the latter date.

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

Mr. Muenster was Vice President and Controller of ESCO from February 2000 until October 2002. Since the latter date, he has been Vice President and Chief Financial Officer.

Ms. Barclay has been Vice President, Secretary and General Counsel of ESCO since October 1999.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference to Note 9 of the Notes to Consolidated Financial Statements, "Common Stock Market Price" and "Shareholders' Summary--Capital Stock Information" appearing in the 2002 Annual Report. ESCO does not anticipate, currently or in the foreseeable future, paying cash dividends on the Common Stock, although it reserves the right to do so to the extent permitted by applicable law and agreements. ESCO's dividend policy will be reviewed by the Board of Directors at such future time as may be appropriate in light of relevant factors at that time, based on ESCO's earnings and financial position and such other business considerations as the Board deems relevant. See Item 12 for equity compensation plan information.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item, with respect to selected financial data, is incorporated herein by reference to "Five-Year Financial Summary" and Note 3 of the Notes to Consolidated Financial Statements appearing in the 2002 Annual Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is incorporated herein by reference to "Management's Discussion and Analysis" appearing in the 2002 Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is incorporated herein by reference to "Management's Discussion and Analysis - Market Risk Analysis" appearing in the 2002 Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is incorporated herein by reference to the Consolidated Financial Statements of the Company on pages 25 through 48 and the report thereon of KPMG LLP, independent certified public accountants, appearing on page 50 of the 2002 Annual Report.

At September 30, 2000, the consolidated total of identifiable assets was $331.1 million. The detail by segment consisted of the following: Filtration/Fluid Flow was $198.2 million; Communications was $21.6 million; Test was $61.2 million; Other was $7.4 million; and Corporate assets were $42.7 million.

At September 30, 2000, the consolidated total of long-lived assets was $62.6 million, of which $55.9

million were located in North America and $6.7 million were located in Europe.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding nominees and directors appearing under "Nominees and Continuing Directors" in ESCO's Notice of the Annual Meeting of the Stockholders and Proxy Statement dated December 18, 2002 (the "2003 Proxy Statement") is hereby incorporated by reference. Information regarding executive officers is set forth in Part I of this Form 10-K.

Information appearing under "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2003 Proxy Statement is hereby incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information appearing under "Board of Directors and Committees" and "Executive Compensation" (except for the "Report of the Human Resources And Ethics Committee On Executive Compensation" and the "Performance Graph") in the 2003 Proxy Statement is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information regarding beneficial ownership of shares of common stock by nominees and directors, by executive officers, by directors and executive officers as a group and by any known five percent stockholders appearing under "Security Ownership of Management" and "Security Ownership of Certain Beneficial Owners" in the 2003 Proxy Statement is hereby incorporated by reference.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes certain information regarding shares of the Company's common stock ("Common Shares") that may be issued pursuant to its equity compensation plans as of September 30, 2002.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	1,391,305 (2)	$11.8777 (3)	122,195 (2)(4)
Equity compensation plans not approved by security holders (5)	0	N/A	192,525 (6)
Total	1,391,305	$11.8777	314,720

- ------------------

(1) The Company's 1994 and 1999 Stock Option Plans have been amended and restated without shareholder approval in accordance with their terms to reflect the change of the Company's name and the elimination of the Company's common stock trust receipts, to provide for withholding, to provide for adjustment upon a special distribution and/or in certain other respects. In July 2002, the 1994 Stock Option Plan was also amended without shareholder approval in accordance with its terms to permit the Human Resources and Ethics Committee, in its discretion, to extend the period during which an optionee who terminates employment on account of retirement on or after age 60 may exercise his stock option to five years after retirement, but before ten years from the date of grant.

(2) Number of Common Shares is subject to adjustment for changes in capitalization for stock splits, stock dividends and similar events. Includes Common Shares issuable in connection with the vesting and distribution of performance-accelerated restricted share awards under the Company's 2001 Stock Incentive Plan.

(3) Does not include 352,267 Common Shares issuable in connection with the vesting and distribution of outstanding performance-accelerated restricted share awards under the 2001 Stock Incentive Plan, for which there are no exercise prices.

(4) On October 1 of each of 2002, 2003 and 2004, there will be added to the authorized shares allocated to the 2001 Stock Incentive Plan the lesser of (i) 1% of the total outstanding shares as of each such date, or (ii) 125,000 shares, which may be used for the grant of stock options, SARs, performance share awards or other stock-based awards; provided, however, that not more than 200,000 of such additional shares may be used for performance share awards or other stock-based awards.

(5) Does not include an indeterminate number of shares that may be purchased pursuant to the Company's Employee Stock Purchase Plan (the "ESPP"), which provides a method by which employees of the Company and its domestic subsidiaries or divisions may purchase Common Shares. Pursuant to the ESPP, participants may authorize the Company to make deductions from their pay to be applied to the purchase of Common Shares. Deductions must be between 1% and 10% of current salary or wages. At the discretion of the Company, the Company or a domestic subsidiary or division may contribute, in cash or in Common Shares, an amount not to exceed 15% of the amounts contributed by participants. Cash contributed is used to purchase Common Shares on a monthly basis in transactions on the New York Stock Exchange or from the Company or from sellers in private transactions. The Common Shares so purchased are maintained in a book-entry account by the ESPP trustee for each participant.

(6) Represents Common Shares issuable pursuant to the Compensation Plan for Non-Employee Directors (the "Compensation Plan"), which provides for each director to be paid an annual retainer fee payable partially in cash and partially in Common Shares. Periodically, the Human Resources and Ethics Committee of the Board of Directors determines the amount of the retainer fee and the allocation of the fee between cash and Common Shares. The retainer fee is payable or distributable in quarterly installments. Directors may elect to defer receipt of all of the cash portion and/or all of the stock portion of the quarterly retainer. The deferred amounts are credited to the director's deferred compensation account in stock equivalents. Deferred amounts are distributed in Common Shares or cash at such future dates as specified by the director unless distribution is accelerated in certain circumstances, including a change in control of the Company. The stock portion which has been deferred may only be distributed in Common Shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

ITEM 14 CONTROLS AND PROCEDURES

Within the 90 days prior to the filing date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date this evaluation was carried out, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

1. The Consolidated Financial Statements of the Company on pages 25 through 48 and the Independent Auditors' Report thereon of KPMG LLP appearing on page 50 of the 2002 Annual Report.

2. Financial Statement Schedules

II. Valuation and Qualifying Accounts

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

3. Exhibits

Filed
Herewith or
Incorporated
by Exhibit
Reference to
Document
Indicated By
Number
Description
Footnote ---
--- --------
--- --------

---------- 2
Stock
Purchase
Agreement
dated as of
August 23,
Incorporated
by
Reference,
Exhibit 2
[1] 1999, as
amended
September
23, 1999 and
September
30, 1999,
among
Engineered
Systems and
Electronics,
Inc., ESCO
and Defense
Holding
Corp. 3.1
Restated
Articles of
Incorporation
Incorporated
by
Reference,
Exhibit 3(a)
[2] 3.2
Amended
Certificate

of Designation, Preferences Incorporated by Reference, Exhibit 4(e) [3] and Rights of Series A Participating Cumulative Preferred Stock of the Registrant
3.3 Articles of Merger effective July 10, 2000 Incorporated by Reference, Exhibit 3(c) [4]
3.4 Bylaws, as amended Incorporated by Reference, Exhibit 3(d) [4]
4.1 Specimen Common Stock Certificate Incorporated by reference, Exhibit 4(a) [4]
4.2 Specimen Rights Certificate Incorporated by Reference, Exhibit B to Exhibit 4.1[5]
4.3 Rights Agreement dated as of September 24, 1990 Incorporated by Reference, Exhibit 4.1[5] (as amended and restated as of February 3, 2000) between the Registrant and Registrar and Transfer Company, as successor Rights Agent

4.4	Amended and Restated Credit Agreement dated as of February 28, 2001, among the Registrant, Bank of America, N.A., as agent, and the lenders listed therein	Incorporated by Reference, Exhibit 4(d)[6]
4.5	Amendment No. 1 dated as of April 5, 2002 to Credit Agreement listed as Exhibit 4.4 above	Incorporated by Reference, Exhibit 4(e)[7]
10.1	Form of Split Dollar Agreement*	Incorporated by Reference, Exhibit 10(j)[8]
10.2	Form of Indemnification Agreement with each of ESCO's directors.	Incorporated by Reference, Exhibit 10(k)[8]
10.3	Supplemental Executive Retirement Plan as amended and restated as of August 2, 1993*	Incorporated by Reference, Exhibit 10(n)[9]
10.4	Second Amendment to Supplemental Executive Retirement Plan effective May 10, 2001*	Incorporated by Reference, Exhibit 10.4[10]
10.5	Directors' Extended Compensation Plan*	Incorporated by Reference, Exhibit 10(o)[9]
10.6	First Amendment to Directors' Extended Compensation Plan*	Incorporated by Reference, Exhibit 10.11[11]
10.7	Second Amendment to Directors' Extended Compensation Plan effective April 1, 2001*	Incorporated by Reference, Exhibit 10.7[10]
10.8	1994 Stock Option Plan (as amended and restated effective October 16, 2000)*	Incorporated by Reference, Exhibit 10.1[12]
10.9	Amendment to 1994 Stock Option Plan effective July 18, 2002*	Incorporated by Reference, Exhibit 10(b)[7]
10.10	Form of Incentive Stock Option Agreement*	Incorporated by Reference, Exhibit 10.15[11]
10.11	Severance Plan adopted as of August 10, 1995 (as restated February 5, 2002)*	Incorporated by Reference, Exhibit 10[13]
10.12	Notice Of Award--stock award to executive officer*	Incorporated by Reference, Exhibit 10(s)[14]
10.13	1999 Stock Option Plan (as amended and restated effective October 16, 2000)*	Incorporated by Reference, Exhibit 10.2[12]
10.14	Form of Incentive Stock Option Agreement*	Incorporated by Reference, Exhibit 10.3[12]
10.15	Employment Agreement with Executive Officer*	Incorporated by Reference, Exhibit 10(aa)[2]
10.16	Employment Agreement with Executive Officer*[15]	Incorporated by Reference, Exhibit 10(bb)[2]

10.17	Amendment to Employment Agreement with Executive Officer*[16]	Incorporated by Reference, Exhibit 10.18[10]
10.18	Executive Stock Purchase Plan*	Incorporated by Reference, Exhibit 10.24[11]
10.19	Notice of Award - stock award to executive officer*	Incorporated by Reference, Exhibit 10.25[11]
10.20	Compensation Plan For Non-Employee Directors*	Incorporated by Reference, Exhibit 10.22[10]
10.21	2001 Stock Incentive Plan*	Incorporated by Reference, Exhibit B[17]
10.22	Notice of Award - stock award to Dennis J. Moore dated July 18, 2002*	Incorporated by Reference, Exhibit 10(d)[7]
10.23	Non-qualified Stock Option Agreement dated July 18, 2002 between Registrant and Dennis J. Moore*	Incorporated by Reference, Exhibit 10(c)[7]
10.24	Form of Incentive Stock Option Agreement*	
10.25	Form of Non-qualified Stock Option Agreement*	
10.26	Form of Notice of Award - Performance - Accelerated Restricted Stock *	
10.27	Management Transition Agreement dated August 5, 2002 between Registrant and Dennis J. Moore*	Incorporated by Reference, Exhibit 10(a)[7]
10.28	Form of Supplemental Executive Retirement Plan Agreement *	
13	The following-listed sections of the Annual Report to Stockholders for the year ended September 30, 2002: Five-Year Financial Summary (p. 51) Management's Discussion and Analysis (pgs. 10-24) Consolidated Financial Statements (pgs.25-48) and Independent Auditors' Report (p. 50) Shareholders' Summary--Capital Stock Information (p. 53) Common Stock Market Price (p. 51)	
21	Subsidiaries of ESCO	
23	Independent Auditors' Consent	

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

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

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

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

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

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

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

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

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

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

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

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

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

[14] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1997, at the Exhibit indicated.

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

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

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

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

(b) Reports on Form 8-K: The Company filed a Current Report on Form 8-K dated August 7, 2002 which in "Item 7. Financial Statements, Pro Forma Financial Information and Exhibits" and "Item 9.

Regulation FD Disclosure" listed as exhibits the certifications of the Company's Chief Executive Officer and Chief Financial Officer relating to Form 10-Q for the period ended June 30, 2002.

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

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

SIGNATURES

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

ESCO TECHNOLOGIES INC.

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

V.L. Richey, Jr.
Chief Executive Officer

Dated: December 16, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below effective December 16, 2002, by the following persons on behalf of the registrant and in the capacities indicated.

SIGNATURE
TITLE ----
----- ----
- /s/ D.J.
Moore
Chairman
and
Director -

---- D.J.
Moore /s/
V.L.
Richey,
Jr. Chief
Executive
Officer
and
Director -

---- V.L.
Richey,
Jr. /s/
C.J.
Kretschmer
President,
Chief
Operating
Officer
and
Director -

---- C.J.
Kretschmer
/s/ G.E.
Muenster
Vice
President
and Chief
Financial
Officer --

--- G.E.
Muenster
/s/ W.S.
Antle III
Director -

---- W.S.
Antle III
/s/ J.M.
McConnell
Director -

---- J.M.
McConnell
/s/ L.W.
Solley
Director -

---- L.W.
Solley /s/
J.M.
Stolze
Director -

---- J.M.
Stolze /s/
D.C.
Trauscht
Director -

---- D.C.
Trauscht
/s/ J.D.
Woods
Director -

---- J.D.
Woods

CERTIFICATIONS

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

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 16, 2002

/s/ V.L. Richey, Jr.

V.L. Richey, Jr.
Chief Executive Officer

CERTIFICATIONS

I, G.E. Muenster, certify that:

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 16, 2002

/s/ G.E. Muenster

G.E. Muenster
Vice President and Chief Financial Officer

ESCO TECHNOLOGIES INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED SEPTEMBER 30, 2002, 2001 AND 2000

(DOLLARS IN THOUSANDS)	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSE	DEDUCTIONS	BALANCE AT END OF PERIOD
2000				
Allowance for doubtful accounts	$ 618	$ 1,243	$ 481	$ 1,380
Inventory obsolescence reserve	$ 2,850	$ 2,915	$ 2,535	$ 3,230
2001				
Allowance for doubtful accounts	$ 1,380	$ 467	$ 465	$ 1,382
Inventory obsolescence reserve	$ 3,230	$ 1,202	$ 1,288	$ 3,144
2002				
Allowance for doubtful accounts	$ 1,382	$ 462	$ 744	$ 1,100
Inventory obsolescence reserve	$ 3,144	$ 692	$ 1,050	$ 2,786

INDEX TO EXHIBITS

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

Exhibit No.	Exhibit
10.24	Form of Incentive Stock Option Agreement.
10.25	Form of Non-qualified Stock Option Agreement.
10.26	Form of Notice of Award - Performance - Accelerated Restricted Stock.
10.28	Form of Supplemental Executive Retirement Plan Agreement.
13	The following-listed sections of the Annual Report to Stockholders for the year ended September 30, 2002: Five-year Financial Summary (p. 51) Management's Discussion and Analysis (pgs. 10-24) Consolidated Financial Statements (pgs. 25-48) and Independent Auditors' Report (p. 50) Shareholders' Summary--Capital Stock Information (p. 53) Common Stock Market Price (p. 51)
21	Subsidiaries of ESCO
23	Independent Auditors' Consent

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

EXHIBIT 10.24

INCENTIVE STOCK OPTION AGREEMENT
UNDER
ESCO TECHNOLOGIES INC.
2001 STOCK INCENTIVE PLAN

THIS AGREEMENT, made this ____ day of August, _________, by and between ESCO TECHNOLOGIES INC., a Missouri corporation (hereinafter called the "Company"), and _________________________, (hereinafter called "Optionee"),

WITNESSETH THAT:

WHEREAS, the Board of Directors of the Company ("Board of Directors") has adopted the ESCO Technologies Inc. 2001 Stock Incentive Plan (the "Plan") pursuant to which options may be granted to key officers, managers and professional employees of the Company and its subsidiaries; and

WHEREAS, Optionee is now a key officer, manager or professional employee of the Company or a subsidiary of the Company; and

WHEREAS, the Company desires to grant to Optionee the option to purchase certain shares of its stock under the terms of the Plan;

NOW, THEREFORE, in consideration of the premises, and of the mutual agreements hereinafter set forth, it is covenanted and agreed as follows:

1. Grant Subject to Plan. This option is granted under and is expressly subject to, all the terms and provisions of the Plan, which terms are incorporated herein by reference. The Committee referred to in Section 5 of the Plan ("Committee") has been appointed by the Board of Directors, and designated by it, as the Committee to make grants of options.

2. Grant and Terms of Option. Pursuant to action of the Committee, which action was taken on ________________("Date of Grant"), the Company grants to Optionee the option to purchase all or any part of ______________ (______) shares of the Common Stock of the Company, of the par value of $0.01 per share ("Common Stock"), for a period of ten (10) years from the Date of Grant, at the purchase price of $ per share; provided, however, that the right to exercise such option shall be, and is hereby, restricted so that no shares may be purchased during the first year of the term hereof; that at any time during the term of this option after the end of the first year from the Date of Grant, Optionee may purchase up to 33-1/3% of the total number of shares to which this option relates; that at any time during the term of this option after the end of the second year from the Date of Grant, Optionee may purchase up to an additional 33-1/3% of the total number of shares to which this option relates; and that at any time after the end of the third year from the Date of Grant, Optionee may purchase up to an additional 33-1/3% of the total number of shares to which this option relates; so that upon

the expiration of the third year from the Date of Grant and thereafter during the term hereof, Optionee will have become entitled to purchase the entire number of shares to which this option relates. In no event may this option or any part thereof be exercised after the expiration of ten (10) years from the Date of Grant. Without further action or approval by the Committee, the purchase price of the shares subject to the option may be paid for (i) in cash, (ii) by tender of shares of Common Stock already owned by Optionee, or (iii) by a combination of methods of payment specified in clauses (i) and (ii), but only if Optionee has owned any shares to be tendered for at least six (6) months, all in accordance with Section 7(b) of the Plan. No shares of Common Stock may be tendered in exercise of this option if such shares were acquired by Optionee through the exercise of an Incentive Stock Option, unless (i) such shares have been held by Optionee for at least one year, and (ii) at least two years have elapsed since such Incentive Stock Option was granted.

3. Anti-Dilution Provisions. In the event that, during the term of this Agreement, there is any change in the number of shares of outstanding Common Stock of the Company by reason of stock dividends, recapitalizations, mergers, consolidations, split-ups, combinations or exchanges of shares and the like, the number of shares covered by this option agreement and the price thereof shall be adjusted, to the same proportionate number of shares and price as in this original agreement.

4. Investment Purpose. Optionee represents that, in the event of the exercise by Optionee of the option hereby granted, or any part thereof, Optionee intends to purchase the shares acquired on such exercise for investment and not with a view to resale or other distribution; except that the Committee, at its election, may waive or release this condition in the event the shares acquired on exercise of the option are registered under the Securities Act of 1933, or upon the happening of any other contingency which the Committee shall determine warrants the waiver or release of this condition. Optionee agrees that the certificates evidencing the shares acquired by him on exercise of all or any part of this option, may bear a restrictive legend, if appropriate, indicating that the shares have not been registered under said Act and are subject to restrictions on the transfer thereof, which legend may be in the following form (or such other form as the Company shall determine to be proper), to-wit:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933, but have been issued or transferred to the registered owner pursuant to the exemption afforded by Section 4(2) of said Act. No transfer or assignment of these shares by the registered owner shall be valid or effective, and the issuer of these shares shall not be required to give any effect to any transfer or attempted transfer of these shares, including without limitation, a transfer by operation of law, unless (a) the issuer shall have received an opinion of its counsel that the shares may be transferred without requirement of registration under said Act, or (b) there shall have been delivered to the issuer a 'no-action' letter from the staff of the Securities and Exchange Commission, or (c) the shares are registered under said Act."

5. Non-Transferability. Neither the option hereby granted nor any rights thereunder or under this Agreement may be assigned, transferred or in any manner encumbered except by will or the laws of descent and distribution, and any attempted assignment, transfer, mortgage, pledge or encumbrance except as herein authorized, shall be void and of no effect. The option may be exercised during Optionee's lifetime only by him.

6. Termination of Employment. In the event of the termination of employment of Optionee other than by death, the option granted may be exercised at the times and to the extent provided in Section 7(f) of the Plan.

7. Death of Optionee. In the event of the death of Optionee, the option granted may be exercised at the times and to the extent provided in Section 7(g) of the Plan.

8. Shares Issued on Exercise of Option. It is the intention of the Company that on any exercise of this option it will transfer to Optionee shares of its authorized but unissued stock or transfer Treasury shares, or utilize any combination of Treasury shares and authorized but unissued shares, to satisfy its obligations to deliver shares on any exercise hereof.

9. Committee Administration. This option has been granted pursuant to a determination made by the Committee, and such Committee or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of this option, shall have plenary authority to interpret any provision of this option and to make any determinations necessary or advisable for the administration of this option and the exercise of the rights herein granted, and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Optionee by the express terms hereof.

10. Option an Incentive Stock Option. This option is intended as, and shall be treated as, an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended.

11. Choice of Law. This Agreement shall be construed and administered in accordance with the laws of the State of Missouri without regard to the principles of conflicts of law which might otherwise apply. Any litigation concerning any aspect of this Agreement shall be conducted exclusively in the State or Federal courts in the State of Missouri. Both Company and Optionee expressly waive any right or claim either may have to litigate in any other state or nation and/or under the law(s) of any other state or nation relating to this Agreement.

12. Additional Provisions. This option shall be subject to any additional provisions set forth in the following Exhibits (if any) attached hereto: ____
____
____. If no Exhibits are attached, the foregoing constitutes the entire Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its Vice President pursuant to due authorization, and Optionee has signed this Agreement to evidence Optionee's acceptance of the option herein granted and of the terms hereof, all as of the date hereof.

ESCO TECHNOLOGIES INC.

By

Vice President

Optionee

EXHIBIT 10.25

NONQUALIFIED STOCK OPTION AGREEMENT
UNDER
ESCO TECHNOLOGIES INC.
2001 STOCK INCENTIVE PLAN

THIS AGREEMENT, made this ___ day of _________________, 200___, by and between ESCO TECHNOLOGIES INC., a Missouri corporation (hereinafter called the "Company"), and _______________________________________ (hereinafter called "Optionee"),

WITNESSETH THAT:

WHEREAS, the Board of Directors of the Company ("Board of Directors") has adopted the ESCO Technologies Inc. 2001 Stock Incentive Plan (the "Plan") pursuant to which options may be granted to key officers, managers and professional employees of the Company and its subsidiaries; and

WHEREAS, Optionee is now a key officer, manager or professional employee of the Company or a subsidiary of the Company; and

WHEREAS, the Company desires to grant to Optionee the option to purchase certain shares of its stock under the terms of the Plan;

NOW, THEREFORE, in consideration of the premises, and of the mutual agreements hereinafter set forth, it is covenanted and agreed as follows:

1. Grant Subject to Plan. This option is granted under and is expressly subject to, all the terms and provisions of the Plan, which terms are incorporated herein by reference. The Committee referred to in Section 5 of the Plan ("Committee") has been appointed by the Board of Directors, and designated by it, as the Committee to make grants of options.

2. Grant and Terms of Option. Pursuant to action of the Committee, which action was taken on _________________("Date of Grant"), the Company grants to Optionee the option to purchase all or any part of ________________________________ (________) shares of the Common Stock of the Company, of the par value of $0.01 per share ("Common Stock"), for a period of ten (10) years from the Date of Grant, at the purchase price of $___________ per share; provided, however, that the right to exercise such option shall be, and is hereby, restricted so that no shares may be purchased during the first year of the term hereof; that at any time during the term of this option after the end of the first year from the Date of Grant, Optionee may purchase up to 33-1/3% of the total number of shares to which this option relates; that at any time during the term of this option after the end of the second year from the Date of Grant, Optionee may

purchase up to an additional 33-1/3% of the total number of shares to which this option relates; and that at any time after the end of the third year from the Date of Grant, Optionee may purchase up to an additional 33-1/3% of the total number of shares to which this option relates; so that upon the expiration of the third year from the Date of Grant and thereafter during the term hereof, Optionee will have become entitled to purchase the entire number of shares to which this option relates. In no event may this option or any part thereof be exercised after the expiration of ten (10) years from the Date of Grant. Without further action or approval by the Committee, the purchase price of the shares subject to the option may be paid for (i) in cash, (ii) by tender of shares of Common Stock already owned by Optionee, or (iii) by a combination of methods of payment specified in clauses (i) and (ii), but only if Optionee has owned any shares to be tendered for at least six (6) months, all in accordance with Section 7(b) of the Plan.

3. Anti-Dilution Provisions. In the event that, during the term of this Agreement, there is any change in the number of shares of outstanding Common Stock of the Company by reason of stock dividends, recapitalizations, mergers, consolidations, split-ups, combinations or exchanges of shares and the like, the number of shares covered by this option agreement and the price thereof shall be adjusted, to the same proportionate number of shares and price as in this original agreement.

4. Investment Purpose. Optionee represents that, in the event of the exercise by Optionee of the option hereby granted, or any part thereof, Optionee intends to purchase the shares acquired on such exercise for investment and not with a view to resale or other distribution; except that the Committee, at its election, may waive or release this condition in the event the shares acquired on exercise of the option are registered under the Securities Act of 1933, or upon the happening of any other contingency which the Committee shall determine warrants the waiver or release of this condition. Optionee agrees that the certificates evidencing the shares acquired by him on exercise of all or any part of this option, may bear a restrictive legend, if appropriate, indicating that the shares have not been registered under said Act and are subject to restrictions on the transfer thereof, which legend may be in the following form (or such other form as the Company shall determine to be proper), to-wit:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933, but have been issued or transferred to the registered owner pursuant to the exemption afforded by Section 4(2) of said Act. No transfer or assignment of these shares by the registered owner shall be valid or effective, and the issuer of these shares shall not be required to give any effect to any transfer or attempted transfer of these shares, including without limitation, a transfer by operation of law, unless (a) the issuer shall have received an opinion of its counsel that the shares may be transferred without requirement of registration under said Act, or (b) there shall have been delivered to the issuer a 'no-action' letter from the staff of the Securities and Exchange Commission, or (c) the shares are registered under said Act."

5. Non-Transferability. Neither the option hereby granted nor any rights thereunder or under this Agreement may be assigned, transferred or in any manner

encumbered except by will or the laws of descent and distribution, and any attempted assignment, transfer, mortgage, pledge or encumbrance except as herein authorized, shall be void and of no effect. The option may be exercised during Optionee's lifetime only by him.

6. Termination of Employment. In the event of the termination of employment of Optionee other than by death, the option granted may be exercised at the times and to the extent provided in Section 7(f) of the Plan.

7. Death of Optionee. In the event of the death of Optionee, the option granted may be exercised at the times and to the extent provided in Section 7(g) of the Plan.

8. Shares Issued on Exercise of Option. It is the intention of the Company that on any exercise of this option it will transfer to Optionee shares of its authorized but unissued stock or transfer Treasury shares, or utilize any combination of Treasury shares and authorized but unissued shares, to satisfy its obligations to deliver shares on any exercise hereof.

9. Committee Administration. This option has been granted pursuant to a determination made by the Committee, and such Committee or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of this option, shall have plenary authority to interpret any provision of this option and to make any determinations necessary or advisable for the administration of this option and the exercise of the rights herein granted, and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to Optionee by the express terms hereof.

10. Option Not an Incentive Stock Option. This option shall not be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended.

11. Choice of Law. This Agreement shall be construed and administered in accordance with the laws of the State of Missouri without regard to the principles of conflicts of law which might otherwise apply. Any litigation concerning any aspect of this Agreement shall be conducted exclusively in the State or Federal courts in the State of Missouri. Both Company and Optionee expressly waive any right or claim either may have to litigate in any other state or nation and/or under the law(s) of any other state or nation relating to this Agreement.

12. Additional Provisions. This option shall be subject to any additional provisions set forth in the following Exhibits (if any) attached hereto: ____
____. If no Exhibits are attached, the foregoing constitutes the entire Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its Vice President pursuant to due authorization, and Optionee has signed this Agreement to evidence Optionee's acceptance of the option herein granted and of the terms hereof, all as of the date hereof.

ESCO TECHNOLOGIES INC.

By

Vice President

Optionee

EXHIBIT 10.26

NOTICE OF AWARD

TO:

FROM: Human Resources and Ethics Committee of the Board of Directors ("Committee")

SUBJECT: ESCO Technologies Inc. 2001 Stock Incentive Plan ("Plan")

1. Award. The Committee has awarded to you ______ Performance Shares under the terms of the Plan ("Award"). The Award is subject to all of the terms of the Plan, a copy of which has been delivered to you.

2. Terms. The following are the terms of the Award:

(a) Notwithstanding (b), below, if, during the Period of the Award, the Average Value Per Share of Company Stock reaches the amount set forth in column (A), the percentage of the Award earned will equal the amount set forth under column (B) subject to the limitations set forth in (c) and provided you comply with the terms of the remainder of this Notice of Award.

A B If the
Average
Value The
Cumulative
Per Share
of Company
Percent of
Award
Stock
reaches:
Earned
shall be:
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\-- -------
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(b) If you are still employed on ________________________, you will earn 100% of the Award provided you comply with the requirements of paragraph 3.

(c) The following additional terms will apply to the Award:

(i) No portion of this Award may be earned prior to _________________. Not more than _________________ of the total Award may be earned by the end of the Fiscal Year ending __________________ [and not more than _______________ of the total Award may be earned by the end of the Fiscal Year ending _________________]. If a greater portion of the Award would have been earned in the applicable period but for the foregoing limitations, the portion in excess of the limitations must be re-earned in a subsequent Fiscal Year.

(ii) Once a portion of the Award is earned under subparagraph (a), you must remain employed with the Company or a subsidiary of the Company until the March 31st following the end of the Fiscal Year in which that portion of the Award is earned. If you terminate employment prior to such time, you will forfeit that portion of the Award. Provided, however, that if you terminate employment on account of death, or total and permanent disability the foregoing employment requirement shall not apply.

(iii) If there is a Change of Control (as defined in the Plan) and you are employed by the Company on the date of the Change of Control, the employment requirement of subparagraph (ii) shall cease to apply to the portion of the Award which is earned and the number of shares representing that portion of the Award which is earned as of the date of the Change of Control shall be distributed to you. In addition, the portion of the Award which is unearned shall be determined and distributed to you at the end of the Fiscal Year in which the Change of Control occurred provided you are still employed on such date, in lieu of all other provisions of this Award. If you are not employed by the Company as of the end of the foregoing Fiscal Year, no such distribution will be made; provided, however, that if you are involuntarily terminated for reasons other than Cause or if you terminate for Good Reason the remaining unearned shares shall be distributed in full upon such termination of employment.

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

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

3. You must own directly or beneficially Company Stock in the amount of ___ % of the number of shares covered by the Award (hereinafter referred to as "Minimum Required Shares") and provide proof of ownership satisfactory to the Committee of that number of shares as of _________. You must also notify the Company at any time during the Period of the Award on or after _____________ if you sell or otherwise transfer such shares and your total share ownership is less than the Minimum Required Shares. If, at any time during the Period of the Award on or after _____________, you own zero shares, ___% of the Award not yet earned will be forfeited. If, at any time during the Period of the Award on or after ___________________, you own some shares but less than the Minimum Required Shares, you will forfeit a pro rata portion of the Award not yet earned based upon the ratio of the number of shares you own to the Minimum Required Shares.

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

(a) "Average Value Per Share" shall mean the average for any consecutive 30 day trading period in which Company Stock is traded of the daily closing prices of Company Stock on the New York Stock Exchange.

(b) "Cause" shall mean:

(i) The willful and continued failure to substantially perform your duties with the Company or one of its subsidiaries (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for such performance is delivered to you by the __________________________ of the Company which specifically identifies the manner in which such Board believes that you have not substantially performed your duties; or

(ii) The willful engaging in (A) illegal conduct (other than minor traffic offenses), or (B) conduct which is in breach of your fiduciary duty to the Company or one of its subsidiaries and which is demonstrably injurious to the Company or one of its subsidiaries, any of their reputations, or any of their business prospects. For purposes of this subparagraph (ii) and subparagraph (i) above, no act or failure to act on your part shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Company or one of its subsidiaries. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company or one of its subsidiaries;

The cessation of your employment shall not be deemed to be for "Cause" unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-fourths of the entire membership of such Board of Directors of the Company (but excluding you if you are a member of such Board) at a meeting of such Board called and held for such purpose (after reasonable notice is provided to you and you are given an opportunity, together with counsel, to be heard before such Board), finding that, in the good-faith opinion of such Board, you are guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) "Company Stock" shall mean common stock of the Company.

(d)"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.

(e) "Good Reason" shall mean:

(i) Requiring you to be based at any office or location more than 50 miles from your office or location as of the date of the Change of Control;

(ii) The assignment to you of any duties inconsistent in any respect with your position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as of the date of the Change of Control or any action by the Company or any of its subsidiaries which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an action taken by the Company or one of its subsidiaries, to which you object in writing by notice to the Company within 10 business days after you receive actual notice of such action, which is remedied by the Company or one of its subsidiaries promptly but in any event no later than 5 business days after you provided such notice, or

(iii) The reduction in your total compensation and benefits below the level in effect as of the date of the Change of Control.

(f) "Period of the Award" means the period commencing ________________ and ending on ________________________.

5. Parallel Incentive. The Committee may, but is not obligated to, authorize a payment of a portion of the Award based upon its discretionary evaluation of the Company's financial performance during the Period of the Award even if the foregoing objectives are not fully met. Examples of performance measures the Committee may consider include, but are not limited to, cash flow, earnings, sales and margins.

6. Medium of Payment. The Committee shall direct that any distribution shall be made in accordance with the terms of the Plan.

7. Amendment. The Award may be amended by written consent between the Committee and you.

Executed this _____ day of __________________

ESCO TECHNOLOGIES INC. AGREED TO AND ACCEPTED:

By:

-------------------------- ----------------------------

Vice President Participant

ATTEST:

Secretary

EXHIBIT 10.28

ESCO TECHNOLOGIES INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AGREEMENT

This Agreement entered into on the ______ day of ____________, 200__, between ESCO Technologies ("Company") (formerly ESCO Electronics Corporation) and _________________________, ("Executive"):

WITNESSETH:

WHEREAS, the Company adopted the ESCO Electronics Corporation Supplemental Retirement Plan effective as of August 2, 1993 ("Plan"); and

WHEREAS, the Executive is performing valuable services for the Company; and

WHEREAS, the Company desires to encourage the Executive to continue to perform such services by including the Executive as a Participant under the Plan.

NOW, THEREFORE, in consideration of the premises herein contained, the parties agree as follows:

1. The Company agrees to include the Executive as a Participant under the Plan.

2. The Executive acknowledges that he has received a copy of the Plan and understands Section VII thereof, pursuant to which the Executive's rights to benefits under the Plan and the right of the Executive's Beneficiary, if any, may be forfeited if the Executive is discharged for cause, or enters into competition with the Company, or interferes with the relations between the Company and

any customer, or engages in any activity that would result in any decrease of, or loss in, sales of the Company.

IN WITNESS WHEREOF, the foregoing Agreement was entered into as of the day and year first above written.

ESCO TECHNOLOGIES INC.

By

Vice President

ATTEST:

- ------------------------------
Secretary

Executive

EXHIBIT 13

FIVE-YEAR FINANCIAL SUMMARY

(Dollars in millions, except per share amounts)	2002(1)	2001(2)	2000(3)	1999(4)	1998
For years ended September 30:					
Net sales	$ 367.5	344.9	300.2	416.1	365.1
EBIT (Earnings Before Interest and Taxes)	34.9	27.4	25.1	70.0	24.0
Net earnings before accounting change (1999)	21.8	30.1	16.8	50.5	11.3
Net earnings	21.8	30.1	16.8	25.5	11.3
Earnings per share:					
Earnings before accounting change (1999) Basic	1.74	2.43	1.37	4.09	.94
Diluted	1.67	2.35	1.33	4.00	.90
Net earnings Basic	1.74	2.43	1.37	2.06	.94
Diluted	1.67	2.35	1.33	2.02	.90
As of September 30:					
Working capital	112.6	87.4	62.8	95.3	60.3
Total assets	407.7	375.6	331.1	378.4	409.3
Long-term debt	8.3	8.3	.6	41.9	50.1
Shareholders' equity	306.3	287.3	259.4	248.7	224.1

(1) Includes the acquisition of SRT. (See Footnote 3 of Notes to Consolidated Financial Statements). Excludes goodwill amortization in accordance with SFAS 142.

(2) Includes the acquisition of Bea. (See Footnote 3 of Notes to Consolidated Financial Statements). Also, includes the elimination of the net deferred tax valuation allowance of approximately $12.7 million or $0.99 per share.

(3) Includes the acquisitions of Lindgren, Holaday, and Eaton Space Products and the sale of the Rantec microwave antenna business (See Footnote 3 of Notes to Consolidated Financial Statements). Also, includes the after-tax gain on the sale of the Riverhead, NY property of approximately $2.2 million or $0.18 per share and the after-tax gain on the sale of the Calabasas, CA property of approximately $0.5 million or $0.04 per share.

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

COMMON STOCK MARKET PRICE

The Company's common stock and associated preferred stock purchase rights (subsequently referred to as common stock) are listed on the New York Stock Exchange under the symbol "ESE." The following table summarizes the high and low prices of the Company's common stock for each quarter of fiscal 2002 and 2001.

	2002		2001	
Quarter	HIGH	LOW	High	Low
First	$ 34.70	$ 22.20	$ 21.50	$ 16.38
Second	40.00	31.80	26.25	19.75
Third	41.15	27.90	32.67	23.67
Fourth	36.35	25.80	30.45	21.90

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto. The years 2002,2001 and 2000 represent the fiscal years ended September 30,2002,2001 and 2000,respectively,and are used throughout the document.

INTRODUCTION

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

-- Filtration/Fluid Flow: Filtertek Inc. (Filtertek) and PTI Consolidated, which includes PTI Technologies Inc. (PTI), PTI Advanced Filtration Inc. (PTA), PTI Technologies Limited (PTL), PTI S.p.A., and VACCO Industries,

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

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

-- Other: Rantec Power Systems Inc. (Rantec).

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

HIGHLIGHTS OF 2002 OPERATIONS

The Company's 2002 highlights include:

o Firm order backlog increased by $113.1 million, or 62.8%, to $293.2 million.

o The Communications segment received $192.4 million of new orders, with the largest order from PPL Electric Utilities Corporation (PPL) for $112 million. Net sales to PPL were $31.5 million in 2002.

o Net sales increased $22.6 million, or 6.6%, to $367.5 million from $344.9 million in 2001.

o Net sales in the Communications segment increased 60.1% to $94.6 million.

o New products (defined as those introduced within the past three years) were $81.4 million, or 22.1% of net sales.

o Gross profit margin increased to 32.4% in 2002 compared to 31.4% in the prior year.

o EBIT (defined as earnings before interest and taxes) increased to 9.5% of net sales.

o Net earnings in 2002 were $21.8 million, or $1.67 per share. The 2002 results were impacted by an after-tax charge of $0.4 million, or $0.04 per share, related to the previously announced Management Transition Agreement (MTA) between the Company and Dennis J. Moore, the Company's Chairman.

o The Company acquired the rights to the patent portfolio and related intellectual property of North Carolina Separations Research Technology Inc. and its affiliate (SRT), a manufacturer of cross-flow filtration and separation modules and equipment.

- The Company completed the consolidation of previous acquisitions in the Test segment, including the former Holaday Industries, Inc. (Holaday) and Lindgren facilities in Minnesota and Florida, respectively, into the new state-of-the-art facility in Cedar Park (Austin), TX.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RECONCILIATION OF ADJUSTED NET EARNINGS

On October 1, 2001, the Company adopted Statement of Financial Accounting Standards No.142 (SFAS 142), "Goodwill and Other Intangible Assets, "which eliminated goodwill amortization in 2002.The following table provides a reconciliation between the reported results of operations for 2002, 2001 and 2000 and what the operating results would have been after removing certain non-recurring items and goodwill amortization, consistent with the 2002 adoption of SFAS 142. The table is not intended to present net earnings as defined within accounting principles generally accepted in the United States of America (GAAP), and is presented for informational purposes only. Management believes the estimated adjusted operating results provide a meaningful presentation for purposes of comparing ESCO's historical financial performance.

(Dollars in millions, except per share amounts)	2002			2001		
	REPORTED	ADJ.	ADJUSTED	Reported	Adj.	Adjusted
Net Sales	$ 367.5		367.5	344.9		344.9
Cost and Expenses:						
Cost of sales	248.5		248.5	236.6		236.6
SG&A	82.3	(0.7)(1)	81.6	71.5		71.5
Interest expense	0.3		0.3	0.1		0.1
Other expenses, net	1.8		1.8	9.4	(3.4)(2)	6.0
Total costs and expenses						

332.9
332.2
317.6
314.2 --

-- -----
----- --

Earnings
before
income
taxes
34.6
35.3
27.3
30.7
Income
taxes
12.8
0.3(1)
13.1
(2.8)
13.5(3)
10.7 ---

-- -----
----- --

-- -----

Net
earnings
$ 21.8
0.4 22.2
30.1
(10.1)
20.0 ---

-- -----
----- --

-- -----

Earnings
per
share:
Basic $
1.74
1.78
2.43
1.62 ---

-- -----
----- --

Diluted
$ 1.67
1.71
2.35
1.56 ---

-- -----
----- --

Average
common
shares
O/S:
Basic
12,511
12,511
12,382
12,382 -

- ------
---- ---

--
Diluted
13,022
13,022
12,805
12,805 -

- ------
---- ---

--
2000 ---

(Dollars
in
millions,
except
per
share
amounts)
Reported
Adj.
Adjusted

-- -----
----- --

Net
Sales
300.2
300.2
Cost and
Expenses:
Cost of
sales
208.3
208.3
SG&A
61.8
61.8
Interest
expense
0.4 0.4
Other
expenses,
net 5.0
0.4(4)
5.4 ----
------ -

- Total
costs
and
expenses
275.5
275.9 --

--
Earnings
before
income
taxes
24.7
24.3
Income
taxes
7.9
0.3(5)
8.2 ----
------ -

- ------
---- Net
earnings
16.8
(0.7)
16.1 ---

-- -----

Earnings
per
share:
Basic
1.37
1.31 ---

--
Diluted
1.33
1.27 ---

--
Average

common shares O/S:		
Basic	12,307	12,307
Diluted	12,668	12,668

(1) Excludes the cost and related tax impact of the Management Transition Agreement between the Company and Dennis J. Moore.

(2) Excludes goodwill amortization of $3.4 million in 2001 in accordance with the provisions of SFAS 142.

(3) Excludes the $12.7 million tax adjustment related to the elimination of the deferred tax valuation allowance and $0.8 million of tax related to the goodwill amortization noted in item (2) above.

(4) Excludes goodwill amortization of $2.6 million in 2000 in accordance with the provisions of SFAS 142, offset by the elimination of $3.0 million of non-recurring gains from the sale of the Riverhead, NY property ($2.2 million) and the sale of the Calabasas, CA property ($0.8 million).

(5) Excludes $0.6 million related to the tax impact of the goodwill amortization noted in item (4) above, offset by $0.3 million related to the tax impact from the sale of the properties noted in item (4) above. The gain from the sale of the Riverhead, NY property was fully sheltered by a capital loss carryforward.

RESULTS OF OPERATIONS

NET SALES

Net sales were $367.5 million, $344.9 million and $300.2 million in 2002, 2001 and 2000, respectively. Net sales in 2002 increased $22.6 million, or 6.6% from net sales of $344.9 million in 2001. Organic sales growth accounted for $12.7 million of the sales increase in 2002, with the balance coming from acquisitions. New products accounted for $81.4 million, or 22.1%, of net sales in 2002 and $70.1 million, or 20.3%, of net sales in 2001, respectively.

FILTRATION/FLUID FLOW

Net sales of $192.5 million in 2002 were $4.3 million, or 2.3% higher than net sales of $188.2 million in 2001. Net sales in 2002 increased primarily as a result of the contribution from SRT, acquired in March 2002, and Bea Filtri S.p.A. (Bea), acquired in June 2001. Increased sales from acquisitions, which accounted for $9.9 million of the sales increase, were partially offset by declines in the commercial aerospace and semiconductor markets.

Net sales of $188.2 million in 2001 were $6.5 million, or 3.6% higher than net sales of $181.7 million in 2000. Net sales increased in the health care and aerospace markets, partially offset by declines in the semiconductor markets. The acquisition of Bea contributed $2.0 million to the 2001 increase in net sales.

COMMUNICATIONS

Net sales were $94.6 million, $59.1 million and $42.7 million in 2002, 2001 and 2000, respectively. Net sales in 2002 were $35.5 million, or 60.1% higher than the $59.1 million of net sales in 2001. The increase in net sales each year is the result of significantly higher shipments of AMR equipment. Net sales to PPL were $31.5 million in 2002. In addition, sales to various electric utility cooperatives (Co-ops) in 2002 increased in both dollar amount and number of utility customers as compared to the prior year.

The Communications segment received $192.4 million and $104.0 million of new orders for its TWACS systems and load control transponders in 2002 and 2001, respectively. The largest order in 2002 was from PPL for $112 million. The Communications segment customer base includes significant investor owned utilities (IOUs) and municipal utilities such as PPL, Puerto Rico Electric Power Authority (PREPA), Wisconsin Public Service Corporation (WPS), Florida Power & Light (FPL) as well as numerous Co-ops throughout North America. During 2002, the Company received $72.0 million of new orders from Co-ops.

In May 2002, in cooperation with the Public Service Commission of Wisconsin and the Wisconsin Department of Agriculture, Trade and Consumer Protection, WPS began voluntarily conducting tests involving the Company's AMR equipment and the potential impact of stray voltage on dairy farms. Test data previously collected by DCSI and WPS indicate that stray voltage levels associated with the TWACS system are inconsequential. Resolution of this issue is anticipated in the first fiscal quarter of 2003.

TEST

Net sales were $69.0 million and $85.5 million in 2002 and 2001, respectively. The net sales decrease of $16.5 million in 2002 is mainly due to the severe downturn in the overall electronics and telecommunications markets and the prior year completion of the General Motors test chamber complex. Sales of large EMC test chamber products were significantly impacted by the economic downturn in 2002. Net sales of the Company's MRI shielding products increased by 10.3% in 2002 due to the continued growth in the health care markets.

Net sales increased $22.5 million, or 35.7% to $85.5 million in 2001 compared to net sales of $63.0 million in 2000. The 2001 results reflect the full year contributions from the fiscal 2000 Test acquisitions. The General Motors contract contributed $4.6 million and $13.2 million to net sales in 2001 and 2000, respectively.

OTHER

Net sales were $11.4 million in 2002, $12.1 million in 2001 and $12.8 million in 2000. The decrease in net sales in 2002 as compared to 2001 is due to the timing of orders received related to the power supply business. The decrease in 2001 as compared to 2000 is due to the sale of the Rantec microwave antenna business in February 2000.

ORDERS AND BACKLOG

Firm order backlog was $293.2 million at September 30, 2002, representing an increase of $113.1 million (62.8%) from the beginning of the year backlog of $180.1 million. New orders increased 26.6% to $480.7 million in 2002 compared with $379.6 million in 2001. New orders in 2002 included $4.1 million of backlog from acquisitions related to the Filtration/Fluid Flow segment. In 2002, $202.1 million of new orders related to Filtration/Fluid Flow products, $75.9 million related to Test products, and $192.4 million related to Communications products. In February 2002, the Company was awarded a $112 million contract from PPL for an AMR system in Pennsylvania. The project is currently scheduled for completion in November 2004.

GROSS PROFIT

The Company computes gross profit as net sales less cost of sales. The gross profit margin is the gross profit divided by net sales, expressed as a percentage.

The gross profit margin was 32.4%, 31.4% and 30.6% in 2002, 2001 and 2000, respectively. Gross profit margin increased in the comparable periods presented due to ongoing operational improvements, including favorable changes in sales mix and product pricing as well as successful cost containment programs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses (SG&A) for 2002 were $82.3 million, or 22.4% of net sales, compared with $71.5 million, or 20.7% of net sales for 2001. The increase in SG&A in 2002 is partly due to the Bea and SRT acquisitions, which added $3.6 million of incremental SG&A expenses in 2002. In addition, the Company is making significant investments in research and development, engineering and marketing within the Communications and Filtration/Fluid Flow segments related to new product development and market expansion initiatives.

SG&A expenses in 2001 were $71.5 million, or 20.7% of net sales, compared with $61.8 million, or 20.6% of net sales in 2000. The increase in SG&A in 2001 is mainly due to the 2000 acquisitions being included for the entire year in 2001, as well as additional investments in research and development, engineering and marketing within the Communications and Filtration/Fluid Flow segments.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

The Company evaluates the performance of its operating segments based on EBIT. On October 1, 2001, the Company adopted SFAS 142, which eliminated goodwill amortization in 2002.

EBIT increased $7.5 million to $34.9 million (9.5% of net sales) in 2002 from $27.4 million (7.9% of net sales) in 2001. The prior year period included goodwill amortization of $3.4 million. Excluding goodwill amortization from the 2001 results, EBIT would have been $30.8 million (8.9% of net sales).

FILTRATION/FLUID FLOW

EBIT of $13.1 million (6.8% of net sales) in 2002 increased $1.6 million over EBIT of $11.5 million (6.1% of net sales) in 2001. Goodwill amortization was $2.0 million in 2001. Excluding goodwill amortization, EBIT would have been $13.5 million (7.2% of net sales) in 2001. The 2002 results were impacted by softness in the commercial aerospace and semiconductor markets, and investments in new product development and market expansion initiatives, primarily in microfiltration.

EBIT was $11.5 million (6.1% of net sales) and $12.4 million (6.8% of net sales) in 2001 and 2000, respectively. Fiscal 2001 was impacted by non-recurring costs related to the consolidation of the previously acquired Eaton space products business into existing Company owned facilities and increases in other facility operating costs.

COMMUNICATIONS

EBIT of $21.0 million (22.2% of net sales) in 2002 was $9.1 million, or 76.5%, higher than the $11.9 million (20.1% of net sales) of EBIT in 2001. EBIT was $3.7 million, or 45.1%, higher than the $8.2 million (19.1% of net sales) of EBIT in 2000. The increases in EBIT in the comparable periods were the result of significantly higher shipments of AMR equipment. The Company continues to increase its engineering and new product development expenditures in the Communications segment in order to continue its growth in the AMR markets, primarily involving IOUs, and to further differentiate its technology from the competition.

TEST

EBIT was $3.6 million (5.4% of net sales) and $7.5 million (8.8% of net sales) in 2002 and 2001, respectively. Goodwill amortization was $1.4 million in 2001. Excluding goodwill amortization, EBIT would have been $8.9 million (10.4% of net sales) in 2001. The decline in EBIT in 2002 as compared to the prior year is mainly due to lower sales of large EMC test chambers as a result of the severe downturn in the electronics and telecommunications markets and the completion of the General Motors test chamber complex in 2001.

EBIT was $7.5 million (8.8% of net sales) and $4.7 million (7.5% of net sales) in 2001 and 2000, respectively. The increase in EBIT in 2001 as compared to 2000 is mainly due to the full year contributions from the Lindgren and Holaday acquisitions, which occurred in the second half of fiscal 2000.

OTHER

Rantec's EBIT was $0.8 million, $1.2 million and ($0.2) million in 2002, 2001 and 2000, respectively. The decrease in EBIT in 2002 as compared to the prior year is mainly due to lower sales, as well as expenses incurred related to new product development programs. The increase in EBIT in 2001 as compared to 2000 is due to the improved operations of Rantec's business and the February 2000 sale of the microwave antenna business. Unallocated corporate operating charges were ($3.6) million and ($4.7) million in 2002 and 2001, respectively. In 2000, unallocated corporate operating charges were ($2.0) million offset by $2.0 million of other income primarily related to gains on the sale of properties. The items included in unallocated corporate operating charges are explained in Other Costs and Expenses, Net, described on the following page.

INTEREST EXPENSE

Interest expense increased to $0.3 million in 2002 from $0.1 million in 2001, primarily as a result of the foreign based borrowings incurred as part of the Bea acquisition in June 2001. Interest expense decreased to $0.1 million in 2001 from $0.4 million in 2000, primarily as a result of lower outstanding average borrowings throughout 2001.

OTHER COSTS AND EXPENSES, NET

Other costs and expenses, net, were $1.8 million, $9.4 million and $8.0 million in 2002, 2001 and 2000, respectively. Other costs and expenses, net, of $1.8 million in 2002 consisted primarily of the following items: $1.6 million of amortization of identifiable intangible assets, primarily patents and technology licenses; $0.3 million of exit costs related to the Company's joint venture in India (Filtration/Fluid Flow segment) which was terminated in the first quarter of 2002; $0.2 million of start-up costs for the Asian operations (Test segment); and $0.2 million of litigation costs related to the Filtration/Fluid Flow segment. These costs were offset by a $0.4 million gain from insurance proceeds related to a former subsidiary and a $0.7 million gain from a customer funded refurbishment of production test equipment within the Filtration/Fluid Flow segment.

Other costs and expenses, net, of $9.4 million in 2001 consisted primarily of the following items: goodwill amortization of $3.4 million; patent and other intangible asset amortization of $1.4 million; and approximately $2.1 million of net costs related to the Filtration/Fluid Flow segment described below.

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

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

(3) $0.3 million of termination costs related to the Brazil operation which were incurred as part of the Company's overall facility rationalization and management reorganization. These costs primarily included severance costs.

Other costs and expenses, net, of $8.0 million in 2000 consisted primarily of the following items: goodwill amortization of $2.6 million; patent and other intangible asset amortization of $1.3 million; and approximately $2.0 million of net costs related to the Filtration/Fluid Flow segment described below.

(1) $0.8 million of facility consolidation costs related to the consolidation of PTI's filtration businesses into new facilities in Oxnard, CA, primarily consisting of leasehold improvement write-offs.

(2) $0.4 million of costs related to the planned upgrade of production equipment to improve manufacturing efficiency at Filtertek, primarily consisting of write-downs of the net book value of equipment to be replaced.

(3) $0.8 million of costs related to a settlement with the former owner of the microfiltration business.

GAIN ON SALE OF PROPERTIES

Included in other current assets at September 30, 2002 is a note receivable for $1.8 million related to the fiscal 2000 sale of the Riverhead, NY property. The note receivable is currently due in December 2002 with an option for the borrower to extend to February 2003. Through September 30, 2002, the Company received $1.3 million related to the scheduled principal and interest payments on the note receivable.

The gain on the sale of properties in 2000 represents $2.2 million from the sale of the Riverhead, NY property and $0.8 million from the sale of the Calabasas, CA property. These properties were related to previously divested companies.

INCOME TAX EXPENSE (BENEFIT)

Income tax expense of $12.8 million for 2002 reflects current Federal tax expense of $1.0 million, deferred Federal tax expense of $6.9 million, current state and local tax expense of $2.9 million, deferred state and local tax benefit of ($0.2) million, current foreign tax expense of $1.7 million, and deferred foreign tax expense of $0.5 million.

Income tax benefit of ($2.8) million for 2001 reflects current Federal tax expense of $0.4 million, deferred Federal tax benefit of ($5.7) million, current state and local tax expense of $1.2 million, current foreign tax expense of $1.3 million, and deferred foreign tax benefit of ($0.1) million.

Income tax expense of $7.9 million for 2000 reflects current Federal tax expense of $0.3 million, deferred Federal tax expense of $6.3 million, current state and local tax expense of $0.8 million, and current foreign tax expense of $0.6 million.

Based on the Company's historical pretax income, together with the projection of future taxable income, Management believes it is more likely than not that the Company will realize the benefits of the net deferred tax asset of $49.7 million existing at September 30, 2002. In order to realize this net deferred tax asset, the Company will need to generate future taxable income of approximately $142 million, of which $105 million is required to be realized prior to the expiration of the net operating loss (NOL) carryforward, of which $12 million will expire in 2009; $38 million will expire in 2010; $4 million will expire in 2011; $11 million will expire in 2018; and $40 million will expire in 2019. The net operating loss carryforward will be available to reduce future Federal income tax cash payments.

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

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

(1) The Company had a lengthy history of cumulative tax losses (NOL carryforwards of $138 million at September 30, 2000), including the addition of $11.6 million and $39.6 million of NOLs in the then recent years ended September 30, 1998 and 1999, respectively;

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

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

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

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

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

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

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

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

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

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

The effective tax rate in 2002 was 37.1% compared to (10.4%) in 2001. The difference in the tax rates results from the favorable tax adjustment in 2001.On an operational basis, Management estimated the 2001 effective tax rate would have been 36.1%, excluding this tax adjustment. An analysis of the effective tax rates for 2002, 2001 and 2000 is included in the Notes to the Consolidated Financial Statements.

CAPITAL RESOURCES & LIQUIDITY

Working capital increased to $112.6 million at September 30, 2002 from $87.4 million at September 30, 2001. During 2002, cash and cash equivalents increased by $10.4 million. Accounts receivable increased $8.1 million and inventories increased $4.4 million primarily due to the sales growth in the Company's Communications segment related to the PPL contract.

Net cash provided by operating activities was $35.0 million, $33.0 million and $20.0 million in 2002, 2001 and 2000, respectively. The increase in 2001 as compared to 2000 was primarily due to the Company's additional earnings and improved working capital resulting from asset management initiatives.

Capital expenditures were $13.2 million, $11.9 million and $10.4 million, in 2002, 2001 and 2000, respectively, and primarily included manufacturing equipment. There were no commitments outstanding that were considered material for capital expenditures at September 30, 2002.

At September 30, 2002, the Company had an available NOL carryforward for tax purposes of approximately $105 million. This NOL will expire beginning in 2009 and ending in 2019, and will be available to reduce future Federal income tax cash payments.

At September 30, 2002, accounts receivable included $1.0 million of reimbursable costs incurred to replace certain filtration elements resulting from the receipt of nonconforming material obtained from a supplier. The supplier has acknowledged responsibility for this matter, has appropriate insurance coverage, and has committed to reimburse the Company.

Other current assets included $0.9 million of deferred legal costs that have been incurred in the defense of certain revenue generating patents used by Filtertek Inc. In the Filtration/Fluid Flow segment. The Company believes it is probable it will prevail in this litigation. The Company's position is supported by internal and third-party legal opinions and favorable developments in the course of the litigation. The recovery of amounts equal to or greater than the legal costs, while probable, is subject to the inherent risks of litigation.

Other current assets also included $1.4 million of deferred legal costs incurred to defend a customer product liability lawsuit related to the Company's Test business. These costs are covered by and will be reimbursed through insurance. Subsequent to September 30, 2002, the Company received $0.8 million from its insurance carrier related to this matter. The balance is expected to be received by December 31, 2002.

SYNTHETIC LEASE OBLIGATION

The Company has a $31.5 million obligation under a synthetic lease facility arranged by Bank of America. For GAAP purposes, this is accounted for as an operating lease. This obligation is secured by three manufacturing locations, two of which are located in Oxnard, CA and the other in Cedar Park, TX, as well as a $10.6 million letter of credit issued under the Company's $70 million credit facility. The leases expire on December 29, 2005 at which time the Company will be required to extend the leases on terms to be negotiated, purchase the properties for $31.5 million, or refinance the obligation. The Financial Accounting Standards Board (FASB) has issued an exposure draft on the accounting treatment related to synthetic lease arrangements. If this exposure draft is adopted as written, the Company would record the net assets and obligations under the synthetic lease facility as property, plant and equipment and debt.

ACQUISITIONS/DIVESTITURES

On March 11, 2002, the Company acquired the exclusive rights to the patent portfolio and related intellectual property of North Carolina Separations Research Technology Inc. and its affiliate (SRT), a manufacturer of cross-flow filtration and separation modules and equipment. The Company also acquired certain production assets and inventory of SRT. The purchase price was $11.5 million of which the Company paid $9.5 million at closing and will pay future consideration of $1 million in March 2003 and $1 million in March 2004. Additionally, the Company will be obligated to pay consideration, primarily in the form of royalties, based on certain future product sales and/or the grant of sublicenses generated as a result of the acquired rights in the patent portfolio. SRT sales of products utilizing the technologies acquired were approximately $3 million in calendar 2001. Since the date of acquisition, sales for SRT were $1.1 million in fiscal 2002. The intellectual property rights and related assets of SRT are included within the Filtration/Fluid Flow segment. The intellectual property is being amortized over a period of fifteen years, consistent with the remaining life of the patent portfolio and related intellectual property.

On June 8, 2001, the Company acquired all of the outstanding common stock of Bea Filtri S.p.A. (Bea) for approximately $13.5 million in cash and debt. Bea, headquartered in Milan, Italy, is a supplier of filtration products to the pharmaceutical, food and beverage, healthcare, and petrochemical markets. Bea broadens the Company's microfiltration product offering and increases the Company's penetration in European markets. Bea assets and liabilities and related operating results since the date of acquisition are included within the Filtration/Fluid Flow segment.

On June 2, 2000, the Company purchased all of the outstanding common stock of Holaday for approximately $4 million in cash. Holaday is a leading supplier of specialty measurement probes to the EMC test, health and safety, and microwave markets. The operating results for Holaday since the date of acquisition are included within the Test segment. During 2002, the Company consolidated the operations of Holaday into its new Test facility in Cedar Park, TX.

On April 9, 2000, the Company acquired all of the outstanding common stock of Lindgren RF Enclosures, Inc. (formerly known as The Curran Company) and Lindgren, Inc. (doing business through its subsidiary, Rayproof Ltd.) (collectively Lindgren) for approximately $22 million in cash. Lindgren is a leading supplier of RF shielding products and components used by manufacturers of medical equipment, communications systems and electronic products. The operating results for Lindgren since the date of acquisition are included within the Test segment.

On March 31, 2000, the Company acquired the assets of the Eaton space products business (Eaton), formerly located in El Segundo, CA, for approximately $6 million in cash. Eaton manufactures specialty valves and other fluid flow components for satellite launch vehicles and aircraft applications and has been integrated into the Filtration/Fluid Flow segment.

All of the Company's acquisitions have been accounted for using the purchase method of accounting. The goodwill recorded as a result of the above transactions has been tested for impairment in 2002 and no adjustments were required.

In February 2000, the Company completed the sale of its microwave antenna product line, which had historically operated as part of Rantec Microwave & Electronics, Inc. The Company transferred the contract order backlog and operating assets of the microwave antenna business for $2.1 million in cash, and in September 2000, sold the related land and buildings in Calabasas, CA for approximately $6 million.

BANK CREDIT FACILITY

Effective April 5, 2002, the Company amended its existing $75 million revolving credit facility changing the previously scheduled reductions and extending the $25 million increase option through April 11, 2004. The amendment calls for $5 million annual reductions to the credit facility beginning in April 2002 with the balance due upon maturity and expiration on April 11, 2005. As of September 30, 2002, the Company had not exercised the $25 million increase option and the revolving line of credit was $70 million.

The credit facility is available for direct borrowings and/or the issuance of letters of credit, and is provided by a group of five banks, led by Bank of America as agent. The maturity of the credit facility is April 11, 2005. At September 30, 2002, the Company had approximately $49.7 million available to borrow under the credit facility in addition to $24.9 million cash on hand. Against the $70 million available under the revolving credit facility at September 30, 2002, the Company had $7.7 million of outstanding long-term foreign borrowings related to the Bea acquisition and outstanding letters of credit of $12.5 million related to the Company's synthetic lease arrangement and performance guarantees.

The credit facility requires, as determined by certain financial ratios, a commitment fee ranging from 20-30 basis points per annum on the unused portion. The terms of the facility provide that interest on borrowings may be calculated at a spread over the London Interbank Offered Rate (LIBOR) or based on the prime rate, at the Company's election. Substantially all of the assets of the Company are pledged under the credit facility. The financial covenants of the credit facility include limitations on leverage and minimum consolidated EBITDA. As of September 30, 2002, the Company was in compliance with all bank covenants.

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

SHARE REPURCHASE

In February 2001, the Company authorized an open market repurchase program of up to 1.3 million shares, which is subject to market conditions and other factors and covers the period ending September 29, 2003. The Company repurchased 127,100, 76,700 and 516,368 shares in 2002, 2001 and 2000, respectively. In June 2000, the Company initiated an odd lot share repurchase program which extended through September 2000 whereby the Company repurchased 24,968 shares, which are included in the 516,368 of shares repurchased in 2000, above.

MANAGEMENT TRANSITION AGREEMENT

On August 5, 2002, the Company entered into a Management Transition Agreement (MTA) with Dennis J. Moore, the Company's Chairman, which provided for Mr. Moore to receive certain compensation in conjunction with his planned retirement in April 2003 and for consulting services after such retirement. During the fourth quarter of fiscal 2002, approximately $0.7 million of the total cost noted below was expensed in SG&A. The costs associated with and described in the MTA are quantified below:

(Dollars in millions)	
New Restricted Shares	$ 1.2(1)
Previously Awarded Restricted Shares and Performance Shares for which vesting have been accelerated	$ 1.0(1) (2)
Consulting Agreement	$ 0.3(3)

Total	$ 2.5
	======

(1) The costs of these arrangements will be recognized over the eight month transition (i.e. service) period, from August 2002 through March 2003.

(2) These items were subject to remeasurement based on FASB Interpretation (FIN) No. 44, "Accounting for Certain Transactions Involving Stock Compensation (an Interpretation of APB Opinion No. 25)." The remeasurement was based on the closing stock price on August 5, 2002, the date on which the vesting of the shares was accelerated.

(3) The cost of the consulting agreement will be expensed over the twelve month period from April 2003 through March 2004, consistent with the period of service.

OTHER

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

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

The Company continues to explore consolidation opportunities within its existing businesses that could improve future operating earnings and enhance the Company's competitive position. In addition, the Company continues to explore possible divestitures of certain of its non-core businesses.

MARKET RISK ANALYSIS

MARKET RISK EXPOSURE

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. The Company had interest rate exposure relating to floating rate lease obligations and, accordingly, the Company entered into interest rate swaps covering approximately $32 million to mitigate this exposure. These interest rate swaps relate to operating lease obligations under the Company's synthetic lease facility, and have been arranged by Bank of America and Wells Fargo Bank. The interest rate swaps effectively fix the interest rates on the underlying lease obligations at a weighted average rate of 6.47%. These lease obligations and their related interest rate swaps expire on December 29, 2005. In addition, the Company had interest rate exposure of approximately $8.4 million relating to floating rate obligations denominated in Euros. Therefore, the Company entered into an interest rate swap of approximately $4.6 million to mitigate this exposure which effectively fixed the interest rate on these floating rate obligations at 4.89%. These Euro obligations consist of borrowings under the Company's $70 million credit facility and mature on April 11, 2005 along with the related interest rate swap. These swaps are accounted for as cash flow hedges under the provisions of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS 138." For the year ended September 30, 2002, accumulated other comprehensive loss included an after tax decrease in fair value of approximately $1.0 million related to the interest rate swaps.

The following table provides further detail about the Company's interest rate swaps outstanding at September 30, 2002:

	Amounts scheduled for maturity at December 29, 2005	Estimated fair value as of September 30, 2002
Interest Rate Swaps (related to synthetic lease facility)		
Variable to fixed: Notional value (in millions)	$ 31.5	$ (2.8)
Average pay rate (excludes spread)	5.4%	

	Amounts scheduled for maturity at April 11, 2005	Estimated fair value as of September 30, 2002
Interest Rate Swaps (related to Euro debt)		
Variable to fixed: Notional value (in millions)	$ 4.6	$ (0.1)
Average pay rate		

(excludes spread)
4.1%

The Company is also subject to foreign currency exchange rate risk inherent in its sales commitments, anticipated sales, anticipated purchases and assets and liabilities denominated in currencies other than the U.S. dollar. The currency most significant to the Company's operations is the Euro. The Company hedges certain foreign currency commitments by purchasing foreign currency forward contracts. The estimated fair value of open forward contracts at September 30, 2002 is not material.

CRITICAL ACCOUNTING POLICIES

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

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

REVENUE RECOGNITION

The majority of the Company's revenues are recognized when products are shipped to or when services are performed for unaffiliated customers. Other revenue recognition methods the Company uses include the following: revenue on production contracts is recorded when specific contract terms are fulfilled, usually by delivery or acceptance; revenue from cost reimbursement contracts is recorded as costs are incurred, plus fees earned; revenue under long-term contracts, for which delivery is an inappropriate measure of performance, is recognized on the percentage-of-completion method based upon incurred costs compared to total estimated costs under the contract; and revenue under engineering contracts is generally recognized as milestones are attained. The SEC's Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition" provides guidance on the application of generally accepted accounting principles to selected revenue recognition issues. Management believes the Company's revenue recognition policy is in accordance with GAAP and SAB No. 101.

ACCOUNTS RECEIVABLE

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

INVENTORY

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

INCOME TAXES

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

GOODWILL AND OTHER LONG-LIVED ASSETS

The Company adopted the provisions of SFAS 142 effective October 1, 2001. Goodwill and other long-lived assets with indefinite useful lives are reviewed by Management for impairment annually or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If indicators of impairment are present, the determination of the amount of impairment is based on Management's judgment as to the future operating cash flows to be generated from these assets throughout their estimated useful lives. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 121.

PENSION PLANS AND OTHER POSTRETIREMENT BENEFIT PLANS

The measurement of liabilities related to pension plans and other post-retirement benefit plans is based on Management's assumptions related to future events including interest rates, return on pension plan assets, rate of compensation increases, and health care cost trend rates. Actual pension plan asset performance will either decrease or increase unamortized pension losses which will affect net earnings in future years.

CONTINGENCIES

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

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations, "which addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets, "which addresses the financial accounting and reporting for the impairment or disposal of long-lived assets and the reporting of discontinued operations. The Company does not believe adoption of these Standards will have a material impact on the Company's financial statements.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002.

FORWARD - LOOKING INFORMATION

The statements contained in the Letter to Shareholders (pgs. 1-2), the business summaries (pgs. 3-9), and Management's Discussion and Analysis contain forward-looking statements regarding future events and the Company's future results that are based on current expectations, estimates, forecasts, and projections about the industries in which the Company operates and the beliefs and assumptions of Management. Words such as expects, anticipates, targets, goals, projects, intends, plans, believes, estimates, variations of such words, and similar expressions are intended to identify such forward-looking statements. Investors are cautioned that such statements are only predictions, and speak only as of the date of this report. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including, but not limited to: further weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; consolidation of internal operations; integration of recently acquired businesses; delivery delays or defaults by customers; performance issues with key suppliers and subcontractors; collective bargaining and labor disputes; changes in laws and regulations; litigation uncertainty; and the Company's successful execution of internal operating plans.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended September 30, (Dollars in thousands, except per share amounts)	2002	2001	2000
Net sales	$ 367,525	344,904	300,157
Costs and expenses:			
Cost of sales	248,512	236,526	208,263
Selling, general and administrative expenses	82,329	71,537	61,819
Interest expense, net	293	130	359
Other, net	1,762	9,438	7,969
Gain on sale of properties	----	(2,989)	
Total costs and expenses	332,896	317,631	275,421
Earnings before income tax	34,629	27,273	24,736
Income tax expense (benefit)	12,848	(2,834)	7,917
Net earnings	$ 21,781	30,107	16,819
Earnings per share: Net earnings:			
Basic	$ 1.74	2.43	1.37
Diluted	1.67	2.35	1.33
Average common shares outstanding (in thousands):			
Basic	12,511	12,382	12,307
Diluted	13,022	12,805	12,668

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As of September 30, (Dollars in thousands)	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 24,930	14,506
Accounts receivable, less allowance for doubtful accounts of $1,100 and $1,382 in 2002 and 2001,respectively	69,496	61,351
Costs and estimated earnings on long-term contracts, less progress billings of $4,541 and $21,913 in 2002 and 2001,respectively	2,951	6,637
Inventories	52,579	48,167
Current portion of deferred tax assets	22,782	15,278
Other current assets	8,650	5,491
Total current assets	181,388	151,430
PROPERTY, PLANT AND EQUIPMENT:		
Land and land improvements	2,570	2,561
Buildings and leasehold improvements	31,085	29,470
Machinery and equipment	82,466	71,289
Construction in progress	4,984	4,620
	121,105	107,940
Less accumulated depreciation and amortization	52,583	42,902
Net property, plant and equipment	68,522	65,038
Goodwill	103,283	102,163
Deferred tax assets	26,950	38,573
Other assets	27,545	18,373
	$ 407,688	375,577

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As of September
30, (Dollars in
thousands) 2002
2001 ---------- -

LIABILITIES AND
SHAREHOLDERS'
EQUITY CURRENT
LIABILITIES:
Short-term
borrowings and
current
maturities of
long-term debt $
121 122 Accounts
payable 39,051
35,180 Advance
payments on long-
term contracts,
less costs
incurred of
$3,794 and $809
in 2002 and
2001,respectively
2,770 1,534
Accrued expenses
26,845 27,233 ---
------- ---------
- Total current
liabilities
68,787 64,069 ---
------- ---------
- Other
liabilities
24,313 15,890
Long-term debt
8,277 8,338 -----
----- ----------
Total liabilities
101,377 88,297 --
-------- --------
-- Commitments
and contingencies
-- --
SHAREHOLDERS'
EQUITY: Preferred
stock, par value
$.01 per share,
authorized
10,000,000 shares
-- -- Common
stock, par value
$.01 per share,
authorized
50,000,000
shares; Issued
13,601,095 and
13,409,934 shares
in 2002 and
2001,respectively
136 134
Additional paid-
in capital
209,402 206,282
Retained earnings
since elimination
of deficit at
September 30,1993
121,430 99,649
Accumulated other
comprehensive
loss (9,473)
(6,518) ---------
- ----------
321,495 299,547
Less treasury
stock, at cost
(1,067,046 and
985,469 common
shares in 2002
and
2001,respectively)
(15,184) (12,267)
---------- ------
---- Total
shareholders'
equity 306,311
287,280 ---------
- ---------- $
407,688 375,577

==========
==========

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Accumulated
Years ended
September
30, Common
Stock
Additional
Other
(Dollars in
thousands, -

- Paid-In
Retained
Comprehensive
except per
share
amounts)
Shares
Amount
Capital
Earnings
Income
(Loss) -----
------- ----
-------- ---
--------- --
---------- -

Balance,
September
30,1999
12,783 $ 128
201,719
52,723
(1,870)
Comprehensive
income: Net
earnings --
-- -- 16,819
--
Translation
adjustments
-- -- -- --
(2,896)
Comprehensive
income -- --
-- -- --
Stock
options and
stock
compensation
plans 442 4
3,795 -- --
Purchases
into
treasury --
-- -- -- --

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

-- -- --
Stock
options and
stock
compensation
plans 185 2
768 -- --
Purchases
into
treasury --
-- -- -- --

Balance,
September
30,2001
13,410 134
206,282
99,649
(6,518)
Comprehensive
income: Net
earnings --
-- -- 21,781
--
Translation
adjustments
-- -- -- --
782 Minimum
pension
liability,
net -- -- --
-- (2,745)
Interest
rate swap
adjustment,
net -- -- --
-- (992)
Comprehensive
income -- --
-- -- --
Stock
options and
stock
compensation
plans 191 2
3,120 -- --
Purchases
into
treasury --
-- -- -- --

Balance,
September
30,2002
13,601 $ 136
209,402
121,430
(9,473)
============
============
============
============
============
Years ended
September
30, (Dollars
in
thousands,
Treasury
except per
share
amounts)
Stock Total

Balance,
September
30,1999
(4,011)
248,689
Comprehensive
income: Net
earnings --
16,819
Translation
adjustments

-- (2,896)
Comprehensive
income --
13,923 -----

Stock
options and
stock
compensation
plans 59
3,858
Purchases
into
treasury
(7,048)
(7,048) ----
-------- ---

Balance,
September
30,2000
(11,000)
259,422 ----

Comprehensive
income: Net
earnings --
30,107
Translation
adjustments
-- (209)
Minimum
pension
liability,
net -- (639)
Interest
rate swap
adjustment,
net -- (904)

Comprehensive
income --
28,355 -----

Stock
options and
stock
compensation
plans 414
1,184
Purchases
into
treasury
(1,681)
(1,681) ----
-------- ---

Balance,
September
30,2001
(12,267)
287,280 ----

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

Comprehensive
income --
18,826 -----

Stock
options and
stock
compensation
plans 521
3,643
Purchases
into
treasury
(3,438)

(3,438) ----
-------- ---

Balance,
September
30,2002
(15,184)
306,311
============
============

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

Years ended September 30, (Dollars in thousands, except per share amounts)	2002	2001	2000
Cash flows from operating activities:			
Net earnings	$ 21,781	30,107	16,819
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	12,377	15,100	14,185
Changes in operating working capital	(8,311)	(9,441)	(20,532)
Effect of deferred taxes on tax provision	7,238	(5,774)	6,270
Other	1,931	2,994	3,259
Net cash provided by operating activities	35,016	32,986	20,001
Cash flows from investing activities:			
Capital expenditures	(13,179)	(11,881)	(10,363)
Acquisition of businesses and technology rights	(9,546)	(13,559)	(29,996)
Net cash used			

by investing activities (22,725) (25,440) (40,359) -- ---------- ----------- - --------- --- Cash flows from financing activities: Proceeds from long-term debt 453 7,356 80 Principal payments on long-term debt (505) (740) (49,322) Net decrease in short-term borrowings (12) (3,988) (8,506) Purchases of common stock into treasury (3,438) (1,681) (6,215) Other, including exercise of stock options 1,635 393 2,232 ----- ------- --- --------- - ----------- Net cash (used) provided by financing activities (1,867) 1,340 (61,731) -- ---------- ----------- - --------- --- Net increase (decrease) in cash and cash equivalents 10,424 8,886 (82,089) Cash and cash equivalents at beginning of year 14,506 5,620 87,709 ---- -------- -- ---------- ----------- - Cash and cash equivalents at end of year $ 24,930 14,506 5,620 ============ ============ ============ Changes in operating working

capital:			
Accounts receivable, net	$ (8,145)	1,632	(10,907)
Costs and estimated earnings on long-term contracts, net	3,686	(497)	(2,122)
Inventories	(4,412)	(1,650)	1,553
Other current assets and current portion of deferred tax assets	(3,159)	(10,665)	859
Accounts payable	3,871	1,174	(704)
Advance payments on long-term contracts, net	1,236	(1,369)	2,221
Accrued expenses	(1,388)	1,934	(11,432)
	$ (8,311)	(9,441)	(20,532)
Supplemental cash flow information:			
Interest paid	$ 521	425	867
Income taxes paid (including state, foreign & AMT)	4,076	4,106	1,132

See accompanying notes to consolidated financial statements.

- ---

1 o SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of ESCO Technologies Inc. (ESCO) and its wholly owned subsidiaries (the Company). All significant intercompany transactions and accounts have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform with the 2002 presentation. Effective July 10,2000, the Company changed its name from ESCO Electronics Corporation to ESCO Technologies Inc.

(b) BASIS OF PRESENTATION

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

Fair values of the Company's financial instruments are estimated by reference to quoted prices from market sources and financial institutions, as well as other valuation techniques. The estimated fair value of each class of financial instruments approximated the related carrying value at September 30,2002 and 2001.

(c) NATURE OF OPERATIONS

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

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

(d) USE OF ESTIMATES

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

(e) REVENUE RECOGNITION

The majority of the Company's revenues are recognized when products are shipped to or when services are performed for unaffiliated customers. Other revenue recognition methods the Company uses include the following: revenue on production contracts is recorded when specific contract terms are fulfilled, usually by delivery or acceptance; revenue from cost reimbursement contracts is recorded as costs are incurred, plus fees earned; revenue under long-term contracts, for which delivery is an inappropriate measure of performance, is recognized on the percentage-of-completion method based upon incurred costs compared to total estimated costs under the contract; and revenue under engineering contracts is generally recognized as milestones are attained. The SEC's Staff Accounting Bulletin (SAB) No. 101,"Revenue Recognition" provides guidance on the application of generally accepted accounting principles to selected revenue recognition issues. Management believes the Company's revenue recognition policy is in accordance with GAAP and SAB No. 101.

(f) CASH AND CASH EQUIVALENTS

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

(g) ACCOUNTS RECEIVABLE

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

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

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

(i) INVENTORIES

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

(j) PROPERTY, PLANT AND EQUIPMENT

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

(k) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of purchase costs over the fair value of net identifiable assets acquired in business acquisitions. The Company accounts for goodwill as required by Statement of Financial Accounting Standards (SFAS) 142, "Goodwill and Other Intangible Assets." Under SFAS 142, purchased goodwill and other intangible assets with indefinite useful lives are no longer amortized, and are reviewed by Management for impairment annually or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If indicators of impairment are present, the determination of the amount of impairment is based on Management's judgment of the discounted future operating cash flows to be generated from these assets throughout their estimated useful lives. On October 1, 2001, the date SFAS 142 was adopted, the Company performed impairment tests of its goodwill and other intangible assets and determined that no impairment existed. Prior to fiscal 2002,goodwill was amortized over periods ranging in periods from 20-30 years. Other intangible assets represent costs allocated to identifiable intangible assets, principally patents and technology rights. See Note 2 below regarding goodwill and other intangible assets activity.

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

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

(m) INCOME TAXES

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

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

(n) RESEARCH AND DEVELOPMENT COSTS

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

(o) FOREIGN CURRENCY TRANSLATION

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

(p) EARNINGS PER SHARE

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

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

(In thousands)	2002	2001	2000
Weighted Average Shares Outstanding--Basic	12,511	12,382	12,307
Dilutive Options and Performance Shares	511	423	361
Adjusted Shares--Diluted	13,022	12,805	12,668

Options to purchase 34,000 shares (at a per share price of $35.93), 12,500 shares (at per share prices of $25.18 - $27.28) and 95,500 shares (at per share prices of $15.72 - $19.22) were outstanding during the years ended September 30, 2002, 2001 and 2000, respectively, but were not included in the respective computations of diluted EPS because the options' exercise price was greater than the average market price of the common shares. These options expire in various periods through 2012. Approximately 91,000, 181,000 and zero performance shares were outstanding but unearned at September 30, 2002, 2001 and 2000, respectively, and, therefore, were not included in the respective years' computations of diluted EPS.

(q) STOCK-BASED COMPENSATION

The Company measures its compensation cost of equity instruments issued under employee compensation plans under the provisions of Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees," and related Interpretations.

(r) COMPREHENSIVE INCOME (LOSS)

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

(s) ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS 138 requires that all derivative instruments be recorded on the balance sheet at their fair value. The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge and if so, the type of hedge. For derivatives designated as a fair value hedge, the changes in fair value are recognized in other comprehensive income until the hedged item is settled and recognized in earnings. The Company has interest rate exposure relating to floating rate lease obligations and, accordingly, during 2002 and 2001, entered into interest rate swaps totaling approximately $8 million and $23 million to mitigate this exposure, respectively. In addition, the Company has interest rate exposure relating to floating rate obligations denominated in Euros, therefore, as of September 30, 2002, $4.6 million of this debt is hedged by a fixed interest rate swap entered into during fiscal 2001. These interest rate swaps are accounted for as cash flow hedges under the provisions of SFAS 133 as of and for the year ended September 30, 2002. At September 30, 2002, other comprehensive income included an after-tax decline in fair value of approximately $1.0 million.

(t) NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS 143, "Accounting for Asset Retirement Obligations," which addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses the financial accounting and reporting for the impairment or disposal of long-lived assets and the reporting of discontinued operations. The Company does not believe adoption of these Standards will have a material impact on the Company's financial statements.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002.

2 o GOODWILL AND OTHER INTANGIBLE ASSETS

Management adopted the provisions of SFAS 142, "Goodwill and Other Intangible Assets" effective October 1, 2001, the beginning of the Company's fiscal year 2002. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company is required to test the intangible asset for impairment in accordance with the provisions of SFAS 142. No impairment loss was recorded upon adoption of SFAS 142.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Included on the Company's Consolidated Balance Sheet at September 30, 2002 and 2001 are the following intangible assets gross carrying amounts and accumulated amortization:

(Dollars in millions)	2002	2001
Goodwill:		
Gross carrying amount	$ 116.0	114.9
Less: accumulated amortization	12.7	12.7
Net	103.3	102.2
Intangible assets with determinable lives: (included in Other Assets)		
Patents		
Gross carrying amount	16.2	15.7
Less: accumulated amortization	10.1	9.1
Net	6.1	6.6
Other (including acquired technology rights)		
Gross carrying amount	14.9	2.7
Less: accumulated amortization	1.3	0.7
Net	$ 13.6	2.0

At September 30, 2002, the net goodwill balance of $103.3 million is comprised of $75.6 million and $27.7 million related to the Filtration/Fluid Flow and Test segments, respectively.

Technology rights, net, of $10.9 million, included in Other assets, consist of the acquired intellectual property from SRT in 2002 which is being amortized over 15 years, consistent with the remaining life of the patent portfolio and related intellectual property.

Amortization expense related to intangible assets with determinable lives was $1.6 million and $1.4 million in 2002 and 2001, respectively. Estimated intangible assets amortization for each of the subsequent five fiscal years is estimated at $1.6 million per year.

The following table presents a reconciliation of net earnings for the fiscal years ended September 30, 2001 and 2000, to reflect the removal of goodwill amortization in accordance with SFAS 142, to be used for comparison purposes with the fiscal year ended September 30, 2002:

(Dollars in thousands, except per share amounts)

	2002	2001	2000
Reported net earnings	$ 21,781	30,107	16,819
Add back: Goodwill amortization, net of tax	--	2,584	1,986
Adjusted net earnings	$ 21,781	32,691	18,805
Earnings per share--Basic: As Reported	$ 1.74	2.43	1.37
Goodwill amortization	--	0.21	0.16
Adjusted	$ 1.74	2.64	1.53
Earnings per share--Diluted: As Reported	$ 1.67	2.35	1.33
Goodwill amortization	--	0.20	0.15
Adjusted	$ 1.67	2.55	1.48

Note: 2001 includes the tax gain related to the elimination of the valuation allowance of $12.7 million, or $0.99 per share. 2000 includes the after-tax gains on the sale of properties of $2.7 million or $0.22 per share.

3 o ACQUISITIONS/DIVESTITURES

In March 2002, the Company acquired the exclusive rights to the patent portfolio and related intellectual property of North Carolina Separations Research Technology Inc. and its affiliate (SRT), a manufacturer of cross-flow filtration and separation modules and equipment. The Company also acquired certain production assets and inventory of SRT. The purchase price was $11.5 million of which the Company paid $9.5 million at closing and will pay future consideration of $1 million in March 2003 and $1 million in March 2004. Additionally, the Company will be obligated to pay consideration, primarily in the form of royalties, based on certain future product sales and the grant of sublicenses generated as a result of the acquired rights in the patent portfolio. SRT sales of products utilizing the technologies acquired were approximately $3 million in calendar 2001. Since the date of acquisition, sales for SRT were $1.1 million in fiscal 2002. The intellectual property rights and related assets of SRT are included within the Company's Filtration/Fluid Flow segment. The intellectual property is being amortized over a period of fifteen years, consistent with the remaining life of the patent portfolio and related intellectual property.

On June 8, 2001, the Company acquired all of the outstanding common stock of Bea Filtri S.p.A. (Bea) for approximately $13.5 million in cash and debt. Bea, headquartered in Milan, Italy, is a supplier of filtration products to the pharmaceutical, food and beverage, healthcare, and petrochemical markets. Bea broadens the Company's microfiltration product offering and increases the Company's penetration in European markets. Bea's assets and liabilities and related operating results since the date of acquisition are included within the Company's Filtration/Fluid Flow segment.

On June 2, 2000, the Company purchased all of the outstanding common stock of Holaday Industries, Inc. (Holaday) for approximately $4 million in cash. Holaday is a leading supplier of specialty measurement probes to the EMC test, health and safety, and microwave markets. The operating results for Holaday since the date of acquisition are included within the Company's Test segment. During 2002, the Company consolidated the operations of Holaday into its new Test facility in Cedar Park, TX.

On April 9, 2000, the Company acquired all of the outstanding common stock of Lindgren RF Enclosures, Inc. (formerly known as The Curran Company) and Lindgren, Inc. (doing business through its subsidiary, Rayproof Ltd.) (collectively Lindgren) for approximately $22 million in cash. Lindgren is a leading supplier of radio frequency (RF) shielding products and components used by manufacturers of medical equipment, communications systems and electronic products. The operating results for Lindgren since the date of acquisition are included within the Company's Test segment.

On March 31, 2000, the Company acquired the assets of the Eaton space products business (Eaton), formerly located in El Segundo, CA, for approximately $6 million in cash. Eaton manufactures specialty valves and other fluid flow components for satellite launch vehicles and aircraft applications and has been integrated into the Company's Filtration/Fluid Flow segment.

In February 2000, the Company completed the sale of its microwave antenna business, which had historically operated as part of Rantec Microwave & Electronics, Inc. The Company transferred the contract order backlog and operating assets of the microwave antenna business for $2.1 million in cash, and in September 2000, sold the related land and buildings in Calabasas, CA for approximately $6 million.

Assuming the acquisitions of Holaday, Lindgren and Eaton had occurred on October 1, 1999, (the beginning of fiscal 2000 which includes goodwill amortization and non-recurring gains mentioned earlier), pro forma unaudited net sales, net earnings and diluted EPS for the year ended September 30, 2000 would have been approximately $327 million, $17.3 million and $1.37 per share, respectively. These unaudited pro forma amounts are not necessarily indicative of the results of operations that would have occurred had these actions been completed on October 1, 1999, or of future results of operations.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 o ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30, 2002 and 2001:

(Dollars in thousands)	2002	2001
Commercial	$ 65,939	57,513
U. S. Government and prime contractors	3,557	3,838
Total	$ 69,496	61,351

The increase in accounts receivable at September 30, 2002 of approximately $8.1 million is primarily due to a $7.6 million increase in the Communications segment as a result of the contract received from PPL Electric Utilities Corporation (PPL). Approximately $1.0 million of accounts receivable at September 30, 2002 represents amounts due under long-term contracts related to retainage provisions, which are due after one year.

5 o INVENTORIES

Inventories consist of the following at September 30, 2002 and 2001:

(Dollars in thousands)	2002	2001
Finished goods	$ 12,232	12,065
Work in process -- including long-term contracts	13,439	13,935
Raw materials	26,908	22,167
Total	$ 52,579	48,167

The increase in raw materials inventories at September 30, 2002 of approximately $4.7 million is mainly due to a $2.8 million increase in the Communications segment inventories which is related to the ramp-up of the PPL contract.

6 o PROPERTY, PLANT AND EQUIPMENT

Depreciation expense of property, plant and equipment for the years ended September 30, 2002, 2001 and 2000 was $10.8 million, $10.3 million and $10.3 million, respectively.

The Company has a $31.5 million obligation under a synthetic lease facility arranged by Bank of America. For GAAP purposes, this is accounted for as an operating lease. This obligation is secured by three manufacturing locations, two of which are located in Oxnard, CA and the other in Cedar Park, TX, as well as a $10.6 million letter of credit issued under the Company's $70 million credit facility. The leases expire on December 29, 2005 at which time the Company will be required to extend the leases on terms to be negotiated, purchase the properties for $31.5 million, or refinance the obligation.

The Company leases certain real property, equipment and machinery under noncancelable operating leases, which include the synthetic lease facility. Rental expense under these operating leases for the years ended September 30, 2002, 2001 and 2000 was $7.1 million, $6.8 million and $5.0 million, respectively. Future aggregate minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2002 are:

(Dollars in thousands) Years ending September 30:	
2003	$ 6,303
2004	6,405
2005	5,554
2006	4,279
2007 and thereafter	5,457
Total	$27,998

7 o INCOME TAX EXPENSE

For the year ended September 30, 2002, pre-tax earnings related to United States (U.S.) and foreign tax jurisdictions were $27.2 million and $7.4 million, respectively. For the year ended September 30, 2001, pre-tax earnings related to U.S. and foreign tax jurisdictions were $21.7 million and $5.6 million, respectively. Fiscal 2000 pre-tax earnings related to foreign tax jurisdictions were not material. The principal components of income tax expense for the years ended September 30, 2002, 2001 and 2000 consist of:

(Dollars in thousands)	2002	2001	2000
Federal:			
Current (including Alternative Minimum Tax)	$ 1,038	413	275
Deferred (including elimination of valuation allowance in 2001)	6,895	(5,669)	6,270
State and local:			
Current	2,872	1,229	788
Deferred	(153)	--	--
Foreign:			
Current	1,700	1,298	584
Deferred	496	(105)	--
Total	$ 12,848	(2,834)	7,917

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The actual income tax expense for the years ended September 30, 2002, 2001 and 2000 differs from the expected tax expense for those years (computed by applying the U.S. Federal corporate statutory rate) as follows:

	2002	2001	2000
Federal corporate statutory rate	35.0%	35.0%	35.0%
Change in tax valuation allowance:			
Utilization of capital loss carryforward	--	(2.5)	(4.3)
Elimination of valuation allowance	--	(46.5)	--
Other	--	--	(3.2)
State and local, net of Federal benefits	3.7	4.2	2.0
Foreign	(3.3)	(2.8)	.5
Other, net	1.7	2.2	2.0
Effective income tax rate	37.1%	(10.4)%	32.0%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at September 30, 2002 and 2001 are presented below:

(Dollars in thousands)	2002	2001
Deferred tax assets:		
Inventories, long-term contract accounting, contract cost reserves and others	$ 7,163	4,243
Pension and other postretirement benefits	5,031	3,535
Net operating loss carryforward	36,813	45,361
Other compensation-related costs and other cost accruals	7,992	5,801
Total deferred tax assets	56,999	58,940
Deferred tax liabilities:		
Plant and equipment, depreciation methods, acquisition asset allocations, and other	(7,267)	(5,089)
Net deferred tax asset before valuation allowance	49,732	53,851
Less valuation allowance	--	--
Net deferred tax assets	$ 49,732	53,851

Net deferred tax assets are classified in the Consolidated Balance Sheets as follows:

(Dollars in thousands)	2002	2001
Current portion of deferred tax assets	$ 22,782	15,278
Deferred		

tax assets (non-current) 26,950 38,573

	$ 49,732	53,851

Based on the Company's historical pretax income, together with the projection of future taxable income, Management believes it is more likely than not that the Company will realize the benefits of the net deferred tax asset existing at September 30, 2002. In order to realize this net deferred tax asset, the Company will need to generate future taxable income of approximately $142 million, of which $105 million is required to be realized prior to the expiration of the NOL carryforward, of which $12 million will expire in 2009; $38 million will expire in 2010; $4 million will expire in 2011; $11 million will expire in 2018; and $40 million will expire in 2019. The NOL carryforward may be used to reduce future Federal income tax cash payments.

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

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

(1) The Company had a lengthy history of cumulative tax losses (NOL carryforwards of $138 million at September 30, 2000), including the addition of $11.6 million and $39.6 million of NOLs in the then recent fiscal years ended September 30, 1998 and 1999, respectively;

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

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

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

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

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

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

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

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

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

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

8 o DEBT

Long-term debt consists of the following at September 30, 2002 and 2001:

(Dollars in thousands)	2002	2001
Long-term borrowings under the revolving credit facility	$ 7,739	7,249
Other debt	659	1,200
Less current maturities of long-term debt	(121)	(111)
Long-term		

debt	$ 8,277	8,338
	==========	==========

Effective April 5, 2002, the Company amended its existing $75 million revolving credit facility changing the previously scheduled reductions and extending the $25 million increase option through April 11, 2004. The amendment calls for $5 million annual reductions to the credit facility beginning in April 2002 with the balance due upon maturity and expiration, April 11, 2005. As of September 30, 2002, the Company had not exercised the $25 million increase option and the revolving line of credit was $70 million. The credit facility is available for direct borrowings and/or the issuance of letters of credit, and is provided by a group of five banks, led by Bank of America as agent. The maturity of the bank credit facility is April 11, 2005. At September 30, 2002, the Company had approximately $49.7 million available to borrow under the credit facility in addition to its $24.9 million cash on hand. Against the $70 million available under the revolving credit facility at September 30, 2002, the Company had $7.7 million of outstanding long-term borrowings related to the Bea acquisition and outstanding letters of credit of $12.5 million, related to the Company's synthetic lease arrangement and performance guarantees.

The credit facility requires, as determined by certain financial ratios, a commitment fee ranging from 20-30 basis points per annum on the unused portion. The terms of the facility provide that interest on borrowings may be calculated at a spread over the London Interbank Offered Rate (LIBOR) or based on the prime rate, at the Company's election. Substantially all of the assets of the Company are pledged under the credit facility. The financial covenants of the credit facility include limitations on leverage and minimum consolidated EBITDA. As of September 30, 2002, the Company was in compliance with all bank covenants.

Long-term borrowings under the revolving credit facility were $7.7 million and $7.2 million at September 30, 2002 and 2001, respectively. The $7.7 million of long-term borrowings are due on April 11, 2005. There were no short-term borrowings under the credit facility as of September 30, 2002 and 2001, respectively. During 2002 and 2001, the maximum aggregate short-term borrowings at any month-end were $0.6 million and $5.5 million, respectively; the average aggregate short-term borrowings outstanding based on month-end balances were $0.1 million and $1.7 million, respectively; and the weighted average interest rates were 4.8% in 2002, 6.4% in 2001 and 7.5% in 2000. The letters of credit issued and outstanding under the credit facility totaled $12.5 million and $6.1 million at September 30, 2002 and 2001, respectively.

9 o CAPITAL STOCK

The 13,601,095 and 13,409,934 common shares as presented in the accompanying Consolidated Balance Sheets at September 30, 2002 and 2001 represent the actual number of shares issued at the respective dates. The Company held 1,067,046 and 985,469 common shares in treasury at September 30, 2002 and 2001, respectively.

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

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

	FY 2002		FY 2001		FY 2000	
	SHARES	ESTIMATED AVG. PRICE	Shares	Estimated Avg. Price	Shares	Estimated Avg. Price
October 1,	796,648	$ 12.60	792,699	$ 10.62	1,437,442	$ 9.35
Granted	437,500	$ 28.64	175,250	$		

18.65
99,250 $
12.90
Exercised
(191,608)
$ 11.20
(151,298)
$ 9.18
(558,738)
$ 7.37
Cancelled
(3,002) $
22.89
(20,003) $
12.91
(185,255)
$ 12.16 --
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September
30,
1,039,538
$ 19.58
796,648 $
12.60
792,699 $
10.62 At
September
30,
Reserved
for future
grant
111,014
342,063
405,566
Exercisable
366,406 $
11.89
370,854 $
10.72
393,647 $
10.65
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The weighted-average fair value of stock options granted in 2002, 2001, and 2000 was $14.02, $8.37, and $5.27, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary information regarding stock options outstanding at September 30, 2002 is presented below:

	OPTIONS OUTSTANDING		
Range of Exercise Prices	NUMBER OUTSTANDING AT SEPTEMBER 30, 2002	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
$6.08 - $7.37	70,102	4.0 years	$ 6.47
$9.14 - $12.91	316,085	6.2 years	$ 10.97
$14.19 - $19.22	176,828	7.4 years	$ 17.04
$21.44 - $27.28	190,773	8.9 years	$ 24.81
$29.04 - $35.93	285,750	9.9 years	$ 30.42
	1,039,538	7.8 years	$ 19.58

	EXERCISABLE OPTIONS OUTSTANDING	
Range of Exercise Prices	NUMBER EXERCISABLE AT SEPTEMBER 30, 2002	WEIGHTED AVERAGE EXERCISE PRICE
$6.08 - $7.37	70,102	$ 6.47
$9.14 - $12.91	204,444	$ 11.00
$14.19 - $19.22	79,874	$ 17.22
$21.44 - $27.28	11,986	$ 23.21
	366,406	$ 11.89

The options have a ten year contractual life from date of issuance, expiring in various periods through 2012, excluding 60,000 options granted as part of the Management Transition Agreement (MTA) which have a five year contractual life. The increase in exercised shares and cancelled shares in 2000 is mainly due to options held by former employees of previously divested entities.

In February 2001, the Company authorized a stock repurchase program to purchase up to 1.3 million shares of its common stock in the open market, subject to market conditions and other factors, through September 30, 2003. The Company repurchased 127,100, 76,700 and 516,368 shares in 2002, 2001 and 2000, respectively.

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

During 2001, the Board of Directors authorized, and the shareholders approved, the Performance Share Plan. The maximum number of shares available for issue was 532,814 shares. As of September 30, 2002, 428,133 have been awarded and 180,636 shares have been earned. Compensation expense related to these awards was $2.4 million and $1.7 million in 2002 and 2001, respectively. These shares vest over five years with accelerated vesting over three years if certain performance targets are achieved. During fiscal 2002, 40,000 shares of restricted stock were issued as part of the MTA, for a total of 80,000 shares of restricted stock outstanding at September 30, 2002.

In February 2000, the Company amended and restated the Preferred Stock Purchase Rights Plan such that each Right entitles the holder to purchase one one-hundredth of a share of preferred stock at an initial purchase price of $60. The Rights remain in existence until February 3, 2010, unless renewed, redeemed earlier (at one cent per Right), exercised or exchanged under the terms of the plan. Under certain conditions involving the acquisition of, or an offer for, 20% or more of the Company's common stock, all holders of Rights, except an acquiring entity, would be entitled (1) to purchase, at a defined price, common stock of the Company or an acquiring entity at a value twice the defined price, or (2) at the option of the Board, to exchange each Right for one share of common stock.

The Company adopted the disclosure-only provisions of SFAS 123, "Accounting for Stock-Based Compensation." Under APB 25, no compensation cost was recognized for the Company's stock option plans. Had compensation cost for the Company's stock option plans and performance share plans been determined based on the fair value at the grant date for awards outstanding during 2002, 2001 and 2000 consistent with the provisions of this Statement, the Company's net earnings and net earnings per share would have been as shown in the table below:

Pro forma (Unaudited) (Dollars in thousands, except per share amounts)	2002	2001	2000
Net earnings	$ 19,305	29,405	16,214
Net earnings per share:			
Basic	1.54	2.37	1.32
Diluted	1.48	2.30	1.28

As shown in the table above, diluted net earnings per share in 2002 would have been $1.48 as compared to actual 2002 diluted net earnings per share of $1.67 for a difference of $0.19 per share. Fiscal 2002 was impacted by the MTA ($0.06 per share) and the timing of annual stock options granted ($0.08 per share). The impact to diluted net earnings per share was $0.05 in 2001 and 2000. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2002, 2001 and 2000, respectively: expected dividend yield of 0% in all periods; expected volatility of 31.2%, 37.5% and 29.2%, risk-free interest rate of 3.6%, 4.6% and 5.8%, and expected life based on historical exercise periods of 4.25 years, 4.21 years and 4.06 years.

The 2002 Performance Share award grants were valued at the stock price on the date of grant. No adjustments were made for the probability that performance thresholds would not be met. In 2001 and 2000, to determine the fair value of grants under the Performance Share Plans, the probability that performance thresholds would be met was applied to the ESCO stock price on the date of grant. This probability was based on an estimated average annual growth rate of 10.0% and an annualized volatility of 37.9% and 38.3% in 2001 and 2000, respectively.

10 o RETIREMENT AND OTHER BENEFIT PLANS

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

Net periodic benefit cost for the years ended September 30, 2002, 2001 and 2000 is comprised of the following:

(Dollars in millions)	2002	2001	2000

Defined benefit plans:			
Service cost	$ 1.7	1.4	1.4
Interest cost	2.7	2.5	2.1
Expected return on plan assets	(3.0)	(3.0)	(2.8)
Amortization of service costs	.1	.1	.1
Net actuarial gain	(.1)	(.5)	(.5)
Curtailment gain	--	--	(.7)
Net periodic benefit cost	1.4	.5	(.4)
Defined contribution plans	.6	.7	.6
Total	$ 2.0	1.2	.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company recognized a curtailment gain in 2000 as a result of the sale of the Rantec microwave business in February 2000.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for defined benefit pension plans with accumulated benefit obligations in excess of plan assets were $42.9 million, $35.3 million and $26.9 million, respectively, as of September 30, 2002. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for defined benefit pension plans with accumulated benefit obligations in excess of plan assets were $5.1 million, $4.7 million and $2.6 million, respectively, as of September 30, 2001.

The net benefit obligation of the Company's defined benefit pension plans as of September 30, 2002 and 2001 is shown below:

(Dollars in millions)	2002	2001
Change in benefit obligation--		
Net benefit obligation at beginning of year	$ 36.5	29.6
Service cost	1.7	1.4
Interest cost	2.7	2.5
Plan amendments	--	.1
Actuarial loss	3.0	3.9
Gross benefits paid	(1.0)	(1.0)
Net benefit obligation at end of year	$ 42.9	36.5

The plan assets of the Company's defined benefit pension plans at September 30, 2002 and 2001 are shown below:

(Dollars in millions)	2002	2001
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 28.1	35.9
Actual return on plan assets	(2.6)	(6.8)
Employer contributions	2.4	--
Gross benefits paid	(1.0)	(1.0)
Fair		

value of plan assets at end of year	$ 26.9	28.1
	==========	==========

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

The Company's defined benefit pension plans recognized the following net amounts at September 30, 2002 and 2001:

(Dollars in millions)	2002	2001
Funded status at end of year	$ (16.0)	(8.4)
Unrecognized prior service cost	.4	.5
Unrecognized net actuarial loss	12.7	4.1
Accrued benefit cost	$ (2.9)	(3.8)
Amounts recognized in the Balance Sheet consist of:		
Prepaid benefit cost	$ .1	.2
Accrued benefit cost	(3.0)	(4.0)
Additional minimum liability	(5.6)	(.8)
Intangible asset	.4	.2
Accumulated other comprehensive income (before tax effect)	5.2	.6
Accrued benefit liability (Included in Other liabilities)	$ (2.9)	(3.8)
	==========	==========

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The benefit obligations of the defined benefit plans as of September 30, 2002 and 2001 were based on discount rates of 6.75% and 7.25%, respectively, and an assumed rate of increase in compensation levels of 4.5% in 2002 and 2001.

The 2002, 2001 and 2000 pension expense for the defined benefit plans was based on a 7.25%, 7.75% and 7.75% discount rate, respectively, a 4.5% increase in compensation levels in all three years, and a 9.0%, 9.5% and 9.5% expected long-term rate of return on plan assets, respectively.

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

Net periodic postretirement benefit cost is comprised of the following:

(Dollars in millions)	2002	2001	2000
Service cost	$ --	--	.1
Interest cost	.1	.1	.1
Net amortization and deferral	(.2)	(.2)	(.3)
Curtailment gain recognized	--	--	(.3)
Net periodic postretirement benefit cost	$ (.1)	(.1)	(.4)

The Company recognized a curtailment gain in 2000 as a result of the sale of the Rantec microwave business in February 2000.

The net benefit obligation for postretirement benefits at September 30, 2002 and 2001 is shown below:

(Dollars in millions)	2002	2001
Net benefit obligation at beginning of year	$ 1.7	1.2
Service cost	--	--
Interest cost	.1	.1
Actuarial (gain) loss	(.4)	.5
Gross benefits paid	(.1)	(.1)

	2002	2001
Net benefit obligation at end of year	$ 1.3	1.7

The plan assets for postretirement benefits at September 30, 2002 and 2001 are shown below:

(Dollars in millions)	2002	2001
Fair value of plan assets at beginning of year	$ --	--
Employer contributions	.1	.1
Gross benefits paid	(.1)	(.1)
Fair value of plan assets at end of year	$ --	--

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company recognized the following accrued benefit liabilities for postretirement benefits at September 30, 2002 and 2001:

(Dollars in millions)	2002	2001
Funded status at end of year	$ (1.3)	(1.7)
Unrecognized prior service cost	--	--
Unrecognized net actuarial (gain) loss	(3.2)	(3.1)
Accrued benefit costs	$ (4.5)	(4.8)
Amounts recognized in the Balance Sheet consist of -- Accrued benefit liability (Included in Other liabilities)	$ (4.5)	(4.8)

The net benefit obligations of the postretirement benefit plans as of September 30, 2002 and 2001 were based on discount rates of 6.75% and 7.25%, respectively. The September 30, 2002 net benefit obligation was based on a health care cost trend of 11.0% for fiscal 2002, decreasing 1% per year to 5% in fiscal 2008. The September 30, 2001 net benefit obligation was based on a health care cost trend of 5.5% for fiscal 2001. A 1% increase in the health care cost trend rate for each year would increase the September 30, 2002 net benefit obligation by approximately $6,000, while a 1% decrease in the health care cost trend rate for each year would decrease the September 30, 2002 net benefit obligation by approximately $7,000.

The fiscal 2002, 2001 and 2000 net periodic benefit costs were based on discount rates of 7.25%, 7.75% and 7.75%, respectively. The net periodic benefit cost was based on an assumed health care cost trend of 11.0% for fiscal 2002 decreasing 1% per year to 5% in fiscal 2008, 5.5% for 2001 and 6.5% for 2000 gradually grading down to 5.5% by fiscal year 2002. A 1% increase in the health care cost trend rate for each year would increase the aggregate of the service cost and interest cost components of the fiscal 2002 net periodic benefit cost by approximately $400, while a 1% decrease in the health care cost trend rate for each year would decrease the aggregate of the service cost and interest cost components of the fiscal 2002 net periodic benefit cost by approximately $600.

11 o OTHER FINANCIAL DATA

Items charged to operations during the years ended September 30, 2002, 2001 and 2000 included the following:

(Dollars in thousands)	2002	2001	2000

Maintenance and repairs	$ 4,579	4,952	4,870
Salaries and wages (including fringes)	97,252	91,649	78,206
Research and development (R&D) costs:			
Company-sponsored	$ 14,901	9,749	6,135
Customer-sponsored	6,183	5,231	3,961
Total R&D	$ 21,084	14,980	10,096
Other engineering costs	7,827	10,518	8,391
Total R&D and other engineering costs	$ 28,911	25,498	18,487
As a % of net sales	7.9%	7.4%	6.2%

The increase in salaries and wages in 2002 compared to 2001 and 2000 is mainly due to the Company's acquisition activities and the addition of personnel within the Communications segment. The increase in research and development costs is due to the Company's acquisition activities and increased spending in the Communications segment related to product enhancements and additional product offerings.

Accrued expenses included accrued employee compensation of $10.8 million and $9.1 million at September 30, 2002 and 2001, respectively. Other liabilities include accrued benefit liabilities related to the Company's defined benefit pension plans, accrued benefit liabilities related to the Company's postretirement benefits, miscellaneous tax liabilities, and liabilities related to the Company's cash flow hedges, discussed earlier.

12 o BUSINESS SEGMENT INFORMATION

The Company is organized based on the products and services that it offers. Under this organizational structure, the Company operates in four segments: Filtration/Fluid Flow, Communications, Test and Other. Filtration/Fluid Flow operations consist of: Filtertek Inc. (Filtertek) and PTI Consolidated, which includes PTI Technologies Inc. (PTI), PTI Advanced Filtration Inc. (PTA), PTI Technologies Limited (PTL), PTI S.p.A., and VACCO Industries. Filtertek develops and manufactures a broad range of high-volume, original equipment manufacturer (OEM) filtration products at its facilities in North America, South America and Europe. PTI Consolidated develops and manufactures a wide range of filtration products and is a leading supplier of filters to the commercial aerospace market and microfiltration market. Communications operations consist of Distribution Control Systems, Inc. (DCSI) which is principally involved in providing two-way power line communication systems for the utility industry. These systems provide the electric utilities with a patented communication technology for demand-side management, distribution automation and automatic meter reading capabilities. Communications also includes the operations of Comtrak Technologies, L.L.C., a provider of video security systems. Test segment operations represent the EMC Group, consisting of EMC Test Systems, L.P. (ETS) and Lindgren RF Enclosures, Inc. (Lindgren). The EMC Group is principally involved in the design and manufacture of EMC test equipment, test chambers, and electromagnetic absorption materials. The EMC Group also manufactures radio frequency (RF) shielding products and components used by manufacturers of medical equipment, communications systems, electronic products, and shielded rooms for high security data processing and secure communication. The Other segment is comprised of Rantec Power Systems Inc. (Rantec) and unallocated corporate operating charges. Rantec produces power supplies widely used in high performance displays, such as cockpit instrumentation, engineering workstations and medical imaging. Accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to the Consolidated Financial Statements.

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

NET SALES Year ended September 30, (Dollars in millions)	2002	2001	2000
Filtration/Fluid Flow	$ 192.5	188.2	181.7
Communications	94.6	59.1	42.7
Test	69.0	85.5	63.0
Other	11.4	12.1	12.8
Consolidated totals	$ 367.5	344.9	300.2

EBIT Year ended September 30, (Dollars in millions)	2002	2001	2000
Filtration/Fluid Flow	$ 13.1	11.5	12.4

Communications	21.0	11.9	8.2
Test	3.6	7.5	4.7
Other	.8	1.2	(.2)
Reconciliation to consolidated totals (Corporate)	(3.6)	(4.7)	--
Consolidated totals	$ 34.9	27.4	25.1

Goodwill amortization was $3.4 million and $2.6 million in 2001 and 2000, respectively. Goodwill amortization is excluded from the 2002 results in accordance with the adoption of SFAS 142.

The Company is also presenting EBITDA by segment for informational purposes only. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. EBITDA in 2001 has been adjusted to remove the $3.4 million of goodwill amortization, (consisting of $2.0 million related to the Filtration/Fluid Flow segment and $1.4 million related to the Test segment).

EBITDA

Year ended September 30,	2002			2001		
(Dollars in millions)	EBIT	DEPRECIATION/ AMORTIZATION	EBITDA	EBIT	Depreciation/ Amortization	EBITDA
Filtration/Fluid Flow	$ 13.1	9.6	22.7	13.5	8.8	22.3
Communications	21.0	1.2	22.2	11.9	1.2	13.1
Test	3.6	1.2	4.8	8.9	1.1	10.0
Other (Rantec & Corporate)	(2.8)	.4	(2.4)	(3.5)	.6	(2.9)
Consolidated totals	$ 34.9	12.4	47.3	30.8	11.7	42.5

IDENTIFIABLE ASSETS

As of September 30, (Dollars in millions)	2002	2001
Filtration/Fluid Flow	$ 233.6	213.4
Communications	31.2	22.4
Test	59.6	62.3
Other	7.2	7.5
Reconciliation to consolidated totals (Corporate assets)	76.1	70.0

Consolidated totals	$ 407.7	375.6

Corporate assets consist primarily of deferred taxes and cash balances.

CAPITAL EXPENDITURES (Dollars in millions) Year ended September 30,	2002	2001	2000
Filtration/Fluid Flow	$ 11.1	9.4	9.0
Communications	.8	.9	.5
Test	.7	1.1	.3
Other	.6	.5	.6
Consolidated totals	$ 13.2	11.9	10.4

Depreciation and amortization is included in the EBITDA table, noted previously.

GEOGRAPHIC INFORMATION Net sales to customers (Dollars in millions)	2002	2001	2000
North America	$ 274.9	276.3	234.6
Europe	60.5	43.4	46.1
Far East	16.2	15.0	9.5
Other	15.9	10.2	10.0
Consolidated totals	$ 367.5	344.9	300.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

LONG-LIVED ASSETS (Dollars in millions)	2002	2001
North America	$ 54.3	53.8
Europe	14.2	11.2
Consolidated totals	$ 68.5	65.0

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

13 o COMMITMENTS AND CONTINGENCIES

At September 30, 2002, the Company had $12.5 million in letters of credit outstanding related to the synthetic lease arrangement mentioned earlier and as guarantees of contract performance.

As a normal incidence of the businesses in which the Company is engaged, various claims, charges and litigation are asserted or commenced against the Company. In connection with the Filtertek lawsuit, the Company believes it is probable it will prevail as supported by internal and third-party legal opinions and favorable developments to date in the course of the litigation. With respect to other claims and litigation asserted or commenced against the Company, it is the opinion of Management, that final judgments, if any, which might be rendered against the Company in current litigation are adequately reserved, covered by insurance, or would not have a material adverse effect on its financial statements.

14 o QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(Dollars in thousands, except per share amounts)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FISCAL YEAR
2002 Net sales	$ 84,336	88,224	94,701	100,264	367,525
Gross profit	26,879	29,125	31,092	31,917	119,013
EBIT	7,811	8,360	9,297	9,454	34,922
Net					

earnings
4,772
5,193
5,738
6,078
21,781
Earnings
per share:
Basic .38
.42 .46
.48 1.74
Diluted
.37 .40
.44 .47
1.67
==========
==========
==========
==========
==========
2001 Net
sales $
82,871
86,905
87,862
87,266
344,904
Gross
profit
25,245
27,230
28,015
27,888
108,378
EBIT 6,569
6,993
7,413
6,428
27,403 Net
earnings
3,978
4,287
4,557
17,285
30,107
Earnings
per share:
Basic .32
.35 .37
1.39 2.43
Diluted
.31 .34
.35 1.33
2.35
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The Company adopted SFAS 142 on October 1, 2001. Therefore, the 2001 amounts above include goodwill amortization and the 2002 amounts exclude goodwill amortization. For 2001, goodwill amortization was approximately $0.9 million per quarter.

The 2001 fourth quarter reflects the elimination of the net deferred tax valuation allowance of approximately $12.7 million or $0.97 per share, during the fourth quarter. The full year impact of this adjustment was $0.99 per share in 2001.

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS AND SHAREHOLDERS
ESCO TECHNOLOGIES INC.:

We have audited the accompanying consolidated balance sheets of ESCO Technologies Inc. and subsidiaries as of September 30, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2002. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ESCO Technologies Inc. and subsidiaries as of September 30, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, in fiscal year 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

/s/ KPMG LLP

St. Louis, Missouri
November 13, 2002

SHAREHOLDERS' SUMMARY

SHAREHOLDERS' ANNUAL MEETING

The Annual Meeting of the shareholders of ESCO Technologies Inc. will be held at 10 a.m. Thursday, February 6, 2003, at the Hilton St. Louis Frontenac Hotel, 1335 South Lindbergh Boulevard, St. Louis County, Missouri 63131. Notice of the meeting and a proxy statement were sent to shareholders with this Annual Report.

10-K REPORT

A copy of the Company's 2002 Annual Report on Form 10-K filed with the Securities and Exchange Commission is available to shareholders without charge. Direct your written request to the Investor Relations Department, ESCO Technologies Inc., 8888 Ladue Road, Suite 200, St. Louis, Missouri 63124.

INVESTOR RELATIONS

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

TRANSFER AGENT AND REGISTRAR

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

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

CAPITAL STOCK INFORMATION

ESCO Technologies Inc. common stock shares (symbol ESE) are listed on the New York Stock Exchange. There were approximately 4,100 holders of record of shares of common stock at September 30, 2002.

INDEPENDENT AUDITORS

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

EXHIBIT 21

SUBSIDIARIES OF
ESCO TECHNOLOGIES INC.

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

Delaware
Same PTI
Technologies
Limited
England Same
Rantec Power
Systems Inc.
Delaware
Same Ray
Proof
Limited
England Same
VACCO
Industries
California
Same

EXHIBIT 23

Independent Auditors' Consent

The Board of Directors
ESCO Technologies Inc.:

We consent to incorporation by reference in the registration statements (Nos. 33-39737, 33-47916, 33-98112, 333-92945, 333-77887, 333-96309, 333-63930 and 333-85268) on Form S-8 of ESCO Technologies Inc. of our report dated, November 13, 2002 relating to the consolidated balance sheets of ESCO Technologies Inc. and subsidiaries as of September 30, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2002, which report appears in the September 30, 2002 Annual Report on Form 10-K of ESCO Technologies Inc.

Our report refers to a change in accounting for Goodwill and other intangible assets.

/s/ KPMG LLP

St. Louis, Missouri
December 20, 2002