UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2005

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ______ TO ______

COMMISSION FILE NUMBER 1-10596

ESCO TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

MISSOURI	43-1554045
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8888 LADUE ROAD, SUITE 200 ST. LOUIS, MISSOURI	63124-2056
(Address of principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes X No___

The number of shares of the registrant's common stock outstanding at July 31, 2005 was 12,736,707.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004
Net sales	$ 108,800	107,911
Costs and expenses:		
Cost of sales	71,911	70,125
Asset impairment	790	-
Selling, general and administrative expenses	21,722	19,670
Interest income	(534)	(129)
Other (income) expense, net	198	71
Total costs and expenses	94,087	89,737
Earnings before income taxes	14,713	18,174

Income tax expense	2,312	6,958
Net earnings from continuing operations	12,401	11,216
Loss from discontinued operations, net of tax benefit of $(83) in 2004	-	(1,100)
Gain on sale of discontinued operations, net of tax benefit of $(1,153) in 2004	-	1,925
Net earnings from discontinued operations	-	825
Net earnings	$ 12,401	12,041
Earnings (loss) per share:		
Basic - Continuing operations	$ 0.98	0.87
- Discontinued operations	-	0.06
- Net earnings	$ 0.98	0.93
Diluted - Continuing operations	$ 0.95	0.84
- Discontinued operations	-	0.06
- Net earnings	$ 0.95	0.90

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands, except per share amounts)

	Nine Months Ended June 30, 2005	Nine Months Ended June 30, 2004
Net sales	$ 319,335	306,477
Costs and expenses:		
Cost of sales	209,409	207,175
Asset impairment	790	-
Selling, general and administrative expenses	62,804	57,549
Interest income	(1,317)	(648)
Other (income) expense, net	(492)	1,199
Total costs and expenses	271,194	265,275
Earnings before income taxes	48,141	41,202
Income tax expense	14,790	15,833
Net earnings from continuing operations	33,351	25,369
Loss from discontinued operations, net of tax benefit of $(1,291) in 2004	-	(3,737)
Gain on sale discontinued operations, net of tax benefit of $(1,153) in 2004	-	1,925
Net loss from discontinued operations	-	(1,812)
Net earnings	$ 33,351	23,557
Earnings (loss) per share:		
Basic - Continuing operations	$ 2.62	1.97
- Discontinued operations	-	(0.14)
- Net earnings	$ 2.62	1.83
Diluted - Continuing operations	$ 2.54	1.91
- Discontinued operations	-	(0.14)
- Net earnings	$ 2.54	1.77

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	June 30, 2005	September 30, 2004
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 85,765	72,281
Accounts receivable, net	71,045	77,729
Costs and estimated earnings on long-term contracts, less progress billings of $6,752 and $2,210, respectively	3,056	2,476
Inventories	53,881	44,287
Current portion of deferred tax assets	20,022	27,810
Other current assets	9,184	8,947
Total current assets	242,953	233,530
Property, plant and equipment, net	67,360	69,103
Goodwill	68,884	68,949
Other assets	30,423	30,858
	$ 409,620	402,440
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current maturities of long-term debt	$ 37	151
Accounts payable	31,403	32,455
Advance payments on long-term contracts, less costs incurred of $11,825 and $8,017, respectively	6,012	4,305
Accrued salaries	10,763	11,896
Accrued taxes	992	4,454
Accrued other expenses	11,919	15,061
Total current liabilities	61,126	68,322
Deferred income	3,288	2,738
Pension obligations	13,902	13,899
Other liabilities	9,625	9,497
Long-term debt	360	368
Total liabilities	88,301	94,824
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 14,322,536 and 14,148,902 shares, respectively	143	142
Additional paid-in capital	226,264	221,711
Retained earnings	149,314	115,963
Accumulated other comprehensive loss	(3,011)	(3,698)
	372,710	334,118
Less treasury stock, at cost: 1,589,013 and 1,257,352 common shares, respectively	(51,391)	(26,502)
Total shareholders' equity	321,319	307,616
	$ 409,620	402,440

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended June 30, 2005	Nine Months Ended June 30, 2004
Cash flows from operating activities:		
Net earnings	$ 33,351	23,557
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Net loss from discontinued operations net of tax	-	1,812
Depreciation and amortization	9,263	8,980
Changes in operating working capital	(3,020)	(6,843)
Effect of deferred taxes	3,526	121
Other	(2,689)	3,163
Net cash provided by operating activities - continuing operations	40,431	30,790
Net cash used by discontinued operations	-	(2,735)
Net cash provided by operating activities	40,431	28,055
Cash flows from investing activities:		
Acquisition of business - continuing operations	-	(238)
Proceeds from Riverhead note receivable	-	2,120
Proceeds from divestiture of businesses	-	23,275
Capital expenditures - continuing operations	(6,580)	(7,905)
Capital expenditures - discontinued operations	-	(1,390)
Net cash (used) provided by investing activities	(6,580)	15,862
Cash flows from financing activities:		
Net decrease in short-term borrowings	-	(10,000)
Proceeds from long-term debt	-	378
Principal payments on long-term debt - continuing operations	(122)	(478)
Principal payments on long-term debt - discontinued operations	-	(9,024)
Purchases of common stock into treasury	(24,928)	-
Other (including exercise of stock options)	4,683	1,466
Net cash used by financing activities	(20,367)	(17,658)
Net increase in cash and cash equivalents	13,484	26,259
Cash and cash equivalents, beginning of period	72,281	31,285
Cash and cash equivalents, end of period	$ 85,765	$ 57,544

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements, in the opinion of management, include all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the results for the interim periods presented. The consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all the disclosures required by accounting principles generally accepted in the United States of America (GAAP). For further information refer to the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2004.

The results for the three and nine-month periods ended June 30, 2005 are not necessarily indicative of the results for the entire 2005 fiscal year.

2. DISCONTINUED OPERATIONS - 2004

Microfiltration and Separations Businesses (MicroSep) The MicroSep businesses consisted of PTI Advanced Filtration Inc., PTI Technologies Limited, and PTI S.p.A. Effective April 2, 2004, the Company completed the sale of PTI Advanced Filtration Inc. (Oxnard, California) and PTI Technologies Limited (Sheffield, England) to domnick hunter group plc for $18 million in cash. On June 8, 2004, the Company completed the sale of PTI S.p.A. (Milan, Italy) to a group of investors comprised of the subsidiary's senior management for $5.3 million. An after-tax gain of $0.8 million and an after-tax loss $(1.8) million related to the MicroSep businesses is reflected in the Company's fiscal 2004 results from discontinued operations for the three and nine-month periods ended June 30, 2004, respectively.

3. EARNINGS PER SHARE (EPS)

Basic EPS is calculated using the weighted average number of common shares outstanding during the period. Diluted EPS 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-accelerated restricted shares (restricted shares) by using the treasury stock method. The number of shares used in the calculation of earnings per share for each period presented is as follows (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2005	2004	2005	2004
Weighted Average Shares Outstanding - Basic	12,712	12,938	12,721	12,885
Dilutive Options and Restricted Shares	382	377	392	425
Adjusted Shares-Diluted	13,094	13,315	13,113	13,310

Options to purchase 4,000 shares of common stock at prices ranging from $79.72 - $100.52 and options to purchase 110,750 shares of common stock at prices ranging from $46.95 - $50.55 were outstanding during the nine-month periods ended June 30, 2005 and 2004, respectively, but were not included in the computation of diluted EPS because the options' exercise prices were greater than the average market price of the common shares. The options expire at various periods through 2013. Approximately 19,000 and 16,000 restricted shares were excluded from the respective computation of diluted EPS based upon the application of the treasury stock method for the three month periods ended June 30, 2005 and 2004, respectively.

Had compensation cost for the Company's stock option plans and restricted share plans been determined based on the fair value at the grant date for awards outstanding during the three and nine-month periods ended June 30, 2005 and 2004 consistent with the provisions of SFAS 148, the Company's net earnings and net earnings per share would have been as shown in the table below:

(Unaudited)
(Dollars in thousands,
except per share amounts)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2005	2004	2005	2004
Net earnings, as reported	$ 12,401	12,041	$ 33,351	23,557
Add: stock-based employee compensation expense included in reported net earnings, net of tax	202	162	952	704
Less: total stock-based employee compensation expense determined under fair value based methods, net of tax	(704)	(368)	(2,549)	(1,457)
Pro forma net earnings	$ 11,899	11,835	$31,754	22,804
Net earnings per share:				
Basic - as reported	$ 0.98	0.93	$ 2.62	1.83
Basic - pro forma	0.94	0.91	2.50	1.77
Diluted - as reported	$ 0.95	0.90	$ 2.54	1.77
Diluted - pro forma	0.91	0.89	2.42	1.71

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 the three and nine-month periods ended June 30, 2005 and 2004, respectively: expected dividend yield of 0% in both periods; expected volatility of 27.6% and 16.4%; risk-free interest rate of 3.7% and 4.6%; and expected life based on historical exercise periods of 4.17 years and 4.24 years.

4. INVENTORIES

Inventories consist of the following (in thousands):

	June 30, 2005	September 30, 2004
Finished goods	$ 14,051	11,444
Work in process, including long- term contracts	16,358	13,759
Raw materials	23,472	19,084
Total inventories	$ 53,881	44,287

5. COMPREHENSIVE INCOME

Comprehensive income for the three-month periods ended June 30, 2005 and 2004 was $11.2 million and $11.9 million, respectively. Comprehensive income for the nine-month periods ended June 30, 2005 and 2004 was $34.0 million and $25.8 million, respectively. For the three and nine-month periods ended June 30, 2005, the Company's comprehensive income was negatively impacted by foreign currency translation adjustments of $1.2 million and positively impacted by foreign currency translation adjustments of $0.7 million, respectively. For the three and nine-month periods ended June 30, 2004, the Company's comprehensive income was negatively impacted by foreign currency translation adjustments of $0.2 million and positively impacted by foreign currency translation adjustments of $2.1 million, respectively.

6. ASSET IMPAIRMENT

In June 2005, the Company abandoned its plans to commercialize certain sensor products within the Filtration/Fluid Flow segment. This action resulted in an asset impairment charge of $0.8 million to write down certain patents and a related licensing agreement to their respective fair market values. The Company ended its development efforts on this program after it determined that the market was not developing as quickly as anticipated and the future costs and timeframe to fully commercialize the products were not acceptable.

7. INCOME TAX EXPENSE

The third quarter fiscal 2005 effective income tax rate was 15.7% compared to 38.3% in the third quarter of fiscal 2004. The effective income tax rate in the first nine months of fiscal 2005 was 30.7% compared to 38.4% in the prior year period. The decrease in the effective income tax rate in the third quarter and in the first nine months of fiscal 2005 as compared to the prior year periods is primarily due to the timing and volume of profit contributions of the Company's foreign operations. The decrease in the third quarter effective tax rate was primarily driven by an adjustment to income tax expense due to the Company finalizing certain foreign tax returns in June; an adjustment to the current year tax provision resulting from higher foreign sourced pretax income; and a favorable state tax rate adjustment. The majority of the rate adjustment resulted from DCSI pretax income sourced in Puerto Rico. The third quarter effective tax rate, absent the adjustments mentioned above, would have been approximately 33%. The difference between the 15.7% actual third quarter effective income tax rate and the 33% tax rate approximated $0.20 per share in the quarter. The Company estimates the annual effective tax rate for fiscal 2005 to be approximately 32.5%.

8. BUSINESS SEGMENT INFORMATION

The Company is organized based on the products and services that it offers. Under this organizational structure, the Company operates in three segments: Filtration/Fluid Flow, Communications and Test.

Management evaluates and measures the performance of its operating segments based on "Net Sales" and "EBIT", which are detailed in the table below. EBIT is defined as earnings from continuing operations before interest and taxes. The table below is presented for continuing operations and excludes discontinued operations.

($ in thousands)	Three Months ended June 30,		Nine Months Ended June 30,	
NET SALES	2005	2004	2005	2004
Filtration/Fluid Flow	$ 44,652	44,034	$129,631	126,161
Communications	31,141	37,190	100,759	98,963
Test	33,007	26,687	88,945	81,353
Consolidated totals	$108,800	107,911	$319,335	306,477
EBIT				
Filtration/Fluid Flow	$ 5,887	6,416	$ 17,987	14,074(1)
Communications	8,192	11,694	28,446	26,306
Test	3,274	2,836	8,694	8,310
Corporate	(3,174)	(2,901)	(8,303)	(8,136)
Consolidated EBIT	14,179	18,045	46,824	40,554
Add: Interest income	534	129	1,317	648
Earnings before income taxes	$ 14,713	18,174	$ 48,141	41,202

(1) Includes $1.3 million of exit costs related to the Filtertek Puerto Rico facility.

9. RETIREMENT AND OTHER BENEFIT PLANS

A summary of net periodic benefit expense for the Company's defined benefit plans and postretirement healthcare and other benefits for the three and nine-month periods ended June 30, 2005 and 2004 are shown in the following tables. Effective December 31, 2003, the Company's defined benefit plan was frozen and no additional benefits will be accrued after that date. Net periodic benefit cost for each period presented is comprised of the following:

(Dollars in thousands)	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Nine Months Ended June 30, 2005	Nine Months Ended June 30, 2004
Defined benefit plans				
Service cost	$ -	140	$ -	420
Interest cost	663	623	1,988	1,868
Expected return on assets	(713)	(675)	(2,138)	(2,025)
Amortization of:				
Prior service cost	-	-	-	-
Actuarial (gain) loss	125	100	375	300
Net periodic benefit cost	$ 75	188	$ 225	563

Net periodic postretirement (retiree medical) benefit cost for each period presented is comprised of the following:

(Dollars in thousands)	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Nine Months Ended June 30, 2005	Nine Months Ended June 30, 2004
Service cost	$ 8	8	$ 23	24
Interest cost	10	13	30	38
Amortization of actuarial gain	(5)	(13)	(14)	(38)
Net periodic postretirement benefit cost	$13	8	$ 39	24

10. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (R), "Share-Based Payment" (SFAS No. 123 (R)). This Statement replaces SFAS No. 123, "Accounting for Stock-Based Compensation" and supersedes APB No. 25, "Accounting for Stock Issued to Employees." SFAS 123 (R) requires all stock-based compensation to be recognized as an expense in the financial statements and that such cost be measured according to the fair value of stock options. SFAS 123 (R) will be effective for the first annual period beginning after June 15, 2005. The Company plans to adopt the provisions of this Statement in the first quarter of fiscal 2006 on a prospective basis. The Company currently provides the pro forma disclosures required by SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," on a quarterly basis (see "Note 3 - Earnings Per Share").

In December 2004, the FASB issued FASB Staff Position FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004 (FSP 109-2)." The American Jobs Creation Act of 2004, (the "Act") provides for a special one-time deduction of 85 percent of certain foreign earnings repatriated into the U.S. from non-U.S. subsidiaries through September 30, 2006. The Company is currently evaluating the merits of repatriating funds under the Act. The range of reasonably possible amounts of unremitted earnings that are being considered for repatriation is between zero and $32.2 million, which would require the Company to pay income taxes in the range of zero to $2.6 million. Federal income taxes on the repatriated amounts would be based on the 5.25% effective statutory rate as provided in the Act, plus applicable withholding taxes. To date, the Company has not provided for income taxes on unremitted earnings generated by non-U.S. subsidiaries given the Company's historical intent to permanently invest these earnings abroad. As a result, additional taxes may be required to be recorded for any funds repatriated under the Act. The Company expects to complete its evaluation of the repatriation provision of the Act by September 30, 2006.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following discussion refers to the Company's results from continuing operations, except where noted. The Microfiltration and Separations businesses (MicroSep), which were sold in the third quarter of fiscal 2004, are accounted for as discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, the MicroSep businesses are reflected as discontinued operations in the financial statements and related notes for fiscal 2004.

NET SALES

Net sales were $108.8 million for the third quarter of fiscal 2005 and $107.9 million for the third quarter of fiscal 2004. Net sales increased $12.8 million (4.2%) to $319.3 million for the first nine months of fiscal 2005 from $306.5 million for the first nine months of fiscal 2004. Favorable foreign currency values resulted in approximately $0.9 million and $3.2 million of the sales increases realized in the 2005 third quarter and year-to-date periods, respectively.

- -Filtration/Fluid Flow

Net sales increased $0.7 million (1.6%) to $44.7 million for the third quarter of fiscal 2005 from $44.0 million for the third quarter of fiscal 2004. Net sales increased $3.4 million (2.7%) to $129.6 million for the first nine months of fiscal 2005 from $126.2 million for the first nine months of fiscal 2004. The sales increase during the fiscal quarter ended June 30, 2005 as compared to the prior year quarter is due to the following: higher commercial and military aerospace shipments at PTI of $1.1 million; a net sales increase at Filtertek of $0.6 million (mainly due to $1.6 million related to the termination of a supply agreement with one of its medical device customers); partially offset by lower defense spares shipments at VACCO of $1.1 million and lower automotive shipments at Filtertek. The sales increase for the first nine months of fiscal 2005 as compared to the prior year period is due to the following: higher commercial and military aerospace shipments at PTI of $4.1 million; a net sales increase at Filtertek of $0.7 million (mainly due to $1.6 million related to the termination of a supply agreement with one of its medical device customers); partially offset by lower defense spares shipments at VACCO of $1.4 million.

- -Communications

Net sales decreased $6.1 million (16.4%) to $31.1 million for the third quarter of fiscal 2005 from $37.2 million for the third quarter of fiscal 2004. Net sales increased $1.8 million (1.8%) to $100.8 million for the first nine months of fiscal 2005 from $99.0 million for the first nine months of fiscal 2004. The sales decrease in the third quarter of fiscal 2005 as compared to the prior year period was the result of lower shipments by DCSI of automatic meter reading (AMR) products to investor owned utility companies (IOU's) of $3.4 million (sales to Bangor Hydro-Electric Company and Idaho Power Company totaled $4.7 million in the prior year third quarter partially offset by sales to TXU Electric Delivery Company (TXU) of $1.3 million in the current year third quarter) and to Puerto Rico Electric Power Authority (PREPA) of approximately $3 million. The increase in sales in the first nine months of fiscal 2005 as compared to the prior year period was the result higher shipments of Comtrak's SecurVision video security products, which contributed $11.0 million to the sales increase, partially offset by a decrease in sales of AMR products (primarily PPL) of $9.2 million.

Comtrak's sales were $2.3 million for the third quarter of fiscal 2005 as compared to $1.0 million for the prior year third quarter and $12.9 million for the first nine months of fiscal 2005 as compared to $1.9 million for the prior year nine-month period.

The decrease in sales of AMR products for the first nine months of fiscal 2005 as compared to the prior year period is mainly due to the wind-down of the PPL Electric Utilities Corporation (PPL) contract. Sales to PPL were $0.5 million and $0.6 million in the fiscal quarters ended June 30, 2005 and 2004, respectively, and $1.9 million and $20.6 million in the first nine months of fiscal 2005 and 2004, respectively. The decrease in year-to-date sales to PPL was partially offset by higher AMR product sales to the electric utility cooperative (COOP) market and other customers. DCSI's sales to customers other than PPL were $28.4 million and $35.6 million in the fiscal quarters ended June 30, 2005 and 2004, respectively, and were $86.0 million and $76.5 million for the first nine months of fiscal 2005 and 2004, respectively.

- -Test

For the third quarter of fiscal 2005, net sales of $33.0 million were $6.3 million, or 23.6% higher than the $26.7 million of net sales recorded in the third quarter of fiscal 2004. Net sales of $88.9 million in the first nine months of fiscal 2005 were $7.5 million, or 9.2% higher than the $81.4 million recorded in the first nine months of fiscal 2004. The sales increase during the fiscal quarter ended June 30, 2005 as compared to the prior year quarter is mainly due to an increase from the Company's U.S. operations of approximately $7.1 million (driven by the successful completion of the critical design review on a large Boeing project, additional test chamber installations, component sales, and the installation of several government shielding projects); an increase in sales from the Company's Asian operations of approximately $2.5 million mainly due to a large test chamber installation in Japan and increased test chamber business throughout Asia; partially offset by a decrease in sales from the Company's European operations of approximately $3.3 million due to the conclusion of two large test chamber projects. The sales increase in the first nine months of fiscal 2005 as compared to the prior year period is mainly due to an increase from the Company's U.S. operations of approximately $9.9 million for reasons mentioned above; an increase in sales from the Company's Asian operations of approximately $4.0 million; partially offset by a decrease in sales from the Company's European operations of approximately $6.4 million due to the conclusion of two large test chamber projects.

ORDERS AND BACKLOG

Backlog was $251.4 million at June 30, 2005 compared with $249.1 million at September 30, 2004. The Company received new orders totaling $321.6 million in the first nine months of fiscal 2005. New orders of $138.9 million were received in the first nine months of fiscal 2005 related to Filtration/Fluid Flow products, $100.1 million related to Communications products (includes $91.2 million of new orders related to AMR products), and $82.6 million related to Test products. The new orders received in the Communications segment include an $18.5 million order from TXU for AMR products. The new orders received in the Filtration/Fluid Flow segment include a $15.9 million multi-year order for quiet valves and manifold assemblies used on the Virginia Class Submarine.

GROSS PROFIT

The Company computes gross profit as net sales less cost of sales less asset impairment charges. The gross profit margin is the gross profit divided by net sales, expressed as a percentage. The gross profit margin was 33.2% and 35.0% in the third quarter of fiscal 2005 and 2004, respectively. The gross profit margin was 34.2% and 32.4% for the first nine months of fiscal 2005 and 2004, respectively. The decrease in the gross profit margin in the third quarter of 2005 as compared to the prior year quarter is mainly due to cost overruns on certain government shielding projects, increases in raw material costs within the Test and Filtration Fluid Flow segments and the asset impairment charge recorded in the Filtration/Fluid Flow segment which contributed 0.7% to the decrease. The increase in gross profit margins in first nine months of fiscal 2005 was mainly due to higher margins on shipments in the Communications segment due to the favorable sales mix of AMR products resulting from additional sales to the COOP market, and additional shipments of Comtrak's products.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses for the third quarter of fiscal 2005 were $21.7 million (20.0% of net sales), compared with $19.7 million (18.2% of net sales) for the prior year period. For the first nine months of fiscal 2005, SG&A expenses were $62.8 million (19.7% of net sales) compared with $57.5 million (18.8% of net sales) for the prior year period. The increase in SG&A spending in the fiscal quarter ended June 30, 2005 and in the first nine months of fiscal 2005 as compared to the respective prior year periods is mainly due to an increase of $0.8 million and $3.6 million, respectively, associated with engineering, marketing, and new product development within the Communications segment to further penetrate the investor owned utility market. In addition, Corporate professional fees have increased approximately $0.8 million in the first nine months of fiscal 2005 as compared to the prior year period due to the implementation of requirements under Section 404 of the Sarbanes-Oxley Act of 2002.

OTHER (INCOME) EXPENSES, NET

Other (income) expenses, net, were $0.2 million for the quarter ended June 30, 2005 compared to $0.1 million for the prior year quarter. Other (income) expenses, net, were ($0.5) million for the first nine months of fiscal 2005 compared to $1.2 million for the prior year period. Principal components of other (income) expenses, net, for the first nine months of fiscal 2005 included $1.5 million of royalty income; partially offset by $0.7 million of amortization expense of identifiable intangible assets (primarily patents, licenses and software); and a $0.5 million write down of fixed assets related to the termination of a supply agreement with a medical device customer. Principal components of other (income) expenses, net, for the first nine months of fiscal 2004 included $0.9 million of exit costs related to the Filtertek Puerto Rico facility; $0.7 million of amortization of identifiable intangible assets (primarily patents, licenses and software); a $0.6 million gain from a sales and use tax refund claim related to a former defense subsidiary (Systems & Electronics Inc.); partially offset by a $0.4 million charge for settlement of a claim involving a former defense subsidiary (Hazeltine).

EBIT

The Company evaluates the performance of its operating segments based on EBIT, defined below. EBIT was $14.2 million (13.0% of net sales) for the third quarter of fiscal 2005 and $18.0 million (16.7% of net sales) for the third quarter of fiscal 2004. For the first nine months of fiscal 2005, EBIT was $46.8 million (14.7% of net sales) and was $40.6 million (13.2% of net sales) for the first nine months of fiscal 2004. EBIT for the first nine months of fiscal 2004 was negatively impacted by $1.3 million of severance and exit costs related to the Filtertek Puerto Rico facility (Filtration/Fluid Flow segment).

This Form 10-Q contains the financial measure "EBIT", which is not calculated in accordance with generally accepted accounting principles in the United States of America (GAAP). EBIT provides investors and Management with an alternative method for assessing the Company's operating results. The Company defines "EBIT" as earnings from continuing operations before interest and taxes. Management evaluates the performance of its operating segments based on EBIT and believes that EBIT is useful to investors to demonstrate the operational profitability of the Company's business segments by excluding interest and taxes, which are generally accounted for across the entire Company on a consolidated basis. EBIT is also one of the measures Management uses to determine resource allocations within the Company and incentive compensation. The following table represents a reconciliation of EBIT to net earnings from continuing operations.

($ in thousands)	Three Months ended June 30		Nine Months ended June 30	
	2005	2004	2005	2004
EBIT	$14,179	18,045	$46,824	40,554
Interest income / (expense)	534	129	1,317	648
Less: Income taxes	2,312	6,958	14,790	15,833
Net earnings from continuing operations	$12,401	11,216	$33,351	25,369

- -Filtration/Fluid Flow

EBIT was $5.9 million (13.2% of net sales) and $6.4 million (14.6% of net sales) in the third quarters of fiscal 2005 and 2004, respectively, and $18.0 million (13.9% of net sales) and $15.4 million (12.2% of net sales) in the first nine months of fiscal 2005 and 2004, respectively. For the third quarter of fiscal 2005 as compared to the prior year quarter, EBIT decreased $0.5 million due to the following: a $1.0 million decrease at VACCO due to lower defense spares shipments; a $0.1 million net decrease at PTI primarily due to the asset impairment charge of $0.8 million; partially offset by a $0.5 million net increase at Filtertek primarily due to $1.0 million recorded upon the termination of a supply agreement with a medical device customer. For the first nine months of fiscal 2005 as compared to the prior year period, EBIT increased $2.6 million due to the following: a $2.1 million increase at Filtertek, which included $1.9 million related to the termination of a medical device customer (the first nine months of fiscal 2004 included $1.3 million of exit costs related to the Puerto Rico facility); a $1.5 million net increase at PTI (consisting of $2.3 million due to higher shipments of aerospace products partially offset by the $0.8 million asset impairment charge); and a $1.0 million decrease at VACCO due to lower defense spares shipments.

Effective June 30, 2005, Filtertek signed an agreement to terminate its supply agreement with a medical device customer. During the third quarter of 2005, the Company received $2.1 million in cash and recognized $1.6 million of revenue and $1.0 million of income related to this transaction, after a $0.5 million write down of related fixed assets. During the first six months of fiscal 2005, the Company recorded $0.9 million of cost reimbursement related to a shortfall between its actual purchases versus the minimum contractually guaranteed amount from this customer, for a total profit contribution of $1.9 million recorded year-to-date.

- -Communications

EBIT in the third quarter of fiscal 2005 was $8.2 million (26.3% of net sales) as compared to $11.7 million (31.4% of net sales) in the prior year period. For the first nine months of fiscal 2005, EBIT was $28.4 million (28.2% of net sales) as compared to $26.3 million (26.6% of net sales) in the prior year period. The decrease in EBIT in the third quarter of fiscal 2005 is due to: a $4.2 million decrease at DCSI due to lower shipments of AMR products, partially offset by a $0.7 million increase at Comtrak due to higher shipments of its video security products. The increase in EBIT in the first nine months of fiscal 2005 as compared to the prior year period is due to: a $4.6 million increase at Comtrak due to higher shipments of its video security products, partially offset by a $2.5 million decrease at DCSI due to lower shipments of AMR products. The Company expects to continue to increase its engineering and new product development expenditures in the Communications segment in order to continue its growth in the AMR markets, and to further differentiate its technology from the competition.

- -Test

EBIT in the third quarter of fiscal 2005 was $3.3 million (9.9% of net sales) as compared to $2.8 million (10.6% of net sales) in the prior year period. For the first nine months of fiscal 2005, EBIT was $8.7 million (9.8% of net sales) as compared to $8.3 million (10.2% of net sales) in the prior year period. In the third quarter of fiscal 2005 and in the first nine months of fiscal 2005, EBIT was higher than in the prior year periods due primarily to the favorable changes in sales mix resulting from additional sales of antennas and other components and increases from the Company's Asian operations. EBIT in the third quarter of fiscal 2005 and in the first nine months of 2005 as compared to the prior year periods was adversely affected by installation cost overruns incurred on certain government shielding projects being installed in challenging areas throughout the world, as well as increased material costs (steel and copper).

- -Corporate

Corporate costs included in EBIT were $(3.2) million and $(8.3) million for the three and nine-month periods ended June 30, 2005, respectively, compared to $(2.9) million and $(8.1) million for the respective prior year periods. The increase of $0.3 million in Corporate costs in the third quarter of fiscal 2005 as compared to the prior year quarter is due to the implementation of requirements under Section 404 of the Sarbanes-Oxley Act of 2002.

INTEREST INCOME, NET

Interest income, net, was $0.5 million and $1.3 million for the three and nine-month periods ended June 30, 2005, respectively, compared to interest income of $0.1 million and $0.6 million for the respective prior year periods. The increase in interest income in the third quarter and in the first nine months of fiscal 2005 as compared to the respective prior year periods is due to higher average cash balances on hand in fiscal 2005 and a tax refund of lookback interest received in the first fiscal quarter.

INCOME TAX EXPENSE

The third quarter fiscal 2005 effective income tax rate was 15.7% compared to 38.3% in the third quarter of fiscal 2004. The effective income tax rate in the first nine months of fiscal 2005 was 30.7% compared to 38.4% in the prior year period. The decrease in the effective income tax rate in the third quarter and in the first nine months of fiscal 2005 as compared to the prior year periods is primarily due to the timing and volume of profit contributions of the Company's foreign operations. The decrease in the third quarter effective tax rate was primarily driven by an adjustment to income tax expense due to the Company finalizing certain foreign tax returns in June; an adjustment to the current year tax provision resulting from higher foreign sourced pretax income; and a favorable state tax rate adjustment. The majority of the rate adjustment resulted from DCSI pretax income sourced in Puerto Rico. The third quarter effective tax rate, absent the adjustments mentioned above, would have been approximately 33%. The difference between the 15.7% actual third quarter effective income tax rate and the 33% tax rate approximated $0.20 per share in the quarter. The Company estimates the annual effective tax rate for fiscal 2005 to be approximately 32.5%.

CAPITAL RESOURCES AND LIQUIDITY

Working capital (current assets less current liabilities) increased to $181.8 million at June 30, 2005 from $165.2 million at September 30, 2004. During the first nine months of fiscal 2005, cash increased $13.5 million, net of the $24.9 million share repurchase. Accounts receivable decreased by $6.7 million in the first nine months of fiscal 2005, of which $7.0 million related to collections of receivables within the Communications segment. Inventories increased by $9.6 million in the first nine months of fiscal 2005, of which $3.5 million related to the Test segment due to the timing of sales and $3.6 million related to the Communications segment (new product offerings and safety stock to satisfy customer requirements). In addition, accounts payable and accrued expenses decreased by $8.8 million in the first nine months of fiscal 2005 primarily due to the timing of vendor payments and personnel related costs.

Net cash provided by operating activities from continuing operations increased $9.6 million to $40.4 million in the first nine months of fiscal 2005, compared to $30.8 million in the same period of fiscal 2004.

During the second quarter of fiscal 2005, Filtertek signed an agreement to license certain of its patents related to needle-free connectors to a third party for $1.5 million in cash and recognized $0.2 million of royalty income related to this transaction, after deducting $0.2 million of professional fees. The unrealized gain of $1.1 million will be recognized on a straight-line basis over the remaining patent life, through 2011.

Capital expenditures for continuing operations were $6.6 million and $7.9 million in the first nine months of fiscal 2005 and 2004, respectively. Major expenditures in the current period included manufacturing equipment used in the Filtration/Fluid Flow businesses.

At June 30, 2005, the Company had approximately $7.5 million in commitments in the Communications segment to further differentiate its products and to further penetrate the investor owned utility market. This amount is expected to be spent during the next six months.

The closure and relocation of the Filtertek Puerto Rico facility was completed in March 2004. The Puerto Rico facility is included in other current assets with a carrying value of $3.6 million at June 30, 2005. The facility continues to be actively marketed for sale.

In October 2004, the Company entered into a new $100 million five-year revolving bank credit facility with a $50 million increase option, which replaced its then-existing credit facility. At June 30, 2005, the Company had approximately $98.6 million available to borrow under the credit facility in addition to $85.8 million cash on hand. Against the $100 million available under the revolving credit facility at June 30, 2005, the Company had outstanding letters of credit of $1.4 million. Cash flow from operations and borrowings under the Company's bank credit facility are expected to meet the Company's capital requirements and operational needs for the foreseeable future.

SUBSEQUENT EVENT

On August 5, 2005, the Company's Board of Directors approved a 2-for-1 stock split to be effected as a 100 percent stock dividend payable September 23, 2005 to shareholders of record as of September 9, 2005.

CRITICAL ACCOUNTING POLICIES

Management has evaluated the accounting policies used in the preparation of the Company's financial statements and related notes and believes those policies to be reasonable and appropriate. Certain of these accounting policies require the application of significant judgment by management in selecting appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on historical experience, trends in the industry, information provided by customers and information available from other outside sources, as appropriate. The most significant areas involving management judgments and estimates may be found in the Critical Accounting Policies Section of Management's Discussion and Analysis and in Note 1 to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2004, at Exhibit 13.

OTHER MATTERS

Contingencies

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

FORWARD LOOKING STATEMENTS

Statements in this report that are not strictly historical are "forward looking" statements within the meaning of the safe harbor provisions of the federal securities laws. Forward looking statements include those relating to the estimates or projections made in connection with the Company's accounting policies, annual effective tax rate, timing of Communications segment commitments and expenditures, continued growth in the AMR market, outcome of current claims and litigation, future cash flow, and capital requirements and operational needs for the foreseeable future and the amounts, if any, and timing of foreign earnings repatriated into the U.S. and the additional taxes resulting from such repatriation. 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: weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; successful execution of the planned sale of the Company's Puerto Rico facility; material changes in the costs of certain raw materials including steel, copper and petroleum based resins; delivery delays or defaults by customers; termination for convenience of customer contracts; timing and magnitude of future contract awards; performance issues with key suppliers, customers and subcontractors; collective bargaining and labor disputes; changes in laws and regulations including changes in accounting standards and taxation requirements; changes in foreign or U.S. business conditions affecting the distribution of foreign earnings; costs relating to environmental matters; litigation uncertainty; and the Company's successful execution of internal operating plans.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. There has been no material change to the Company's risks since September 30, 2004. Refer to the Company's 2004 Annual Report on Form 10-K for further discussion about market risk.

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of Management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of that date. 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 Securities Exchange Act of 1934 (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 has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In August 2004, the Company's Board of Directors approved the extension of the previously authorized (February 2001) open market common stock repurchase program of up to 1.1 million shares, which is subject to market conditions and other factors and covers the period ending September 30, 2006. Approximately 575,000 remaining shares may be repurchased under the program. There were no stock repurchases during the third quarter of fiscal 2005.

ITEM 6. EXHIBITS

a) Exhibits

Exhibit Number		
3.1	Restated Articles of Incorporation	Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1999, at Exhibit 3(a)
3.2	Amended Certificate of Designation Preferences and Rights of Series A Participating Cumulative Preferred Stock of the Registrant	Incorporated by reference to Form 10-Q for the fiscal quarter ended March 31, 2000, at Exhibit 4(e)
3.3	Articles of Merger effective July 10, 2000	Incorporated by reference to Form10-Q for the fiscal quarter ended June 30, 2000, at Exhibit 3(c)
3.4	Bylaws, as amended and restated.	Incorporated by reference to Form10-K for the fiscal year ended September 30, 2003, at Exhibit 3.4
4.1	Specimen Common Stock Certificate	Incorporated by reference to Form10-Q for the fiscal quarter ended June 30, 2000, at Exhibit 4(a)
4.2	Specimen Rights Certificate	Incorporated by reference to Current Report on Form 8-K dated February 3, 2000, at Exhibit B to Exhibit 4.1
4.3	Rights Agreement dated as of September 24, 1990 (as amended and Restated as of February 3, 2000) between the Registrant and Registrar and Transfer Company, as successor Rights Agent	Incorporated by reference to Current Report on Form 8-K dated February 3, 2000, at Exhibit 4.1
4.4	Credit Agreement dated as of October 6, 2004 among the Registrant, Wells Fargo Bank, N.A., as agent, and the lenders listed therein	Incorporated by reference to Form10-K for the fiscal year ended September 30, 2004, at Exhibit 4.4
31.1	Certification of Chief Executive Officer relating to Form 10-Q for period ended June 30, 2005	
31.2	Certification of Chief Financial Officer relating to Form 10-Q for period ended June 30, 2005	

32	Certification of Chief Executive Officer and Chief Financial Officer relating to Form 10-Q for period ended June 30, 2005

SIGNATURE

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

ESCO TECHNOLOGIES INC.

/s/ Gary E. Muenster
Gary E. Muenster
Vice President and Chief Financial Officer
(As duly authorized officer and principal accounting officer of the registrant)

Dated: August 9, 2005

Exhibit 31.1

CERTIFICATIONS

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

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

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

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

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

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

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

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

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

Date: August 9, 2005

(s) V.L. Richey, Jr.
V.L. Richey, Jr.
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, G.E. Muenster, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report.

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

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

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

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

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

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

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

Date: August 9, 2005

(s) G.E. Muenster
G.E. Muenster
Chief Financial Officer

EXHIBIT 32

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

In connection with the quarterly report of ESCO Technologies Inc. (the "Company") on Form 10-Q for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, V. L. Richey, Jr., Chief Executive Officer of the Company, and G. E. Muenster, Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: August 9, 2005

/s/ V.L. Richey, Jr.
V.L. Richey, Jr.
Chief Executive Officer
ESCO Technologies Inc.

/s/ G.E. Muenster
G.E. Muenster
Chief Financial Officer
ESCO Technologies Inc.