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, 2000

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
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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. [X]

Aggregate market value of the Common Stock held by non-affiliates of the registrant as of close of business on December 19, 2000: $224,246,425*

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

Number of shares of Common Stock outstanding at December 19, 2000: 12,297,846

DOCUMENTS INCORPORATED BY REFERENCE:

1. Portions of the registrant's Annual Report to Stockholders for fiscal year ended September 30, 2000 (the "2000 Annual Report") (Parts I and II).

2. Portions of the registrant's Proxy Statement dated December 11, 2000 (Part III).

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

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
Filtertek Inc.
Filtertek BV
Filtertek de Puerto Rico, Inc.
Filtertek do Brazil
Filtertek SA
VACCO Industries ("VACCO")
ESCO Electronica De Mexico, S.A. de C.V.

Test:

EMC Test Systems, L.P. ("ETS")
The Curran Company, d/b/a Lindgren R.F. Enclosures, Inc. ("Lindgren")
Rayproof Ltd.
Euroshield OY
Holaday Industries, Inc. ("Holaday")

Communications:

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

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 2000 Annual Report.

PRODUCTS

The Company's products are described below. See Note 11 of the Notes to Consolidated Financial Statements in the 2000 Annual Report, which Note is herein incorporated by reference.

FILTRATION/FLUID FLOW

The Company's Filtration/Fluid Flow segment accounted for approximately 61% of the Company's total revenues in fiscal year 2000.

PTI Technologies Inc., PTI Advanced Filtration Inc. and PTI Technologies Limited develop and manufacture 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 also includes the supply of filtration products for process and mobile fluid power applications. PTI Advanced Filtration Inc. produces microfiltration products for applications in microelectronic, food and beverage, and pharmaceutical markets. Membrane separation products and systems are also produced by PTI Advanced Filtration Inc. for use in the dairy industry and industrial coatings applications. PTI Technologies Limited manufactures and distributes filter products primarily in the European industrial marketplace. In fiscal year 1998, PTI Technologies Inc. formed a joint venture in India, known as SANMAR-PTI Filters Limited, with SANMAR Engineering Corporation to manufacture and sell filtration products in India and other international markets. VACCO and PTI Technologies Inc. develop and manufacture industrial filtration elements and systems primarily used within the petrochemical and nuclear industries, where a premium is placed on superior performance in very harsh environments. 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 technology or incorporate proprietary product or process design, or both. Filtertek's products are typically supplied to original equipment manufacturers under long-term contracts. In fiscal year 2000, Filtertek introduced a number of new products including automotive power steering, suspension and brake reservoir filters, medical filtration devices and industrial products, such as spray painting filters.

TEST

The Company's Test segment accounted for approximately 21% of the Company's total revenues in fiscal year 2000.

ETS designs and manufactures electromagnetic compatibility ("EMC") test equipment. It also supplies controlled radio frequency testing environments (anechoic chambers), shielded rooms for high security data processing and secure communication, and electromagnetic absorption materials. ETS's products include antennas, antenna masts, turntables, current probes, field probes, TEM (transverse electromagnetic) cells, GTEM (gigahertz transverse electromagnetic) cells, microwave absorber, calibration equipment and other test accessories required to do EMC testing. ETS also provides all the design, program management and integration services required to supply customers with turnkey EMC solutions. In fiscal year 1999, ETS was awarded a contract by General Motors, valued at more than $20 million, to design and equip an EMC test facility. Revenues from this contract amounted to approximately 21% of total revenues for the Test segment in fiscal year 2000. It is expected that in fiscal year 2001 revenues from this contract will constitute approximately 5% of total revenues for the Test segment. This project is expected to be completed in fiscal year 2001.

Lindgren designs, manufactures, installs and services electromagnetic ("EM") shielding systems used by manufacturers of medical equipment, communications systems and electronic products. Lindgren's products include shielding for magnetic resonance imaging ("MRI") rooms, shielded test enclosures, RF filters, fiber optic interface components and a line of proprietary doors designed specifically for EM isolation, containment and measurement applications. Lindgren also supplies shielded rooms for high security data processing and secure communications.

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

Holaday designs and manufactures specialty measurement probes for use in broadband and EMC test, health and safety, and microwave detection products. Holaday's products include probes, meters, analysis software, personal protection equipment and components used by original equipment manufacturers and service professionals. Holaday also performs calibration certification services for its probes and meters.

COMMUNICATIONS

In fiscal year 2000, approximately 14% of the Company's total revenues 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 capabilities, demand-side management and distribution automation (the TWACS(R) system). During fiscal year 2000, DCSI (through its subsidiary, DCSI-Caribe) received substantial revenue from shipments of an automatic meter reading ("AMR") system to the Puerto Rico Electric Power Authority ("PREPA") under a multi-year contract signed in fiscal year 1998. Revenue from this contract amounted to approximately 46% of total Communications segment revenues in fiscal year 2000, and is expected to constitute approximately 40% to 45% of total segment revenues in fiscal year 2001. This contract will expire in fiscal year 2001; however, PREPA has recently awarded DCSI-Caribe a follow-on contract running from fiscal 2001 to fiscal 2004 which has a value of approximately $50 million. The loss of this contract, which is not anticipated, would have a material adverse effect on the Communications segment. During 1999, DCSI was chosen to supply the first phase of an AMR project to Wisconsin Public Service Co. ("WPS") which covers roughly 17% of WPS' customer base. DCSI anticipates possible expansion of this system in fiscal years 2001-2003.

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

OTHER

The Company's Other products segment represented approximately 4% of the Company's total revenues in fiscal year 2000. On February 18, 2000, ESCO completed the sale of its Rantec microwave antenna business.

Rantec designs and manufactures high voltage and low voltage power supplies, DC to DC converters and power systems, 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 power systems for a wide variety of military platforms. Rantec has continued its development of state-of-the art, patented, miniature high voltage technology, which provides the same basic functions of today's high voltage power supplies and reduces package size by 80%. These products are well suited for a broad range of display applications, from hand-held devices and notebook computers to helmet-mounted displays and military avionics. Additionally, Rantec has continued to develop its line of High Density DC to DC converters increasing power densities and developing unique application-specific models that distinguish this product line in this market segment.

MARKETING AND SALES

The following comments relate to the Company's business in general:

The Company's products generally are distributed to customers through a domestic and foreign network of distributors, sales representatives and factory salespersons. Utility communication systems are primarily sold directly to the electric utilities.

International sales (excluding sales of ESCO's former Systems & Electronics Inc. ("SEI") subsidiary which was sold on September 30, 1999) accounted for approximately 23%, 13% and 14% of the Company's total sales in the fiscal years ended September 30, 2000, 1999 and 1998, respectively. The increase in fiscal year 2000 was primarily due to increased sales at ETS and Filtertek and the acquisition of Lindgren. See Note 11 of the Notes to Consolidated Financial Statements in the 2000 Annual Report. Historically, the majority of these international sales involved defense products. With the divestiture of SEI, international sales are now derived primarily from industrial and commercial products.

The Company's international sales are subject to risks inherent in foreign commerce, including currency fluctuations and devaluations, the risk of war, 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.

The Company's defense 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, as well as to international customers. Excluding SEI results, direct and indirect sales to the U.S. Government accounted for approximately 8%, 10% and 15% of the Company's total sales in the fiscal years ended September 30, 2000, 1999 and 1998, respectively. See Note 11 of the Notes to Consolidated Financial Statements in the 2000 Annual Report, which Note is herein incorporated by reference.

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. An increasing number of the Company's products are based on patented or otherwise proprietary technology that sets them apart from the competition. The Company believes that this emphasis better positions the Company to secure new business and protect existing business. Although the Company considers its patents and other intellectual property to be of significant value in its operations, none of its business segments is materially dependent on any single patent, group of patents or other intellectual property.

BACKLOG

The backlog of firm orders was approximately $145.4 million at September 30, 2000 and approximately $142.9 million at September 30, 1999. As of September 30, 2000, it is estimated that: (i) commercial business accounted for approximately 92% of the firm orders and defense business accounted for approximately 8%, and (ii) domestic customers accounted for approximately 76% of the firm orders and international customers accounted for approximately 24%. Of the total backlog of orders at September 30, 2000, approximately 94% is expected to be completed in the fiscal year ending September 30, 2001.

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 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. In the Communications segment, DCSI utilizes a single source or a limited number of sources to produce substantially all of DCSI's end-products. Although the Company believes alternative suppliers of components and end-products are available, the inability of DCSI to develop alternative sources quickly or cost-effectively could have a material adverse effect on the Communications segment.

COMPETITION

The following comments apply to each of the Company's four segments: The Company faces intense competition from a large number of firms for nearly all of its products. Although the Company is a leading supplier in several of the markets it serves, and is the global leader in the EM shielding market, the Company maintains a relatively small share of the business in many of the markets in which it participates. 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, price, technology and delivery performance.

Competition in the Company's major markets is broadly based and global in scope. Individual competitors range in size from annual revenues of less than $1 million to billion dollar enterprises, such as Pall Corporation, a major competitor in the filtration/fluid flow market. Competition can be particularly intense during periods of economic slowdown, a situation which the Company experienced in the past in some of its filtration/fluid flow markets.

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 assess their commercial potential.

The following information excludes expenses attributable to SEI. 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, 2000, 1999 and 1998, total Company-sponsored research and development expenses were approximately $6.2 million, $6.3 million and $4.5 million, respectively. Total customer-sponsored research and development expenses were approximately $4.0 million, $8.3 million and $10.2 million for the fiscal years ended September 30, 2000, 1999 and 1998, respectively. The decrease in fiscal year 2000 for customer-sponsored research and development expenses was due to decreased activity at Filtertek and Rantec as well as the sale of the Rantec microwave antenna business. The decrease in fiscal year 1999 for such research and development expenses was due to decreased activity at Rantec, partially offset by an increase at Filtertek.

ENVIRONMENTAL MATTERS

The Company is involved in various stages of investigation and cleanup relating to environmental matters. The most significant of these matters relates to a former Company facility located in Newbury Park, California. Textron, Inc. has indemnified the Company in respect of the cleanup expenses at that facility, which the Company formerly leased from a third party. 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

Sales related to defense contracts with the U.S. Government and subcontracts with prime contractors of the U.S. Government accounted for approximately 8% of Company total revenues in fiscal year 2000. These contracts are 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 the purchase price for delivered items, reimbursement for allowable costs incurred and allocable to the contract (which do not include many ordinary costs of doing business in a commercial context) and an allowance for profit on the allowable costs incurred or adjustment for loss if completion of performance would have resulted in a loss. The Company is also normally entitled to reimbursement of the cost it incurs to prepare and to negotiate a settlement of the termination for convenience.

EMPLOYEES

As of November 30, 2000, the Company employed approximately 2,275 persons.

FINANCING

On April 11, 2000, the Company entered into a new $75 million revolving credit facility replacing its previous $40 million credit facility. The Company has the option to increase the credit facility to $100 million through April 11, 2002. The credit facility is available for direct borrowings and/or the issuance of letters of credit. The credit facility will mature and expire on April 11, 2005, and contains customary events of default, including change in control of the Company. 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. See "Management's Discussion and Analysis--Capital Resources & Liquidity" in the 2000 Annual Report, and Note 7 of the Notes to Consolidated Financial Statements in the 2000 Annual Report, which Note 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 .

On September 30, 1999, ESCO sold 100% of the capital stock of SEI to Engineered Systems and Electronics, Inc. On February 18, 2000, the Company sold its Rantec microwave antenna business to Rantec Microwave Systems, Inc. On March 31, 2000, the Company purchased the assets of the Space Products business of Eaton Corporation located in El Segundo, California, and integrated this business into the Company's VACCO subsidiary.

On April 9, 2000, the Company acquired the stock of The Curran Company (doing business as Lindgren R.F. Enclosures, Inc.) and Lindgren, Inc. (doing business through its subsidiary, Rayproof Ltd., located in England). On June 2, 2000, the Company acquired the stock of Holaday Industries, Inc.

Effective July 10, 2000, ESCO changed its corporate name from ESCO Electronics Corporation to ESCO Technologies Inc.

In December 1999, the Company sold property located in Riverhead, New York which had been retained after the divestiture of Hazeltine Corporation in 1996. Also, in September 2000, the Company sold property in Calabasas, California which was retained after the sale of the Rantec microwave antenna business.

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" 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: changing economic conditions in served markets; changes in customer demands; competition; intellectual property matters; integration of recently acquired businesses; delivery delays or defaults by customers; performance issues with key suppliers and subcontractors; and the Company's successful execution of internal operating plans.

ITEM 2. PROPERTIES

The Company's principal buildings contain approximately 1,288,900 square feet of floor space. Approximately 681,900 square feet are owned by the Company and approximately 607,000 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 7 of the Notes to Consolidated Financial Statements in the 2000 Annual Report. 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	2-10-04	Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Oxnard, CA	125,000	Leased	3-21-04	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)
Huntley, IL	85,000	Owned		Manufacturing (Filtration/Fluid Flow)
South El Monte, CA	80,800	Owned		Management, Engineering and Manufacturing (Filtration/Fluid Flow)
Glendale Heights, IL	59,400	Leased	3-31-05 (w/one 5-year and three 3-year renewal options)	Management, Engineering and Manufacturing (Test)
Stockton, CA	55,000	Leased	5/21/03 (w/two 5-year renewal options)	Manufacturing (Filtration/Fluid Flow)
Austin, TX	50,000	Leased	1-20-02 (w/one 5-year renewal option)	Management, Engineering and Manufacturing (Test)
Stevenage, England	47,100	Leased	8-11-17 (w/option to terminate on	Management, Engineering and Manufacturing (Test)

			8-12-07)	
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, Engineering and Manufacturing (Communications)
Juarez, Mexico	34,400	Leased	12-31-01 (w/one 3-year renewal option)	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	12-14-02	Manufacturing (Filtration/Fluid Flow)
Eden Prairie, MN	29,700	Leased	5-31-08 (option to terminate after 5-31-98)	Engineering and Manufacturing (Test)
Eura, Finland	27,800	Owned		Management, Engineering and Manufacturing (Test)
Minocqua, WI	26,200	Leased	3-31-05 (w/one 5-year, and three 3-year renewal options)	Manufacturing (Test)
St. Louis, MO	21,800	Leased	8-31-05 (w/two 5-year renewal options)	ESCO Headquarters

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

None

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth certain information as of December 13, 2000 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 *	62	Chairman, President and Chief Executive Officer
Charles J. Kretschmer	44	Senior Vice President and Chief Financial Officer
Victor L. Richey, Jr.	43	Senior Vice President and Group Executive
Alyson S. Barclay	41	Vice President, Secretary and General Counsel

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* Also a director and Chairman of the Executive Committee of the Board of Directors.

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

Since October 1992, Mr. Moore has been Chairman, President and Chief Executive Officer of ESCO.

Mr. Kretschmer was Vice President of ESCO from February 9, 1999 until October 11, 1999, Vice President and Chief Financial Officer from October 11, 1999 until October 1, 2000, and Senior Vice President and Chief Financial Officer since the latter date.

Mr. Richey was Vice President, Administration of ESCO from May 7, 1998 until October 1, 2000, and Senior Vice President and Group Executive since the latter date.

Ms. Barclay has been Vice President, Secretary and General Counsel of ESCO since October 11, 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 8 of the Notes to Consolidated Financial Statements, "Common Stock Market Prices" and "Shareholders' Summary--Capital Stock Information" appearing in the 2000 Annual Report. A special cash distribution of $3.00 per share was paid to Stockholders in September 1996. No other cash dividends have been declared on the Common Stock, and 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.

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 2 of the Notes to Consolidated Financial Statements appearing in the 2000 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 2000 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 2000 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 21 through 41 and the report thereon of KPMG LLP, independent certified public accountants, appearing on page 43 of the 2000 Annual Report.

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 11, 2000 (the "2001 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 2001 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 2001 Proxy Statement is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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 five percent stockholders appearing under "Security Ownership of Management" and "Security Ownership of Certain Beneficial Owners" in the 2001 Proxy Statement is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information appearing under "Transactions With Management" in the 2001 Proxy Statement is hereby incorporated by reference.

PART IV

ITEM 14. 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 21 through 41 and the Independent Auditors' Report thereon of KPMG LLP appearing on page 43 of the 2000 Annual Report.

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

3. Exhibits

Exhibit Number	Description	Filed Herewith or Incorporated by Reference to Document Indicated By Footnote
2	Stock Purchase Agreement dated as of August 23, 1999, as amended September 23, 1999 and September 30, 1999, among Engineered Systems and Electronics, Inc., ESCO and Defense Holding Corp.	Incorporated by Reference, Exhibit 2 [1]
3.1	Restated Articles of Incorporation	Incorporated by Reference, Exhibit 3(a)[2]
3.2	Amended Certificate of Designation, Preferences and Rights of Series A Participating Cumulative Preferred Stock of the Registrant	Incorporated by Reference, Exhibit 4(e)[3]
3.3	Articles of Merger effective July 10, 2000	Incorporated by Reference, Exhibit 3(c)[4]
3.4	Bylaws, as amended	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 (as amended and restated as of February 3, 2000) between the Registrant and ChaseMellon Shareholder Services, L.L.C., as Rights Agent	Incorporated by Reference, Exhibit 4.1[5]
4.4	Credit Agreement dated as of April 11, 2000, among the Registrant, Bank of America, N.A., as agent, and the lenders listed therein	Incorporated by Reference, Exhibit 4(d)[4]
10.1	1990 Stock Option Plan*	Incorporated by Reference,Exhibit 10.3 [6]

10.2	Amendment to 1990 Stock Option Plan dated as of September 4, 1996*	Incorporated by Reference, Exhibit 10(c)(ii) [7]
10.3	Form of Incentive Stock Option Agreement*	Incorporated by Reference, Exhibit 10(g) [8]
10.4	Form of Incentive Stock Option Agreement - Alternative*	Incorporated by Reference, Exhibit 10(h) [8]
10.5	Form of Non-Qualified Stock Option Agreement*	Incorporated by Reference, Exhibit 10(i) [8]
10.6	Form of Split Dollar Agreement*	Incorporated by Reference, Exhibit 10(j) [9]
10.7	Form of Indemnification Agreement with each of ESCO's directors.	Incorporated by Reference, Exhibit 10(k) [9]
10.8	Stock Purchase Agreement dated as of August 20, 1992 by and between Textron, Inc. and ESCO	Incorporated by Reference, Exhibit 10(l) [10]
10.9	Supplemental Executive Retirement Plan as amended and restated as of August 2, 1993*	Incorporated by Reference, Exhibit 10(n) [11]
10.10	Directors' Extended Compensation Plan*	Incorporated by Reference, Exhibit 10(o) [11]
10.11	First Amendment to Directors' Extended Compensation Plan*	
10.12	1994 Stock Option Plan*	Incorporated by Reference [12]
10.13	Amendment to 1994 Stock Option Plan dated as of September 4, 1996*	Incorporated by Reference, Exhibit 10(m)(ii) [7]
10.14	Amendment to section 8 of 1994 Stock Option Plan effective May 7, 1998*	
10.15	Form of Incentive Stock Option Agreement*	
10.16	Severance Plan*	Incorporated by Reference, Exhibit 10(p)[13]
10.17	Performance Compensation Plan dated as of August 2, 1993 (as amended and restated as of October 1, 1995)*	Incorporated by Reference, Exhibit 10(q) [7]
10.18	1997 Performance Share Plan*	Incorporated by Reference [14]
10.19	Notice Of Award--stock award to executive officer*	Incorporated by Reference, Exhibit 10(s)[15]
10.20	1999 Stock Option Plan*	Incorporated by Reference, Exhibit 4d[16]
10.21	Amendment to section 6 of 1999 Stock	

	Option Plan effective May 4, 2000*	
10.22	Employment Agreement with Executive Officer*	Incorporated by Reference, Exhibit 10(aa)[2]
10.23	Employment Agreement with Executive Officer*[17]	Incorporated by Reference, Exhibit 10(bb)[2]
10.24	Executive Stock Purchase Plan*	
10.25	Notice of Award - stock award to executive officer*	
13	The following-listed sections of the Annual Report to Stockholders for the year ended September 30, 2000: Five-Year Financial Summary (p. 44) Management's Discussion and Analysis (pgs. 12-20) Consolidated Financial Statements (pgs. 21-41) and Independent Auditors' Report (p. 43) Shareholders' Summary--Capital Stock Information (p. 45) Common Stock Market Prices (p. 44)	
21	Subsidiaries of ESCO	
23	Independent Auditors' Consent	
27	Financial Data Schedule	

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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 Registration Statement on Form 10, as amended on Form 8 filed September 27, 1990, at the Exhibit indicated.

[7] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1996, at the Exhibit indicated.

[8] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1990, at the Exhibit Indicated.

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

[10] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1992, at the Exhibit indicated.

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

[12] Incorporated by reference to Notice of the Annual Meeting of the Stockholders and Proxy Statement dated December 8, 1994.

[13] Incorporated by reference to Form 10-K for the fiscal year ended September 30, 1995, at the Exhibit indicated.

[14] Incorporated by reference to Notice of the Annual Meeting of the Stockholders and Proxy Statement dated December 6, 1996.

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

[16] Incorporated by reference to Form S-8 Registration Statement filed December 17, 1999, at the Exhibit indicated.

[17] 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.

* Represents a management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 14(c) of this Part IV.

(b) No report on Form 8-K was filed during the quarter ended September 30, 2000.

(c) Exhibits: Reference is made to the list of exhibits in this Part IV, Item 14(a)3 above.

(d) Financial Statement Schedules: Reference is made to Part IV, Item 14(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) D. J. Moore

D.J. Moore
Chairman, President and
Chief Executive Officer

Dated: December 19, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below effective December 19, 2000, by the following persons on behalf of the registrant and in the capacities indicated.

SIGNATURE	TITLE
(s) D. J. Moore D.J. Moore	Chairman, President, Chief Executive Officer and Director
(s) C.J. Kretschmer C.J. Kretschmer	Sr. Vice President and Chief Financial Officer
(s) G.E. Muenster G.E. Muenster	Vice President and Principal Accounting Officer
(s) W.S. Antle III W.S. Antle III	Director
(s) J.J. Carey J.J. Carey	Director
(s) J.M. McConnell J.M. McConnell	Director
(s) L.W. Solley L.W. Solley	Director
(s)J.M. Stolze J.M. Stolze	Director
(s) D.C. Trauscht D.C. Trauscht	Director

INDEX TO EXHIBITS

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

Exhibit No.	Exhibit
10.11	First Amendment to Directors' Extended Compensation Plan
10.14	Amendment to section 8 of 1994 Stock Option Plan effective May 7, 1998
10.15	Form of Incentive Stock Option Agreement
10.21	Amendment to section 6 of 1999 Stock Option Plan effective May 4, 2000
10.24	Executive Stock Purchase Plan
10.25	Notice of Award -- stock award to executive officer
13	The following-listed sections of the Annual Report to Stockholders for the year ended September 30, 2000: Five-year Financial Summary (p. 44) Management's Discussion and Analysis (pgs. 12-20) Consolidated Financial Statements (pgs. 21-41) and Independent Auditors' Report (p. 43) Shareholders' Summary--Capital Stock Information (p. 45) Common Stock Market Prices (p. 44)
21	Subsidiaries of ESCO
23	Independent Auditors' Consent
27	Financial Data Schedule

See Item 14(a)3 for a list of exhibits incorporated by reference

EXHIBIT 10.11

FIRST AMENDMENT TO ESCO ELECTRONICS CORPORATION DIRECTORS' EXTENDED COMPENSATION PLAN

WHEREAS, ESCO Electronics Corporation ("Company") adopted the ESCO Electronics Corporation Directors' Extended Compensation Plan ("Plan"); and

WHEREAS, the Company retained the right to amend the Plan; and

WHEREAS, the Company desires to amend the Plan effective as of January 1, 2000;

NOW, THEREFORE, effective as of January 1, 2000, the Plan is amended as follows:

1. The second sentence of paragraph 1 of Section IV is revised to read as follows:

    Such Committee shall have the right to amend or terminate the Plan at any time, but no such action shall retroactively reduce the benefits already accured.

2. The following paragraph is added at the end of Section IV:

    7. The Plan shall inure to the benefit of and be enforceable by the directors and their legal representatives and shall be binding upon the Company and its successors and assigns. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, sale of assets or otherwise) to assume and expressly agree to perform the duties of the Company under the Plan in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. The Plan shall be construed and interpreted in accordance with the laws of the State of Missouri without regard to any principles of conflict of laws. Any litigation in respect of the Plan shall be brought in the Federal or State Courts of Missouri.

IN WITNESS WHEREOF, the foregoing Amendment was adopted on the 3rd day of February, 2000.

EXHIBIT 10.14

Amendment to Section 8. Exercise of Options of the 1994 Stock Option Plan

8. Exercise of Options

The term of each option shall be not more than ten (10) years from the date of granting thereof or such shorter period as is prescribed in Paragraph 9 following. No option or SAR may be exercised during the first six (6) months of its term. Within such limit, options will be exercisable at such time or times, and subject to such restrictions and conditions, as the Committee shall, in each instance, approve, which need not be uniform for all optionees; provided, however, that except as provided in Paragraphs 9 and 10 following, no option may be exercised at any time unless the optionee is then an employee of the Company or a subsidiary and has been so employed continuously since the granting of the option. The holder of an option shall have none of the rights of a shareholder with respect to the shares subject to option until such shares shall be issued to him upon the exercise of his option. Upon exercise of an option the Committee shall withhold a sufficient number of shares to satisfy the Company's withholding obligations for any taxes incurred as a result of such exercise, and the Committee may, at the request of the optionee, withhold a sufficient number of shares to satisfy the optionee's tax liability incurred as a result of such exercise up to the maximum marginal federal, state and local tax rates; provided, that in lieu of all or part of such withholding, the optionee may pay an equivalent amount of cash to the Company.

EXHIBIT 10.15

INCENTIVE STOCK OPTION AGREEMENT
UNDER
ESCO TECHNOLOGIES INC.
1994 STOCK OPTION 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. 1994 Stock Option Plan (the "Plan") pursuant to which options covering an aggregate of 700,000 shares of the Common Stock of the Company may be granted to officers and other key management employees of the Company and its subsidiaries; and

WHEREAS, Optionee is now an officer or other key management 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 Paragraph 4 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. Notwithstanding the foregoing, in the event of a Change of Control (as hereinafter defined) Optionee may purchase 100% of the total number of shares to which this option relates so long as such Change of Control occurs at least six (6) months after the Date of Grant. 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) in the discretion of the General Counsel of the Company, by tender of shares of Common Stock already owned by Optionee, or (iii) in the discretion of the General Counsel of the Company, 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 Paragraph 6 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. For the purposes of this Agreement, a Change of Control means:

a. The purchase or other acquisition (other than from the Company) by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange

Act") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; or

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

c. Approval by the stockholders of the Company of a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation's then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

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 him of the option hereby granted, or any part thereof, he intends to purchase the shares acquired on such exercise for investment and not with a view to resale or other distribution; except that the Company, 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

Company 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 paragraph 9 of the Plan.

7. Death of Optionee. In the event of the death of Optionee during the term of this Agreement and while he is employed by the Company (or a subsidiary), or within three (3) months after the termination of his employment (or one (l) year in the case of the termination of employment of an Optionee who is disabled as provided in the Plan), this option may be exercised, to the extent that he was entitled to exercise it at the date of his death, by a legatee or legatees of Optionee under his last will, or by his personal representatives or distributees, at any time within a period of one (1) year after his death, but not after ten (10) years from the date hereof, and only if and to the extent that he was entitled to exercise the option at the date of his death.

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.

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

ESCO TECHNOLOGIES INC.

By

Vice President

ATTEST:

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

Optionee

EXHIBIT 10.21

Amendment to Section 6. Option Prices of the 1999 Stock Option Plan

6. Option Prices.

The purchase price of the Common Stock under each option shall not be less than 100% of the fair market value of the stock at the time of the granting of the option. Such fair market value shall generally be considered to be the mean between the high and low prices of the Company's Common Stock as traded on the New York Stock Exchange on the day the option is granted; provided, however, that the Committee may adopt any other criterion for the determination of such fair market value as it may determine to be appropriate. The purchase price is to be paid in full upon the exercise of the option, either (i) in cash, (ii) in the discretion of the Committee, by the tender to the Company of shares of the Common Stock of the Company, owned by the optionee and registered in his name, having a fair market value equal to the cash exercise price of the option being exercised, with the fair market value of such stock to be determined in such appropriate manner as may be provided for by the Committee or as may be required in order to comply with, or to conform to the requirements of, any applicable laws or regulations, or (iii) in the discretion of the Committee, by any combination of the payment methods specified in clauses (i) and (ii) hereof; provided that, no shares of Common Stock may be tendered in exercise of an Incentive Stock Option if such shares were acquired by the optionee through the exercise of an Incentive Stock Option unless (i) such shares have been held by the optionee for at least one year and (ii) at least two years have elapsed since such prior Incentive Stock Option was granted. In addition, in the discretion of the Committee, the optionee may effect a "cashless exercise" of an option in lieu of paying the option price in cash or shares of Common Stock of the Company owned by the optionee, by surrendering the option for that number of shares of Common Stock determined by multiplying the number of option shares to which he would otherwise be entitled by a fraction, the numerator of which is the excess of the then-current fair market value per share of the Common Stock over the exercise price, and the denominator of which is the then-current fair market value per share of Common Stock. The proceeds of sale of stock subject to option are to be added to the general funds of the Company or to the shares of the Common Stock of the Company held in its Treasury, and used for its corporate purposes as the Board of Directors shall determine.

EXHIBIT 10.24

OFFERING CIRCULAR

[ESCO LOGO]

ESCO ELECTRONICS CORPORATION

COMMON STOCK
(PAR VALUE $0.01 PER SHARE)

This offering circular relates to up to 300,000 shares of common stock of ESCO Electronics Corporation which may be purchased in open market transactions by eligible senior executives pursuant to the ESCO Electronics Corporation Executive Stock Purchase Plan and the preferred stock purchase rights associated with such common stock.

ESCO's common stock and the associated preferred stock purchase rights are listed on the New York Stock Exchange.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this offering circular is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this offering circular is February 7, 2000

This offering circular constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

TABLE OF CONTENTS

GENERAL INFORMATION

ESCO Electronics Corporation and its subsidiaries are engaged in the research, development, manufacture, sale and support of engineered systems and products for industrial and commercial applications. ESCO's principal executive offices are located at 8888 Ladue Road, St. Louis, Missouri 63124, and its telephone number is (314) 213-7200.

ESCO has not authorized anyone to give any information or to make any representations concerning this offering of common stock except that which is in this offering circular or which is referred to under "Additional Information" and "Incorporation of Certain Documents by Reference" in this offering circular. If anyone gives or makes any other information or representation, you should not rely on it. This offering circular is not an offer to sell or a solicitation of an offer to buy any securities other than ESCO's common stock and the associated preferred stock purchase rights. This offering circular is not an offer to sell or a solicitation of an offer to buy such securities in any circumstances in which an offer or solicitation is unlawful. You should not interpret the delivery of this offering circular, or any sale of common stock, as an indication that there has been no change in ESCO's affairs since the date of this offering circular. You should also be aware that information in this offering circular may change after this date. See "Incorporation of Certain Documents By Reference."

DESCRIPTION OF THE PLAN

This offering circular covers up to 300,000 shares of ESCO's common stock, par value $0.01 per share, which may be purchased in open market transactions by eligible senior executives pursuant to ESCO's Executive Stock Purchase Plan and the preferred stock purchase rights associated with such common stock.

The plan was adopted by the Human Resources and Ethics Committee of ESCO's Board of Directors on February 3, 2000. The purpose of the plan is to provide incentives to certain executive officers and other senior executives of ESCO and its direct and indirect subsidiaries and to encourage their ownership of ESCO's common stock.

ESCO will reimburse eligible senior executives for the approximate cost of interest on loans that have been approved by or on behalf of the Committee made to such executives for the purpose of purchasing shares of ESCO's common stock in open market transactions at prevailing market prices. ESCO will also pay to such executives an amount approximately equal to the income taxes owed by such executives on the reimbursement payments from ESCO.

Executive officers and certain other senior executives of ESCO or its direct and indirect subsidiaries are eligible to participate in the plan. The Committee has discretion to determine the individuals who may participate in the plan. These individuals may elect to participate in the plan at any time before the termination date, which is expected to be February 7, 2008.

The plan is administered by the Committee, which consists solely of two or more directors who are non-employee directors under Rule 16b-3 of the Securities Exchange Act of 1934 and who are appointed by and serve at the pleasure of the Board of Directors. In accordance with the plan, members of the Committee may not be officers or employees of ESCO or any of its subsidiaries. The Committee is vested with full power and authority to make, administer and interpret any rules and regulations it deems necessary to administer the plan. The Committee's determinations on such matters are conclusive. The Committee may delegate its duties, both ministerial and discretionary, to other persons as it deems necessary or appropriate and as consistent with the terms of the plan. The determinations by such other persons shall be conclusive.

ESCO's Board of Directors or the Committee may terminate the plan or make any modifications it deems advisable at any time. Neither the Board of Directors nor the Committee may terminate or amend the plan in such a way that the rights of an eligible executive under the plan may be adversely affected without the consent of such executive. The plan will terminate in any event on February 7, 2008. Reimbursements of interest costs associated with loans made to eligible executives prior to the time the plan terminates shall not be affected by termination of the plan.

The plan is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974 because it is not an "employee benefit plan" under ERISA. The plan is not a pension, profit-sharing or stock bonus plan under Section 401(a) of the Internal Revenue Code.

You may obtain additional information about the plan by contacting the Human Resources and Ethics Committee c/o Human Resources Department, ESCO Electronics Corporation, 8888 Ladue Road, St. Louis, Missouri 63124, telephone number (314) 213-7200.

FEDERAL INCOME

This section provides only a summary of the federal income tax consequences of the plan and is based on ESCO's understanding of present federal tax laws and regulations. Because tax regulations may change or interpretations may differ, you should consult with your tax advisor regarding the tax consequences related to your participation in the plan.

ACQUISITION OF SHARES

The acquisition of shares of common stock in the open market pursuant to the plan is not a taxable event. You will have a basis in the shares equal to the price you paid for them.

SHARES HELD FOR LESS THAN TWELVE MONTHS

If you hold the shares of common stock purchased under the plan for twelve months or less, upon disposition you may need to recognize a net short-term capital gain. The difference between the amount you realize upon disposition of your shares and your basis in those shares will be treated as a short-term capital gain or loss, assuming you hold the shares as a capital asset at the time of disposition. The maximum rate of tax on net short-term capital gains is 39.6%. Phaseouts of personal exemptions and reductions of allowable itemized deductions at higher levels of income may result in slightly higher marginal tax rates.

SHARES HELD FOR MORE THAN TWELVE MONTHS

If you hold the shares of common stock purchased under the plan for more than twelve months, upon disposition you may need to recognize a net long-term capital gain. The difference between the amount you realize upon disposition of your shares and your basis in those shares, however, will be taxed as a long-term capital gain or loss, assuming you hold your shares as a capital asset at the time of disposition. The maximum rate of tax on net long-term capital gains is 20%.

REIMBURSEMENTS BY ESCO

Payments you receive pursuant to the plan will be taxed as compensation income and subject to employment tax and employee benefits withholding by ESCO. ESCO may take appropriate deductions with respect to compensation income reported on your behalf, including applicable taxes.

DESCRIPTION OF PREFERRED STOCK PURCHASE RIGHTS

This offering circular relates to the offering of shares of ESCO's common stock, as well as the preferred stock purchase rights associated with the common stock. Under ESCO's Amended and Restated Rights Agreement between ESCO and ChaseMellon Shareholder Services, L.L.C., each outstanding share of common stock also represents one preferred stock purchase right. Each purchase right entitles the registered holder to purchase from ESCO one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value $.01 per share, at a purchase price of $60 per one one-hundredth of a share of Preferred Stock, subject to adjustment. The terms of the rights are set forth in the rights plan, a form of which was filed on February 7, 2000 with the Commission as Exhibit 4.1 to ESCO's Current Report on Form 8-K dated February 3, 2000. This is only a summary of the rights agreement and you should read the entire rights agreement.

The rights will be evidenced by common stock certificates and will not be exercisable until the earlier to occur of (i) the close of business on the tenth business day following the date of public announcement or the date on which ESCO first has notice or determines that a person or group of affiliated or associated persons has acquired, or has obtained the right to acquire, 20% or more of the outstanding shares of ESCO's voting stock without the prior express written consent of the Board of Directors, or (ii) the close of business on the tenth business day (or such later date as may be determined by action of the Board of Directors but not later than the date set forth in (i) above) following the commencement of a tender offer or exchange offer, without the prior written consent of the Board of Directors, by a person which offer, upon consummation would result in such person's control of 20% or more of ESCO's voting stock. Either of these events is referred to as a "distribution date."

Until a right is exercised, the holder, as such, will have no rights as a shareholder. Accordingly, the holder will not have the rights, among others, to vote or to receive dividends. The rights will expire, if not previously exercised, on February 3, 2010, unless that date is extended or the rights are earlier redeemed or exchanged by ESCO.

The purchase price payable, and the number of shares of Preferred Stock or other securities or property issuable, upon exercise of the rights are subject to adjustment from time to time to prevent dilution under certain circumstances. No adjustment in the purchase price will generally be required until cumulative adjustments require an adjustment of at least 1% in the purchase price. No fractional shares of Preferred Stock will be issued, and instead an adjustment in cash will be made based on the market price of the Preferred Stock on the last trading day prior to the date of exercise.

If any person or group (other than certain affiliates of ESCO) acquires 20% or more of ESCO's outstanding voting stock without the prior written consent of the Board of Directors, each right, except those held by the acquiring persons, would entitle the holder to acquire shares of ESCO's common stock having a market value equal to two times the purchase price. If any person or group acquires more than 20% but less than 50% of ESCO's outstanding voting stock without the prior written consent of the Board of Directors, each right, except those held by the acquiring persons, may be exchanged by the Board of Directors for one share of ESCO's common stock.

If ESCO were acquired in a business combination transaction where ESCO is not the surviving corporation, or where ESCO's common stock is exchanged or changed or 50% or more of ESCO's assets or earnings power is sold without the prior written consent of the Board of Directors, each right would entitle the holders (except for the acquiring persons) to receive shares of common stock of the acquiring company having a market value equal to two times the purchase price.

At any time prior to the time a person or group has acquired 20% or more of ESCO's outstanding voting stock, the Board of Directors may redeem the rights in whole, but not in part, at a redemption price of $0.01 per right. The Board of Directors, in its sole discretion, may establish the time, basis and conditions for redemption of the rights. Immediately upon any redemption of the rights, the right to exercise the rights will terminate and the only right of the holders will be to receive the redemption price.

Prior to the time that a person or group has acquired 20% or more of ESCO's outstanding voting stock, the terms of the rights may be amended by the Board of Directors without the consent of the holders. After the time that a person or group has acquired 20% or more of ESCO's outstanding voting stock, the Board of Directors must receive the consent of the holders in order to amend the terms of the rights in a manner that may adversely affect the interest of the holders.

The rights have certain anti-takeover effects. Once a distribution date has occurred, the rights will cause substantial dilution to a person or group that attempts to acquire ESCO in some circumstances. ESCO's ability to amend the rights plan may, depending upon the circumstances, increase or decrease the anti-takeover effects of the rights. The rights do not prevent the Board of Directors from approving any merger or other business combination since ESCO may redeem the rights as described above and because a transaction approved by the Board of Directors would not cause a distribution date to occur.

SECURITIES AS COLLATERAL

If you purchase shares of ESCO's common stock with borrowed funds and pledge the shares as collateral for the loan, your shares will be at risk. If the market value of ESCO's common stock declines, you may be required by the lender to pledge additional collateral. If you are unable to pledge such additional collateral, the lender may sell your shares and you may lose your investment. Such a sale also may result in liability under Section 16(b). See "Restrictions on Resale" below. You should carefully review the terms of the loan and consult with your counsel regarding these and other risks before purchasing shares with borrowed funds.

RESTRICTIONS ON RESALE

ESCO's common stock and associated preferred stock purchase rights are currently traded on the New York Stock Exchange. This offering circular does not cover your resale of shares of common stock acquired on the open market pursuant to this offering circular.

You may be deemed to be an "affiliate" of ESCO, as the term "affiliate" is defined in Rule 144 under the Securities Act of 1933. Under Rule 144, an "affiliate" of an issuer is a person that "directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such issuer." Rule 405 defines "control" as "the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise."

If you are deemed to be an "affiliate," you may reoffer or resell your shares only pursuant to a registration statement filed under the Securities Act (and ESCO has no obligation to file such a registration statement) or pursuant to Rule 144 under the Securities Act. Such reoffers and resales may not be made pursuant to this offering circular. You should consult with counsel regarding the restrictions of Rule 144 before transferring shares of your common stock.

In addition, certain officers of ESCO are subject to "short-swing" liability under Section 16(b) of the Securities Exchange Act of 1934. You should consult with counsel regarding your status under and the applicability of Section 16(b) before transferring or pledging shares of your common stock.

In general, Section 16(b) provides that any profit realized by certain officers on purchases and sales of stock within a six-month period is recoverable by the issuer. For this purpose, it does not matter whether the purchase or sale occurs first, and it is not necessary for the same shares to be involved in each of the matched transactions. Transactions are paired so as to match the lowest purchase price and the highest sale price within a six-month period, which means that a profit may exist for Section 16(b) purposes where the total of all of the officer's transactions during the six-month period resulted in a loss.

If you are an officer subject to Section 16(b) and you pledge your shares of common stock, any sale of those shares by the pledgee upon default may be considered a sale by you under Section 16(b) and be matchable against your purchase of those or other shares within a six-month period.

Finally, you will need to comply with ESCO's policies that may be in effect concerning trading in ESCO's securities by insiders.

ADDITIONAL INFORMATION

ESCO has filed with the Securities and Exchange Commission, Washington, D.C. 20549, a registration statement on Form S-8 under the Securities Act of 1933 with respect to the shares of common stock offered by this offering circular. This offering circular does not contain all of the information set forth in the registration statement and its exhibits. Certain items are omitted in accordance with the rules and regulations of the Commission. For further information with respect to ESCO and the common stock, reference is made to the registration statement and exhibits. A copy of the registration statement and exhibits may be inspected without charge at the public reference facilities maintained by the Commission in Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at certain of its regional offices, the current addresses of which are: New York Regional Office, Seven World Trade Center, Suite 1300, New York, New York 10048, and Chicago Regional Office, Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and copies of the registration statement and exhibits may be obtained from such offices upon the payment of the fees prescribed by the Commission. The public may obtain information on the operation of the public reference facilities by calling the Commission at 1-800-SEC-0330. The Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the site is http://www.sec.gov. The registration statement has been filed electronically with the Commission. In addition, reports, proxy statements and other information concerning ESCO can be inspected at the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

ESCO will provide without charge to each person to whom this offering circular is delivered, upon written or oral request, a copy of any and all of the information that has been incorporated by reference herein, other than exhibits (except exhibits specifically incorporated by reference therein). See "Incorporation of Certain Documents By Reference." Such request should be directed to Secretary, ESCO Electronics Corporation, 8888 Ladue Road, St. Louis, Missouri 63124, telephone number (314) 213-7200.

ESCO also will provide without charge to each participant in the plan the following: (1) all documents containing the information required in the Prospectus by Part I of Form S-8; (2) ESCO's Annual Report to Shareholders for its most recent fiscal year (or other permitted document containing ESCO's audited financial statements for such fiscal year); and (3) all reports, proxy statements and other communications distributed by ESCO to its shareholders generally.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Commission permits the "incorporation by reference" of certain information ESCO files, which means that ESCO can disclose important information to you by referring you to documents ESCO files with the Commission. The information incorporated by reference is considered to be part of this offering circular, and later information that ESCO files with the Commission will automatically update and supersede this information. ESCO incorporates by reference the documents listed below and any future filings made with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, until ESCO sells all of the shares issuable under the plan or deregisters the shares issuable that have not yet been sold. The following documents filed by ESCO with the Commission under the Securities Exchange Act of 1934 (File No. 1-10596) are incorporated by reference into this offering circular:

(1) ESCO's Annual Report on Form 10-K for the fiscal year ended September 30, 1999.

(2) ESCO's Current Report on Form 8-K, dated October 13, 1999.

(3) ESCO's Current Report on Form 8-K, dated February 3, 2000, including but not limited to the description of ESCO's preferred stock purchase rights.

(4) The description of ESCO's common stock contained in ESCO's Registration Statement on Form 10 filed under the 1934 Act, as amended under cover of Form 8 filed on September 27, 1990.

EXHIBIT 10.25

NOTICE OF AWARD

To: Dennis J. Moore

From: Human Resources and Ethics Committee of the Board of Directors of ESCO Technologies Inc. ("Committee")

Subject: Award of Restricted Shares

1. Award. The Committee has awarded to you 40,000 Shares of Company Stock (as hereinafter defined), subject to the terms hereinafter set forth.

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

(a) During the period commencing on the date hereof and ending on October 31, 2003 (the "Restriction Period") you must remain employed by the Company. If during the Restriction Period you terminate employment for any reason other than death or disability, you will forfeit the shares of Company Stock awarded hereunder. If, during the Restriction Period, you terminate employment on account of death or disability (as determined by the Board), you (or your estate) shall become fully vested in the shares of Company Stock awarded hereunder and the employment requirement of this subparagraph (a) shall cease to apply.

(b) During the Restriction Period, the certificates representing the shares of Company Stock awarded hereunder shall be held by an escrow agent selected by the Company. At the end of the Restriction Period (or upon your earlier termination of employment on account of death or disability as determined under subparagraph (a), above, or upon a Change of Control under the circumstances described in subparagraph (c), below) the escrow agent shall deliver such certificates to you (or to your estate). During the Restriction Period you will be entitled to all dividends paid on the shares of Company Stock awarded hereunder and you will be entitled to instruct the escrow agent how to vote such shares.

(c) If there is a Change of Control (as hereinafter defined) and you are employed by the Company on the date of the Change of Control, you will become fully vested in the shares of Company Stock awarded hereunder and the employment requirement of subparagraph (b) shall cease to apply.

(d) If, during the term of your employment agreement dated as of November 1, 1999 ("Employment Agreement"), but under circumstances not described in paragraph 10 of the Employment Agreement, your employment is terminated by the Company for reasons other than "Cause" (as defined in the Employment Agreement) you will become fully vested in the shares of Company Stock awarded hereunder and the employment requirement of subparagraph 2(a) shall cease to apply.

3. Definitions.

(a) "Change of Control" shall mean:

(i) The purchase or other acquisition (other than from the Company) by any persons, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of Common Stock of the

Company or the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors; or

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

(iii) Approval by the stockholders of the Company of a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the elections of directors of the reorganized, merged or consolidated corporations' then-outstanding voting securities, or of a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

(b) "Company Stock" means common stock of the Company.

4. Amendment. The Award may be amended by written consent between the Company and you.

Executed this 16th day of November, 2000

ESCO TECHNOLOGIES INC.

By:

ATTEST:

Secretary

AGREED TO AND ACCEPTED:

- ---
Dennis J. Moore

EXHIBIT 13

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto.

INTRODUCTION

ESCO Technologies Inc. (ESCO, the Company) operates principally in four business segments: Filtration/Fluid Flow, Test, Communications 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 semiconductor production processes, blood collection, water purification, food and beverage processing, oil production and removal of contaminants in fuel, lube and hydraulic systems. ESCO is a leading supplier of radio frequency (RF) shielding and test products. The rapid proliferation of electronics equipment, particularly wireless communication products, has increased the need to shield critical equipment from increasing levels of RF energy present in the atmosphere, and to perform more stringent electromagnetic compatibility (EMC) testing of all new electronic products. The Company's Communications segment provides a well-proven communications system called TWACS(R) to the electric utility industry. The TWACS(R) system is currently used primarily for automatic meter reading (AMR), but also provides a ready conduit into the home for future applications.

As part of Management's strategy to narrow the Company's product/market focus, ESCO's last major defense business, Systems & Electronics Inc. was sold on September 30, 1999 to Engineered Support Systems, Inc. (ESSI) for $85 million in cash, less working capital adjustments. In addition, the Company sold the Rantec microwave antenna business in February 2000 for $2.1 million in cash, plus contingent consideration based on its future operating results over the next two years.

The ongoing business segments are comprised of the following operating entities:

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

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

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

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

- Systems & Electronics Inc. (SEI) is included as a divested business in 1999.

ESCO enters the new millennium with meaningful growth prospects in its primary served markets, and a substantially lower risk profile with the divestitures of the defense businesses. It is a more focused Company with considerable financial flexibility.

Management is committed to delivering shareholder value through internal growth, selective acquisitions and share repurchase when warranted.

HIGHLIGHTS OF 2000

Fiscal 2000 marked the beginning of "the new ESCO". Sales for the year ended September 30, 2000 increased $56.9 million, or 23% to $300.2 million over 1999 "adjusted" sales of $243.3 million mainly due to new product introductions and contributions from the fiscal 2000 acquisitions. Fiscal 2000 acquisitions contributed $25.7 million to the sales growth in 2000, while organic growth accounted for $31.2 million or 12.8%. Operating profit increased to $30.1 million, or 10% of net sales in fiscal 2000.

Fiscal 2000's net earnings, as reported, were $1.33 per share. In 2000, the Company sold properties in Riverhead, NY and Calabasas, CA, thereby, converting into cash properties retained after divestitures. Excluding the gains on the sales of these properties, fiscal 2000 net earnings from operations were $1.11 per share compared to 1999 "adjusted" net earnings of $0.61 per share.

The Company successfully completed three acquisitions during 2000 which were accretive to current year earnings, including Lindgren, Holaday Industries, Inc. (Holaday), and the Eaton Space Products business located in El Segundo, CA (Eaton). The Lindgren and Holaday operating results are included within the Test segment and the Eaton results are included within the Filtration/Fluid Flow segment.

RECAP OF 1999 STRATEGIC ACTIONS

RECONCILIATION OF ADJUSTED NET INCOME - 1999

In conjunction with the divestiture of SEI, the Company took a number of actions at September 30, 1999 to further sharpen its focus on its primary served markets, including actively pursuing the sale of its Rantec microwave antenna business, which was sold in February 2000. Other actions included abandoning the active pursuit of certain business areas, exiting non-core, underperforming businesses, and restructuring the corporate overhead of the Company. Specifically, the Company planned to discontinue its investment in High Pressure Air Reducing Quiet Manifolds for surface ships (Filtration/Fluid Flow segment) as well as its Vehicle Location Systems (Communications segment), and reduce ongoing operating costs.

The following table is not intended to present 1999 net earnings as defined within generally accepted accounting principles (GAAP), and is presented for informational purposes only.

The table provides a reconciliation between the 1999 reported results of operations and what Management believes the 1999 operating results may have been after removing certain nonrecurring items and assuming that all of the actions taken during 1999 to reorient the business were complete at the beginning of the period. Management believes the estimated 1999 adjusted operating results provide a meaningful presentation for purposes of analyzing ESCO's ongoing financial performance. The estimated adjusted net earnings may not be indicative of future performance.

(Dollars in millions, rounded)	1999 As Reported	Elimination of SEI(a)	Adjusting Items	1999 As Adjusted
Net sales	$ 416.1	172.8	--	$ 243.3
Cost of sales	317.7	139.6	(2.0)(b)	176.1
Other charges related to cost of sales	3.9	--	(3.9)(c)	--
SG&A expenses	74.4	21.6	.8(d)	53.6
Interest expense (income)	6.5	.6	(8.2)(e)	(2.3)
Other, net	4.9	.3	(.3)(c)	4.3
Restructuring charges	5.1	--	(5.1)(c)	--
Gain on sale of SEI	(59.9)	--	59.9(c)	--
Total costs and expenses	352.6	162.1	41.2	231.7
Earnings before tax	63.5	10.7	(41.2)	11.6
Income tax expense	13.0	3.7	(5.4)(f)	3.9
Net earnings before accounting change	50.5	7.0	(35.8)	7.7
Cumulative effect of accounting change, net of tax	(25.0)	--	25.0(c)	--
Net earnings	$ 25.5	7.0	(10.8)	$ 7.7
Diluted EPS	$ 2.02			$ .61

(a) Represents the operations of SEI which were included in the 1999 GAAP reported results of operations.

(b) Represents the 1999 operating results of Rantec's microwave antenna business which was being offered for sale and was sold in February 2000. Fiscal 1999 net sales included $4.9 million related to Rantec's microwave antenna business.

(c) Represents the elimination of the nonrecurring items: includes the gain related to the divestiture of SEI, other charges related to the strategic initiatives described on the following page, and the accounting change (SOP 98-5) adopted in the 1999 first quarter.

(d) Represents the net amount of the remaining corporate office operating expenses after the divestiture of SEI. This amount reflects a $4.2 million cost reduction from the $5 million amount recorded in 1999 and previously absorbed by the operations of SEI.

(e) Represents the estimated net interest impact of the SEI transaction proceeds and the cash impact of the other cost saving actions noted above, assuming that they occurred at the beginning of the period. The amount noted assumes all outstanding debt was repaid and the excess cash proceeds were invested with a 6% yield.

(f) Represents the amount necessary to reflect the adjusted effective tax rate at 33%, which represents the Company's estimated 1999 effective tax rate excluding the nonrecurring items.

OTHER CHARGES RELATED TO COST OF SALES, RESTRUCTURING CHARGES AND GAIN ON SALE OF SEI - 1999

During the fourth quarter of fiscal 1999, the Company implemented a major portion of its strategic operating plan. Its previously communicated strategy was to transform the Company from a primarily defense-oriented business to a supplier of engineered products used in industrial and commercial applications. As a result of implementing Management's strategic actions, the Company recognized certain nonrecurring items in the 1999 fourth quarter results of operations.

These defined actions in 1999 resulted in $3.9 million of other charges related to cost of sales and $5.1 million of restructuring charges. In addition, the Company recorded a gain on the sale of SEI of $59.9 million.

The 1999 other charges related to cost of sales represent the write-off of inventory related to the abandonment of High Pressure Air Reducing Quiet Manifolds for surface ships ($2.2 million) and the Vehicle Location Systems ($.6 million) business. Additionally, the Company wrote down the Rantec microwave antenna product line inventory ($1.1 million) to net realizable value as a result of that business area being offered for sale. This business was sold in February 2000.

The 1999 restructuring charges are comprised of the following: costs related to exiting the microwave antenna business area ($1.1 million); a write-off of the license agreement ($1.8 million) related to the abandonment of the Vehicle Location System business; and certain personnel separation costs ($2.2 million).

The gain on the sale of SEI of $59.9 million is calculated as: the gross proceeds of $85 million; less SEI's net book value of $30.6 million; less working capital adjustments of $4.0 million; less transaction related expenses of $4.9 million; plus the $14.4 million curtailment gain related to pension and retiree medical liabilities transferred to the buyer.

The other charges related to cost of sales noted above are included in the calculation of 1999 gross profit discussed below.

RESULTS OF OPERATIONS

NET SALES

Net sales of $300.2 million in 2000 decreased $115.9 million (28%) from reported net sales of $416.1 million in 1999 due to the divestiture of SEI. The prior year amount included SEI sales of $172.8 million. Excluding SEI from the prior year amounts, 2000 net sales increased $56.9 million (23%) over 1999 "adjusted" net sales of $243.3 million. Filtration/Fluid Flow, Test and Communications all had increased sales volume in 2000. Current year acquisitions contributed $25.7 million (10.6%) to the sales growth in 2000, while organic growth accounted for $31.2 million (12.8%).

Net sales of $416.1 million in 1999 increased $51 million (14%) from net sales of $365.1 million in 1998, primarily due to an increase in sales at SEI, which was divested on September 30, 1999.

FILTRATION/FLUID FLOW

Net sales of $181.7 million in 2000 were $12.8 million (7.6%) higher than net sales of $168.9 million in 1999. The increase was primarily the result of new product introductions and increases in microfiltration sales. Increased shipments of disposable water filter cartridges also contributed to the sales growth. The Company's microfiltration businesses contributed approximately $4.7 million of additional sales in 2000, primarily due to increased shipments to the semiconductor market. The current year acquisition of Eaton contributed approximately $3.4 million to the increase in sales.

Net sales of $168.9 million in 1999 increased $10.6 million (6.7%) from net sales of $158.3 million in 1998, primarily due to new product introductions and increases in microfiltration sales.

TEST

Net sales of $63.0 million in 2000 were $28.1 million (80.5%) higher than net sales of $34.9 million in 1999. The 1999 sales increased $4.3 million over the $30.6 million in sales recorded in 1998. The increase in 2000 over 1999 is primarily due to the current year acquisitions, which contributed $22.1 million. The remaining increase in 2000 over 1999, as well as the 1999 increase over 1998 primarily is the result of additional EMC test chamber business at ETS. Sales were significantly impacted by additional revenue relating to the $21 million contract awarded in 1999 by General Motors to design and build an EMC test complex in Milford, Michigan. The General Motors contract contributed approximately $13.2 million and $3.1 million to sales in 2000 and 1999, respectively. This contract is expected to be completed in 2001.

COMMUNICATIONS

Net sales of $42.7 million in 2000 were $16.9 million (65.5%) higher than net sales of $25.8 million in 1999. The 1999 sales increased $6.7 million over the $19.1 million in sales recorded in 1998. The increase in 2000 over 1999, as well as the 1999 increase over 1998, primarily is the result of increased shipments to the Puerto Rico Electric Power Authority (PREPA), Wisconsin Public Service Corporation (WPS) and various electric utility Cooperatives (Coops). The current contract with PREPA to provide Automatic Meter Reading (AMR) systems using proprietary power line communications technology is valued at more than $50 million over a three-year period ending in 2001. The Company is anticipating a significant follow-on order to this contract.

OTHER

Sales were $12.8 million, $13.7 million and $22.1 million in 2000, 1999 and 1998, respectively. The decrease in sales in 2000 versus 1999, as well as 1999 versus 1998, is due to the decrease in sales of the Rantec microwave antenna business, which was sold in February 2000. Sales for Rantec Power Systems represented approximately $10.7 million in 2000 and $10.2 million in 1999.

ORDERS AND BACKLOG

Firm order backlog was $145.4 million at September 30, 2000, compared to $142.9 million at September 30, 1999. Orders totaling $288.7 million were received in 2000, compared with $247.5 million in 1999. The majority of the orders in 2000 related to Filtration/Fluid Flow products. In addition, fiscal 2000 acquisitions contributed approximately $21.0 million in backlog. The February 2000 sale of the Rantec microwave business resulted in a decrease in backlog of $6.3 million.

GROSS PROFIT

The Company computes gross profit as: net sales, less cost of sales, less other charges related to cost of sales. The gross profit margin is the gross profit divided into net sales, expressed as a percentage.

The gross profit margin was 30.6%, 22.7% and 26.1% in 2000, 1999 and 1998, respectively. The "adjusted" gross profit margin for fiscal 1999 was 27.6%. The increase in 2000 compared to the reported 1999 results is due primarily to the lower margins in 1999 related to the defense businesses. Gross profit margin increased in 2000 compared to "adjusted" 1999 results due to operational improvements in all four operating segments, including favorable changes in sales mix and product pricing as well as successful cost containment programs.

The decrease in reported 1999 gross profit margin versus 1998 is primarily the result of operating inefficiencies experienced at Rantec.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses (SG&A) for 2000 were $61.8 million, or 20.6% of net sales, compared with $74.4 million, or 17.9% of net sales, for 1999. "Adjusted" SG&A expenses were $53.6 million, or 22.0% of net sales in 1999. The 2000 SG&A expenses included $ 4.9 million of additional expenses related to the current year acquisitions. The percentage decrease from "adjusted" 1999 SG&A expenses is the result of favorable leverage achieved on the higher sales volume.

SG&A expenses in 1999 were $74.4 million, or 17.9% of net sales, compared with $68.3 million, or 18.7% of net sales, for 1998. The 1999 SG&A expenses included $3.2 million of additional expenses related to acquisitions in 1998 and are included in 1999 for the entire year versus a partial year in 1998. The percentage decrease in 1999 is the result of higher sales throughout the Company available to cover certain fixed costs.

OPERATING PROFIT

In accordance with Statement of Financial Accounting Standards (SFAS) No. 131 "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131), the Company defines operating profit as net sales, less cost of sales, less other charges related to cost of sales, less SG&A expenses and less restructuring charges. Operating profit, as defined by the Company, excludes certain costs which are included in Other costs and expenses, net, in the consolidated statements of operations, and which would be included in the determination of operating income as defined within generally accepted accounting principles. These items are discussed in the respective segment information below.

Operating profit of $30.1 million (10% of net sales) in 2000 increased $15.2 million (102%) from $14.9 million in 1999. The prior year operating profit amount included $10.4 million related to SEI. Current year operating profit increased $16.5 million over prior year "adjusted" operating profit of $13.6 million. In 2000, all operating segments experienced improvements in operating profit, in both dollar amount and as a percentage of net sales.

Operating profit of $14.9 million in 1999 decreased $12.0 million from operating profit of $26.9 million in 1998 primarily due to the 1999 special charges, including $3.9 million of other charges related to cost of sales, and the $5.1 million of restructuring charges.

FILTRATION/FLUID FLOW

Operating profit of $16.6 million (9.1% of net sales) in 2000 was $4.7 million (39.5%) higher than operating profit of $11.9 million (7.0% of net sales) in 1999. The increase was primarily the result of new product introductions and increases in microfiltration profitability. Increased shipments of disposable water filter cartridges also contributed to the growth in profitability.

Operating profit of $11.9 million in 1999 was $1.4 million (13.3%) higher than operating profit of $10.5 million in 1998. The 1999 Filtration/Fluid Flow amounts include the $2.2 million of nonrecurring charges related to the abandonment of the surface ship manifolds. The recurring increase in profitability was primarily the result of new product introductions and increases in microfiltration profitability. Aerospace and industrial products experienced a slight decline during 1999 due to weaker demand in these markets.

Included in Other costs and expenses, net, in 2000 are approximately $2.0 million of net costs related to the Filtration/Fluid Flow segment as a result of the following: the consolidation of PTI's filtration businesses into new facilities in Oxnard, California; expenses related to the planned upgrade of production equipment to improve manufacturing efficiency at Filtertek; and costs related to the 1998 acquisition of AMT.

TEST

Operating profit of $6.9 million (11.0% of net sales) in 2000 was $2.9 million (72.5%) higher than operating profit of $4.0 million (11.5% of net sales) in 1999. The 1999 operating profit increased $1.1 million (37.9%) over the $2.9 million of operating profit recorded in 1998. The increase in 2000 over 1999, as well as the 1999 increase over 1998, primarily was the result of contributions from the General Motors contract. Fiscal 2000 was also favorably impacted by the current year acquisitions of Lindgren and Holaday.

Included in Other costs and expenses, net, in 2000, is approximately $1 million of costs primarily related to the write-off of an investment in a third party EMC related start-up company which filed bankruptcy in 2000.

COMMUNICATIONS

Operating profit of $8.9 million (20.8% of net sales) in 2000 was $9.3 million higher than operating profit of $(0.4) million in 1999. The significant increase in operating profit in 2000 is the result of significantly higher shipments of AMR equipment at DCSI. The 1999 operating profit decreased $0.8 million from the $0.4 million in operating profit recorded in 1998, primarily due to certain nonrecurring charges at Comtrak recorded in 1999 as mentioned earlier.

OTHER

Operating profit was ($0.3) million, ($8.8) million and $1.9 million in 2000, 1999 and 1998, respectively. The change in operating profit in 2000 as compared to 1999 is mainly related to the improved operations of Rantec. The decrease in 1999 is the result of the nonrecurring charges related to Rantec's microwave antenna business prior to its sale, and significant cost growth on certain development programs at Rantec Power Systems.

INTEREST EXPENSE

Interest expense decreased to $0.4 million in 2000 from $6.5 million in 1999, primarily as a result of lower outstanding average borrowings throughout 2000. All outstanding debt from fiscal 1999 was repaid in October 1999 from the proceeds of the sale of SEI, except for the $1 million of foreign debt.

Interest expense decreased to $6.5 million in 1999 from $7.7 million in 1998, primarily as a result of lower outstanding average borrowings throughout 1999. The timing of operating cash flows throughout 1999 also decreased the average outstanding borrowings.

OTHER COSTS AND EXPENSES, NET

Other costs and expenses, net, were $5.0 million compared to $4.9 million in 1999. The 2000 net amount consists of the following items (in millions):

Filtration/Fluid Flow segment costs, described above	$ 2.0
Test segment costs, described above	1.0
Amortization of intangible assets, including goodwill	3.9
Other miscellaneous costs	1.1
Total other expenses	8.0
Less: Gain on sale of Riverhead, NY property	(2.2)
Less: Gain on sale of Calabasas, CA property	(0.8)
Total other income	(3.0)
Other costs and expenses, net, as reported	$ 5.0

Other costs and expenses, net, increased in 1999 to $4.9 million from $2.9 million in 1998, primarily due to the $1.6 million PTI lease surrender payment recorded as income in 1998. The remainder of other costs and expenses, net, increased in 1999 due to additional goodwill amortization related to the 1998 acquisitions.

INCOME TAX EXPENSE

Income tax expense of $7.9 million for 2000 reflects current tax expense of $0.3 million, deferred tax expense of $6.3 million, and foreign, state and local tax expense of $1.4 million. Income tax expense of $13.0 million for 1999 reflects deferred tax expense of $11.6 million and foreign, state and local tax expense of $1.4 million. Income tax expense of $5.1 million for 1998 reflects deferred tax expense of $6.1 million and foreign, state and local tax benefits of ($1.0) 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 existing at September 30, 2000. In order to realize the aforementioned net deferred tax asset before valuation allowance, the Company will need to generate future taxable income of approximately $189 million, of which $138 million is required to be realized prior to the expiration of the net operating loss (NOL) carryforward, of which $20 million will expire in 2006; $6 million will expire in 2007; $23 million will expire in 2009; $38 million will expire in 2010; $4 million will expire in 2011; $7 million will expire in 2018; and $40 million will expire in 2019. The net operating loss carryforward may be used to reduce future income tax cash payments.

In 2000, as a result of the sale of the Rantec property in Calabasas, California, as well as a result of certain residual tax effects related to the sale of SEI in 1999, the Company utilized approximately $9 million of the remaining $42 million capital loss carryforward available from the sale of its Hazeltine subsidiary in 1996. At September 30, 2000, the Company had a capital loss carryforward for tax purposes of approximately $33 million. This capital loss carryforward may be used as a reduction of future capital gains recognized by the Company, at which time the Company may realize additional tax benefits. Any unused capital loss carryforward will expire in 2001.

The Company's deferred tax valuation allowance of $28.4 million at September 30, 2000, was comprised of $16.9 million, which represents Management's best estimate of the portion of the deferred tax asset associated with temporary differences and NOLs which may not be realized due to limitations on future use, and a full valuation reserve in the amount of $11.5 million for the portion of the deferred tax asset represented by the capital loss carryforward.

The effective tax rate in 2000 was 32.0% compared with 20.5% in 1999. The 2000 effective tax rate was favorably impacted by the decrease in the deferred tax valuation allowance resulting from the 1999 sale of SEI, as well as the 2000 sales of the Riverhead, New York and Calabasas, California properties. An analysis of the effective tax rates for 2000, 1999 and 1998 is included in the notes to consolidated financial statements.

CHANGE IN ACCOUNTING PRINCIPLE - 1999

The Company adopted the provisions of Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-up Activities" in the first quarter of fiscal 1999 which resulted in a non-cash, after-tax charge of approximately $25 million, which was recognized as a cumulative effect of an accounting change.

The after-tax charge related to precontract, start-up and organization costs incurred in anticipation of specific future contract awards which were based on specific customer identified requirements. The after-tax charge is comprised of the following programs: the Tunner 60K aircraft cargo loader at SEI ($17.2 million), the Automatic Vehicle Location System at Comtrak ($2 million), the advanced video surveillance system (Securvision(R)) at Comtrak ($2 million), the Seawolf (U.S. Navy attack submarine) valve and manifold ship set program at VACCO Industries ($1.9 million), and other minor programs which aggregated to $1.9 million.

CAPITAL RESOURCES & LIQUIDITY

Working capital decreased to $55.7 million at September 30, 2000 from $95.3 million at September 30, 1999. The decrease is primarily due to the use of cash to repay all of the debt outstanding at September 30, 1999, except for the foreign debt of approximately $1 million. Accounts receivable increased $20.3 million mainly due to the recent acquisitions which contributed approximately $9.4 million. Additionally, accounts receivable increased $7.0 million in the Company's Communications segment resulting from the increase and timing of sales to PREPA. Inventory increased approximately $4.9 million, net, mainly due to recent acquisitions which contributed approximately $6.4 million.

Net cash provided by operating activities was $20.0 million in 2000 compared to $25.9 million in 1999. Net cash provided by operating activities in fiscal 2000 increased $5.4 million from the 1999 adjusted amount of $14.6 million, which excludes $11.3 million related to SEI. The increase in 2000 is primarily due to the Company's ongoing asset management initiatives.

Net cash provided by operating activities increased in 1999 to $25.9 million from $20.3 million in 1998. The increase in 1999 was driven by the improvement in cash flow from working capital, primarily the lower investment in inventory.

Capital expenditures of $10.4 million, $8.3 million and $12.9 million, in 2000, 1999 and 1998, respectively, primarily included manufacturing equipment. Capital expenditures related to SEI were $1.1 million and $1.5 million in 1999 and 1998, respectively. There were no commitments outstanding that were considered material for capital expenditures at September 30, 2000.

At September 30, 2000, the Company had available a net operating loss (NOL) carryforward for tax purposes of approximately $138 million. This NOL will expire beginning in year 2006 and ending in year 2019, and will be used to reduce future Federal income tax cash payments.

ACQUISITIONS/DIVESTITURES

On June 2, 2000, the Company purchased 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 business, headquartered in Eden Prairie, Minnesota, has annual sales of approximately $5.5 million. The operating results for Holaday, since the date of acquisition, are included within the Company's Test segment. The goodwill recorded as a result of the transaction is being amortized over 20 years.

On April 9, 2000, the Company acquired all of the outstanding common stock of The Curran Company (doing business as Lindgren RF Enclosures, Inc.) and Lindgren, Inc. (doing business through its subsidiary, Rayproof Ltd.) (collectively "Lindgren") for approximately $22 million in cash plus additional consideration based upon the future performance of Lindgren. Lindgren has annual sales in excess of $40 million and is a leading supplier of radio frequency (RF) shielding products and components used by manufacturers of medical equipment, communications systems and electronic products. Lindgren is headquartered near Chicago, Illinois and operates facilities in Wisconsin, Florida, and the United Kingdom. The operating results for Lindgren, since the date of acquisition, are included within the Company's Test segment. The goodwill recorded as a result of the transaction is being amortized over 20 years.

On March 31, 2000, the Company acquired the Eaton Space Products business located in El Segundo, CA (Eaton), for approximately $6 million in cash. Eaton manufactures specialty valves and other fluid flow components for satellite launch vehicles and aircraft applications. With annual sales of approximately $7 million, this business has been integrated into the Company's Filtration/Fluid Flow segment. The goodwill recorded as a result of the transaction is being amortized over 20 years.

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 operating results for this business, prior to the divestiture, have been included within the Company's Other segment. The Company transferred the contract order backlog and operating assets of the microwave antenna business for $2.1 million in cash, plus contingent consideration based on their future operating results over the next two years. In addition, in September 2000, the Company sold the land and buildings in Calabasas, CA related to this business for approximately $6 million.

In December 1999, the Company sold the Riverhead, NY property, used by the Company's former Hazeltine subsidiary. The property was sold for $2.6 million, consisting of $0.5 million in cash and a $2.1 million interest-bearing, note receivable due in June 2001.

On September 30, 1999, the Company sold SEI to Engineered Support Systems, Inc. (ESSI) for $85 million in cash, less working capital adjustments.

On July 1, 1998, the Company completed the acquisition of Advanced Membrane Technology, Inc. (AMT) headquartered in San Diego, California. The transaction involved the purchase of AMT common stock for approximately $7 million in cash plus approximately 450,000 shares of ESCO common stock valued at $8.6 million. The goodwill recorded as a result of the transaction is being amortized over 20 years.

BANK CREDIT FACILITY

On April 11, 2000, the Company entered into a new $75 million revolving credit facility replacing its previous $40 million credit facility. The Company has the option to increase the credit facility to $100 million through April 11, 2002. The revolving credit facility is available for direct borrowings and/or the issuance of letters of credit. The maturity of the new bank credit facility is April 11, 2005. The new credit facility is provided by a group of five banks, led by Bank of America. At September 30, 2000, the Company had approximately $63 million available to borrow under the credit facility as well as $5.6 million of cash on hand.

The new 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.

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 1996, the Company authorized an open market share repurchase program for up to two million shares of common stock over a period ended September 30, 1998. Approximately 180,000 shares were repurchased throughout that two-year period. During 1999, the Company authorized an additional open market repurchase program of up to 1.3 million shares, which was subject to market conditions and other factors and covered the period ended September 29, 2000. Approximately 516,000 and 177,000 shares were repurchased in 2000 and 1999, respectively. In June 2000, the Company initiated an odd lot share repurchase program which extended through September 2000 whereby the Company repurchased approximately 25,000 shares.

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

MARKET RISK ANALYSIS

MARKET RISK EXPOSURE

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. Based on the current holdings of fixed-rate notes, the exposure to interest rate risk is not material.

The Company is subject to foreign currency exchange rate risk relating to receipts from customers and payments to suppliers in foreign currencies. The Company hedges some foreign currency commitments by purchasing foreign currency forward contracts.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended September 30, (Dollars in thousands, except per share amounts)	2000	1999	1998
Net sales	$300,157	416,102	365,083
Costs and expenses:			
Cost of sales	208,263	317,681	267,332
Other charges related to cost of sales	--	3,927	2,500
Selling, general and administrative expenses	61,819	74,429	68,326
Interest expense	359	6,460	7,703
Other, net	4,980	4,871	2,875
Restructuring charges	--	5,145	--
Gain on sale of SEI	--	(59,867)	--
Total costs and expenses	275,421	352,646	348,736
Earnings before income tax	24,736	63,456	16,347
Income tax expense	7,917	13,001	5,051
Net earnings before accounting change	16,819	50,455	11,296
Cumulative effect of accounting change, net of tax	--	(25,009)	--
Net earnings	$ 16,819	25,446	11,296
Earnings per share:			
Net earnings before accounting change:			
Basic	$ 1.37	4.09	.94
Diluted	1.33	4.00	.90
Net earnings:			
Basic	$ 1.37	2.06	.94
Diluted	1.33	2.02	.90
Average common shares outstanding (in thousands):			
Basic	12,307	12,332	12,015
Diluted	12,668	12,614	12,550

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of September 30, (Dollars in thousands)	2000	1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,620	87,709
Accounts receivable, less allowance for doubtful accounts of $1,309 and $574 in 2000 and 1999, respectively	58,982	38,669
Costs and estimated earnings on long-term contracts, less progress billings of $15,139 and $11,778 in 2000 and 1999, respectively	6,141	4,019
Inventories	44,457	39,590
Other current assets	3,009	3,559
Total current assets	118,209	173,546
PROPERTY, PLANT AND EQUIPMENT:		
Land and land improvements	2,545	10,582
Buildings and leasehold improvements	27,477	29,007
Machinery and equipment	65,564	65,988
Construction in progress	3,821	4,186
	99,407	109,763
Less accumulated depreciation and amortization	36,844	38,445
Net property, plant and equipment	62,563	71,318
Excess of cost over net assets of purchased businesses, less accumulated amortization of $9,245 and $6,631 in 2000 and 1999, respectively	90,997	68,950
Deferred tax assets	37,903	44,783
Other assets	21,461	19,788
	$331,133	378,385

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of September 30, (Dollars in thousands)	2000	1999
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings and current maturities of long-term debt	$ 4,136	20,598
Accounts payable	31,206	26,339
Advance payments on long-term contracts, less costs incurred of $3,364 and $479 in 2000 and 1999, respectively	2,903	682
Accrued expenses	24,246	30,598
Total current liabilities	62,491	78,217
Other liabilities	8,610	9,583
Long-term debt	610	41,896
Total liabilities	71,711	129,696
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 13,224,834 and 12,782,663 shares in 2000 and 1999, respectively	132	128
Additional paid-in capital	205,514	201,719
Retained earnings since elimination of deficit at September 30, 1993	69,542	52,723
Accumulated other comprehensive loss	(4,766)	(1,870)
	270,422	252,700
Less treasury stock, at cost (956,527 and 404,625 common shares in 2000 and 1999, respectively)	(11,000)	(4,011)
Total shareholders' equity	259,422	248,689
	$ 331,133	378,385

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended September 30, (in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, September 30, 1997	12,478	$125	194,663	15,981	15	(5,821)	204,963
Comprehensive income:							
Net earnings	--	--	--	11,296	--	--	11,296
Translation adjustments	--	--	--	--	324	--	324
Minimum pension liability, net	--	--	--	--	(2,079)	--	(2,079)
Comprehensive income	--	--	--	--	--	--	9,541
Stock options and stock compensation plans	164	1	1,137	--	--	405	1,543
Acquisitions of business	--	--	5,113	--	--	3,496	8,609
Purchases into treasury	--	--	--	--	--	(577)	(577)
Balance, September 30, 1998	12,642	126	200,913	27,277	(1,740)	(2,497)	224,079
Comprehensive income:							
Net earnings	--	--	--	25,446	--	--	25,446
Translation adjustments	--	--	--	--	(2,390)	--	(2,390)
Minimum pension liability, net	--	--	--	--	2,260	--	2,260
Comprehensive income	--	--	--	--	--	--	25,316
Stock options and stock compensation plans	141	2	806	--	--	48	856
Purchases into treasury	--	--	--	--	--	(1,562)	(1,562)
Balance, September 30, 1999	12,783	128	201,719	52,723	(1,870)	(4,011)	248,689
Comprehensive income:							
Net earnings	--	--	--	16,819	--	--	16,819
Translation adjustments	--	--	--	--	(2,896)	--	(2,896)
Comprehensive income	--	--	--	--	--	--	13,923
Stock options and stock compensation plans	442	4	3,795	--	--	59	3,858
Purchases into treasury	--	--	--	--	--	(7,048)	(7,048)
Balance, September 30, 20003	13,225	$132	205,514	69,542	(4,766)	(11,000)	259,422

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

Years ended September 30, (Dollars in thousands)	2000	1999	1998
Cash flows from operating activities:			
Net earnings	$ 16,819	25,446	11,296
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	14,185	17,021	17,460
Changes in operating working capital	(20,532)	11,271	(8,594)
Write-off of assets related to accounting change, net of tax	--	25,009	--
Gain on sale of SEI	--	(59,867)	--
Effect of deferred taxes on tax provision	6,270	11,560	6,121
Other	3,259	(4,550)	(5,971)
Net cash provided by operating activities	20,001	25,890	20,312
Cash flows from investing activities:			
Capital expenditures	(10,363)	(8,291)	(12,896)
(Acquisition) divestiture of businesses	(29,996)	85,000	(11,323)
Net cash (used) provided by investing activities	(40,359)	76,709	(24,219)
Cash flows from financing activities:			
Proceeds from long-term debt	80	96	7,000
Principal payments on long-term debt	(49,322)	(8,297)	(7,504)
Net (decrease) increase in short-term borrowings	(8,506)	(9,494)	3,476
Purchases of common stock into treasury	(6,215)	(1,562)	(695)
Other, including exercise of stock options	2,232	126	53
Net cash (used) provided by financing activities	(61,731)	(19,131)	2,330
Net (decrease) increase in cash and cash equivalents	(82,089)	83,468	(1,577)
Cash and cash equivalents at beginning of year	87,709	4,241	5,818
Cash and cash equivalents at end of year	$ 5,620	87,709	4,241
Changes in operating working capital:			
Accounts receivable, net	$(10,907)	5,150	(1,745)
Costs and estimated earnings on long-term contracts, net	(2,122)	12,891	7,358
Inventories	1,553	(9,230)	(17,737)
Other current assets	859	(1,402)	143
Accounts payable	(704)	734	245
Advance payments on long-term contracts, net	2,221	(6,821)	5,094
Accrued expenses	(11,432)	9,949	(1,952)
	$(20,532)	11,271	(8,594)
Supplemental cash flow information:			
Interest paid	$ 867	6,579	7,521
Income taxes paid	1,132	254	353

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

Effective July 10, 2000, the Company changed its name from ESCO Electronics Corporation to ESCO Technologies Inc.

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 2000 presentation.

(b) BASIS OF PRESENTATION

Effective September 30, 1990, Emerson Electric Co. (Emerson) transferred the stock of certain of its subsidiaries, primarily related to its government and defense business, to ESCO and distributed all of the issued and outstanding ESCO common stock to Emerson shareholders (the spin-off). Effective September 30, 1993, the Company implemented an accounting readjustment in accordance with the accounting provisions applicable to a "quasi-reorganization" which restated assets and liabilities to fair values and eliminated the deficit in retained earnings.

Fair values of the Company's financial instruments are estimated by reference to quoted prices from market sources and financial institutions, as well as other valuation techniques. The estimated fair value of each class of financial instruments approximated the related carrying value at September 30, 2000 and 1999.

(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. A steady stream of new products and selective acquisitions are the key growth drivers in ESCO's filtration business, which contributes approximately 60% of the Company's total sales. The balance of the Company's sales is derived primarily from radio frequency (RF) shielding and EMC test products and special purpose communication systems, where the Company is well-positioned in niche markets based on proprietary products.

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

(d) USE OF ESTIMATES AND BUSINESS RISKS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

Revenue is recognized on commercial sales when products are shipped or when services are performed. Revenue on production contracts is recorded when specific contract terms are fulfilled, usually by delivery or acceptance (the units of production or delivery methods). Revenues from cost reimbursement contracts are recorded as costs are incurred, plus fees earned. Revenue under long-term contracts for which units of production or delivery are inappropriate measures of performance is recognized on the percentage-of-completion method based upon incurred costs compared to total estimated costs under the contract, or are based upon equivalent units produced. Revenue under engineering contracts is generally recognized as milestones are attained.

(f) CASH AND CASH EQUIVALENTS

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

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

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

(h) INVENTORIES

Inventories are carried at the lower of cost (first-in, first-out) or market.

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 progress payments received. 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.

(i) 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.

(j) EXCESS OF COST OVER NET ASSETS OF PURCHASED BUSINESSES

Assets and liabilities related to business combinations accounted for as purchase transactions are recorded at their respective fair values. Excess of cost over the fair value of net assets purchased (goodwill) is amortized on a straight-line basis over the periods estimated to be benefited. The excess of cost over the fair value of net assets is primarily being amortized over a period not exceeding 20 years. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the asset balance over its remaining life can be recovered through undiscounted future operating cash flows.

(k) 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 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.

(l) 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 are 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.

(m) 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.

(n) FOREIGN CURRENCY TRANSLATION

The financial statements of the Company's foreign operations are translated into U.S. dollars in accordance with SFAS No. 52, (SFAS 52) "Foreign Currency Translation." The resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income.

(o) 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 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)	2000	1999	1998
Weighted Average Shares Outstanding-- Basic	12,307	12,332	12,015
Dilutive Options and Performance Shares	361	282	535
Adjusted Shares-- Diluted	12,668	12,614	12,550

Options to purchase 95,500, 176,000 and 84,000 shares of common stock at per share prices of $15.72 -$19.22 in 2000, $11.44 - $19.22 in 1999 and $18.00 - $19.22 in 1998 were outstanding during the years ended September 30, 2000, 1999 and 1998, 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 2010. Approximately 190,000 and 166,000 performance shares were outstanding but unearned at September 30, 1999 and 1998, respectively, and therefore, were not included in the respective years' computations of diluted EPS. All performance shares were earned in 2000 and are included in the 2000 computation of diluted EPS.

(p) 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.

(q) COMPREHENSIVE INCOME (LOSS)

SFAS No. 130, "Reporting Comprehensive Income" (SFAS 130) requires the Company to report separately the translation adjustments of SFAS 52 defined above, and changes to the minimum pension liability as components of comprehensive income or loss. Management has chosen to disclose the requirements of this Statement within the consolidated statements of shareholders' equity.

(r) ACCOUNTING CHANGE - 1999

During the first quarter of 1999, the Company adopted Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-up Activities." Precontract costs were incurred by the Company and capitalized under the previous guidance provided by SOP 81-1, "Accounting for Performance of Construction-type Contracts." As a result of adopting SOP 98-5 in 1999, the Company expensed these costs which were recognized as a cumulative effect of an accounting change. The effect of this accounting change was recognized in the 1999 Consolidated Statement of Operations.

2. ACQUISITIONS/DIVESTITURES (UNAUDITED)

On June 2, 2000, the Company purchased 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 business, headquartered in Eden Prairie, Minnesota, has annual sales of approximately $5.5 million. The operating results for Holaday, since the date of acquisition, are included within the Company's Test segment. The goodwill recorded as a result of the transaction is being amortized over 20 years.

On April 9, 2000, the Company acquired all of the outstanding common stock of The Curran Company (doing business as Lindgren RF Enclosures, Inc.) and Lindgren, Inc. (doing business through its subsidiary, Rayproof Ltd.) (collectively "Lindgren") for approximately $22 million in cash plus additional consideration based upon the future performance of Lindgren. Lindgren has annual sales in excess of $40 million and is a leading supplier of radio frequency (RF) shielding products and components used by manufacturers of medical equipment, communications systems and electronic products. Lindgren is headquartered near Chicago, Illinois and operates facilities in Wisconsin, Florida, and the United Kingdom. The operating results for Lindgren, since the date of acquisition, are included within the Company's Test segment. The goodwill recorded as a result of the transaction is being amortized over 20 years.

On March 31, 2000, the Company acquired the Eaton Space Products business located in El Segundo, CA (Eaton), for approximately $6 million in cash. Eaton manufactures specialty valves and other fluid flow components for satellite launch vehicles and aircraft applications. With annual sales of approximately $7 million, this business has been integrated into the Company's Filtration/Fluid Flow segment. The goodwill recorded as a result of the transaction is being amortized over 20 years.

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 operating results for this business, prior to the divestiture, have been included within the Company's Other segment. The Company transferred the contract order backlog and operating assets of the microwave antenna business for $2.1 million in cash, plus contingent consideration based on their future operating results over the next two years. In addition, in September 2000, the Company sold the land and buildings in Calabasas, CA related to this business for approximately $6 million.

Assuming the acquisitions of Holaday, Lindgren and Eaton as well as the divestiture of the Rantec microwave antenna business had occurred on October 1, 1999, pro forma unaudited net sales, net earnings and diluted EPS for the year ended September 30, 2000 would have been approximately $325 million, $17.3 million and $1.36 per share, respectively. These 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.

On September 30, 1999, the Company completed the sale of its Systems & Electronics Inc. (SEI) subsidiary to Engineered Support Systems, Inc. (ESSI). The Company sold 100% of the common stock of SEI for $85 million in cash, less working capital adjustments, resulting in a $59.9 million gain recorded in the 1999 results of operations. Certain assets and liabilities of SEI were retained by the Company, including the net operating loss carryforward.

Included in the consolidated statements of operations are the operating results of SEI prior to its divestiture as follows:

(Dollars in millions)	1999	1998
Net sales	$ 172.8	135.0
Cost of sales	139.6	98.7
Selling, general and administrative expenses	21.6	22.6
Other costs and expenses, net	.9	1.1
Earnings before income taxes	$ 10.7	12.6

On July 1, 1998, the Company completed the acquisition of Advanced Membrane Technology, Inc. (AMT) and consolidated AMT within PTI. The transaction involved the purchase of AMT common stock for approximately $7 million in cash plus approximately 450,000 shares of ESCO common stock valued at $8.6 million. The goodwill recorded as a result of the transaction is being amortized over 20 years.

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.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30, 2000 and 1999:

(Dollars in thousands)	2000	1999
Commercial	$55,619	35,287
U. S. Government and prime contractors	3,363	3,382
Total	$58,982	38,669

The increase in Commercial accounts receivable and the increase in the allowance for doubtful accounts in 2000 is primarily due to the current year acquisitions which contributed approximately $9.4 million to accounts receivable and approximately $0.4 million to the allowance for doubtful accounts. Accounts receivable in the Company's Communications segment increased approximately $7 million due to the sales increase within that segment.

4. INVENTORIES

Inventories consist of the following at September 30, 2000 and 1999:

(Dollars in thousands)	2000	1999
Finished goods	$ 8,709	11,387
Work in process-- including long-term contracts	17,258	14,517
Raw materials	18,490	13,686
Total	$ 44,457	39,590

Inventories increased approximately $6.4 million due to the current year acquisitions.

5. PROPERTY, PLANT AND EQUIPMENT

Depreciation and amortization of property, plant and equipment for the years ended September 30, 2000, 1999 and 1998 were $10,259,000, $13,598,000 and $14,589,000, respectively.

The Company leases certain real property, equipment and machinery under noncancelable operating leases. Rental expense under these operating leases for the years ended September 30, 2000, 1999 and 1998 amounted to $4,968,000, $6,324,000 and $5,675,000, 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, 2000 are:

(Dollars in thousands)	Years ending September 30:	
	2001	$ 6,454
	2002	5,210
	2003	4,626
	2004	4,157
	2005 and thereafter	9,339
	Total	$29,786

6. INCOME TAX EXPENSE

The principal components of income tax expense for the years ended September 30, 2000, 1999 and 1998 consist of:

(Dollars in thousands)	2000	1999	1998
Federal:			
Current (including Alternative Minimum Tax)	$ 275	--	--
Deferred	6,270	11,560	6,121
State, local and foreign	1,372	1,441	(1,070)
Total	$7,917	13,001	5,051

The actual income tax expense for the years ended September 30, 2000, 1999 and 1998 differs from the expected tax expense for those years (computed by applying the U.S. Federal statutory rate) as follows:

(Dollars in thousands)	2000	1999	1998
Federal corporate statutory rate	35.0%	35.0%	35.0%
Change in tax valuation allowance:			
Utilization of capital loss carryforward	(4.3)	(19.3)	--
Other	(3.2)	5.9	3.0
Income taxes, net of Federal benefits:			
State and local	2.0	1.1	(2.8)
Foreign	.5	1.2	.4
Other, net	2.0	(3.4)	(4.7)
Effective income tax rate	32.0%	20.5%	30.9%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at September 30, 2000, 1999 and 1998 are presented below:

(Dollars in thousands)	2000	1999	1998
Deferred tax assets:			
Inventories, long-term contract accounting, contract cost reserves and others	$ 2,644	4,169	4,283
Pension and other postretirement benefits	3,846	3,576	10,177
Net operating loss carryforward	48,345	51,097	38,989
Capital loss carryforward	11,537	14,824	27,074
Other compensation-related costs and other cost accruals	875	5,262	6,703
Total deferred tax assets	67,247	78,928	87,226
Deferred tax liabilities:			
Plant and equipment, depreciation methods and acquisition asset allocations	(941)	(1,671)	(1,516)
Net deferred tax asset before valuation allowance	66,306	77,257	85,710
Less valuation allowance	(28,403)	(32,474)	(40,970)
Net deferred tax assets	$ 37,903	44,783	44,740

Management believes it is more likely than not that with its projections of future taxable income, and after consideration of the valuation allowance, the Company will generate sufficient taxable income to realize the benefits of the net deferred tax assets existing at September 30, 2000.

In order to fully realize the net deferred tax assets before valuation allowance existing at September 30, 2000, the Company will need to generate future taxable income of approximately $189 million of which $138 million is required to be realized prior to the expiration of the net operating loss (NOL) carryforward, of which $20 million will expire in 2006; $6 million will expire in 2007; $23 million will expire in 2009; $38 million will expire in 2010; $4 million will expire in 2011; $7 million will expire in 2018; and $40 million will expire in 2019. Also, the Company will need to generate future capital gains of approximately $33 million prior to 2001, at which time the capital loss carryforward will expire.

During the year ended September 30, 2000, and as a result of the Company utilizing approximately $9 million of the capital loss carryforward relating to residual SEI tax matters and the sale of the Riverhead and Calabasas properties in 2000, the Company decreased its deferred tax valuation allowance to $28.4 million. A full valuation allowance of $11.5 million is being maintained against the deferred tax asset associated with the capital loss.

The remaining valuation allowance balance of $16.9 million represents Management's best estimate of the portion of deferred tax assets associated with temporary differences and NOLs which may not be realized due to limitations on future use.

7. DEBT

Long-term debt consists of the following at September 30, 2000 and 1999:

(Dollars in thousands)	2000	1999
Term loan	--	49,000
Other debt	$ 746	988
Less current maturities	(136)	(8,092)
Long-term debt	$ 610	41,896

On April 11, 2000, the Company entered into a new $75 million revolving credit facility replacing its previous $40 million credit facility. The Company has the option to increase the credit facility to $100 million through April 11, 2002. The revolving credit facility is available for direct borrowings and/or the issuance of letters of credit. The maturity of the new bank credit facility is April 11, 2005. The new credit facility is provided by a group of five banks, led by Bank of America. At September 30, 2000, the Company had approximately $63 million available to borrow under the credit facility as well as $5.6 million of cash on hand.

The new 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.

During 2000 and 1999, the maximum aggregate short-term borrowings at any month-end were $21 million and $42 million, respectively; the average aggregate short-term borrowings outstanding based on month-end balances were $8.1 million and $32.5 million, respectively; and the weighted average interest rates were 7.5% in 2000, 6.3% in 1999 and 6.9% in 1998. The letters of credit issued and outstanding under the credit facility totaled $7.9 million and $4.8 million at September 30, 2000 and 1999, respectively. Borrowings under the revolving credit facility were $4 million and $12.5 million at September 30, 2000 and 1999, respectively.

8. CAPITAL STOCK

The 13,224,834 and 12,782,663 common shares as presented in the accompanying consolidated balance sheets at September 30, 2000 and 1999 represent the actual number of shares issued at the respective dates. The Company held 956,527 and 404,625 common shares in treasury at September 30, 2000 and 1999, respectively.

In conjunction with the sale of SEI on September 30, 1999, the previously outstanding Deposit and Trust Agreement was terminated. 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:

	2000		1999		1998	
	SHARES	ESTIMATED AVG. PRICE	Shares	Estimated Avg. Price	Shares	Estimated Avg. Price
October 1,	1,437,442	$ 9.35	953,716	$ 8.61	998,486	$ 6.18
Granted	99,250	$ 12.90	522,600	$ 10.76	89,500	$ 18.14
Exercised	(558,738)	$ 7.37	(17,270)	$ 7.72	(107,964)	$ 7.58
Cancelled	(185,255)	$ 12.16	(21,604)	$ 12.00	(26,306)	$ 7.20
September 30,	792,699	$ 10.62	1,437,442	$ 9.35	953,716	$ 8.61
At September 30,						
Reserved for future grant	405,566					
Exercisable	363,647	$ 10.65	698,464	$ 9.36	509,559	$ 7.46

At September 30, 2000, the 792,699 options outstanding and the 363,647 options exercisable ranged in price from $5.65 - $19.22 per share. The options have a ten year contractual life from date of issuance, expiring in various periods through 2010. The increase in exercised shares and cancelled shares in 2000 is mainly due to the sale of SEI. Employees of SEI had 90 days, subsequent to the divestiture, to exercise their exercisable stock options prior to their cancellation.

During 1996, the Company announced a stock repurchase program. Under this program, the Company was authorized to purchase up to two million shares of its common stock in the open market through September 30, 1998. Approximately 180,000 shares were repurchased throughout that two-year period. In October 1998, the Company authorized an additional open market repurchase program of up to 1.3 million shares, which was subject to market conditions and other factors and covered the period ended September 29, 2000. Approximately 516,000 shares and 177,000 shares were repurchased during fiscal years 2000 and 1999, respectively.

During 1993 and 1997, the Board of Directors authorized, and the shareholders approved, the Performance Share Plans (the Plans). The maximum number of shares available for issue under the Plans was 875,000 shares. As of September 30, 2000, 866,000 shares have been awarded and earned. At September 30, 2000, there were 32,000 shares of restricted stock outstanding and earned.

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 No. 123. Under APB No. 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 2000 and 1999 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 on the following page:

Pro forma (Unaudited) (Dollars in thousands, except per share amounts)	2000	1999
Net earnings	$ 16,214	$ 24,779
Net earnings per share:		
Basic	$ 1.32	2.01
Diluted	$ 1.28	1.96

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 2000 and 1999, respectively: expected dividend yield of 0% in both periods; expected volatility of 29.2% and 35.3%, risk-free interest rate of 5.79% and 5.89%, and expected life based on historical exercise periods of 4.06 years and 4.05 years.

To determine the fair value of grants under the Performance Share Plans, the probability that performance milestones 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 38.3% and 38.4% in 2000 and 1999, respectively.

9. 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 primarily noncontributory. Annual contributions to retirement plans equal or exceed the minimum funding requirements of the Employee Retirement Income Security Act or applicable local regulations. On September 30, 1999, the Company completed the sale of SEI to Engineered Support Systems, Inc. which accounts for significant fluctuations in 2000 as compared to prior years.

Net periodic benefit cost for the years ended September 30, 2000, 1999 and 1998 is comprised of the following:

(Dollars in millions)	2000	1999	1998
Defined benefit plans:			
Service cost	$ 1.4	4.1	3.5
Interest cost	2.1	6.7	6.1
Expected return on plan assets	(2.8)	(7.5)	(6.7)
Amortization of service costs	.1	.3	.2
Net actuarial (gain) loss	(.5)	.8	.1
Curtailment gain	(.7)	(8.5)	--
Settlement loss	--	2.9	--
Net periodic benefit cost	(.4)	(1.2)	3.2
Defined contribution plans	.6	.7	.4
Total	$ .2	(.5)	3.6

The Company recognized a curtailment gain in 2000 as a result of the sale of the Rantec microwave business in February 2000 and also recognized a curtailment gain and a settlement loss in 1999 as a result of the sale of SEI on September 30, 1999.

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 $2.1 million, $1.3 million and zero, respectively, as of September 30, 2000, and $1.5 million, $1.1 million and zero, respectively, as of September 30, 1999.

The net benefit obligation of the Company's defined benefit pension plans as of September 30, 2000 and 1999 is shown below:

(Dollars in millions)	2000	1999
Change in benefit obligation--		
Net benefit obligation at beginning of year	$ 27.1	96.0
Service cost	1.4	4.1
Interest cost	2.1	6.7
Plan amendments	.2	.8
Actuarial (gain) loss	.3	(5.5)
Gross benefits paid	(.8)	(3.2)
Divestitures	--	(27.9)
Curtailments	(.7)	(10.6)
Settlements	--	(33.3)
Net benefit obligation at end of year	$ 29.6	27.1

The plan assets of the Company's defined benefit pension plans at September 30, 2000 and 1999 are shown below:

(Dollars in millions)	2000	1999
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 28.5	77.9
Actual return on plan assets	8.1	16.9
Employer contributions	.2	3.7
Divestitures	--	(66.8)
Gross benefits paid	(.8)	(3.2)
Fair value of plan assets at end of year	$ 36.0	28.5

The Company's defined benefit pension plans recognized the following net amounts at September 30, 2000 and 1999:

(Dollars in millions)	2000	1999
Funded status at end of year	$ 6.3	1.3
Unrecognized prior service cost	.5	.4
Unrecognized net actuarial (gain) loss	(10.2)	(5.6)
Accrued benefit cost	$ (3.4)	(3.9)
Amounts recognized in the balance sheet consist of:		
Prepaid benefit cost	$ .1	--
Accrued benefit cost	(3.5)	(3.9)
Additional minimum liability	(.1)	(.1)
Intangible asset	.1	.1
Accumulated other comprehensive income	--	--
Accrued benefit liability	$ (3.4)	(3.9)

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

The benefit obligations of the defined benefit plans as of September 30, 2000 and 1999 were based on discount rates of 7.75%, and an assumed rate of increase in compensation levels of 4.5% in 2000 and 4% in 1999.

The 2000, 1999 and 1998 pension expense for the defined benefit plans was based on a 7.75%, 7.75% and 6.75% discount rate, respectively, a 4.5%, 4% and 4% increase in compensation levels, respectively, and a 9.5%, 10% and 10% 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)	2000	1999	1998
Service cost	$ .1	.2	.2
Interest cost	.1	.7	1.1
Net amortization and deferral	(.3)	(.3)	--
Curtailment gain recognized	(.3)	(8.7)	--
Net periodic postretirement benefit cost	$ (.4)	$ (8.1)	1.3

The net benefit obligation for postretirement benefits at September 30, 2000 and 1999 is shown below:

(Dollars in millions)	2000	1999
Net benefit obligation at beginning of year	$ 1.0	16.0
Service cost	.1	.2
Interest cost	.1	.7
Actuarial (gain) loss	.4	(5.8)
Curtailments	(.3)	(8.7)
Gross benefits paid	(.1)	(1.4)
Net benefit obligation at end of year	$ 1.2	1.0

The plan assets for postretirement benefits at September 30, 2000 and 1999 are shown below:

(Dollars in millions)	2000	1999
Fair value of plan assets at beginning of year	$ --	--
Employer contributions	.1	1.4
Gross benefits paid	(.1)	(1.4)
Fair value of plan assets at end of year	$ --	--

The Company recognized the following net amounts for postretirement benefits at September 30, 2000 and 1999:

(Dollars in millions)	2000	1999
Funded status at end of year	$ (1.2)	(1.0)
Unrecognized prior service cost	--	--
Unrecognized net actuarial (gain) loss	(3.8)	(4.6)
Accrued benefit costs	$ (5.0)	(5.6)
Amounts recognized in the balance sheet consist of--		
Accrued benefit liability	$ (5.0)	(5.6)

The net benefit obligations of the plans as of September 30, 2000 and 1999 were based on discount rates of 7.75%. The September 30, 2000 net benefit obligation was based on a health care cost trend of 6.5% for fiscal 2000, gradually grading down to an ultimate rate of 5.5% by 2002. The September 30, 1999 net benefit obligation was based on a health care cost trend of 6.5% for fiscal 1999, gradually grading down to an ultimate rate of 5.5% by 2002. A 1% increase in the health care cost trend rate for each year would increase the September 30, 2000 net benefit obligation by approximately $30,000, while a 1% decrease in the health care cost trend rate for each year would decrease the September 30, 2000 net benefit obligation by approximately $35,000.

The fiscal 2000 and 1999 net periodic benefit costs were based on discount rates of 7.75%. The net periodic benefit cost was based on an assumed health care cost trend of 6.5% for 2000 and 1999, 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 2000 net periodic benefit cost by approximately $3,100, 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 2000 net periodic benefit cost by approximately $3,700.

10. OTHER FINANCIAL DATA

Items charged to operations during the years ended September 30, 2000, 1999 and 1998 included the following:

(Dollars in thousands)	2000	1999	1998
Maintenance and repairs	$ 4,870	7,078	6,751
Salaries and wages	78,206	132,671	133,507
Research and development costs:			
Company-sponsored	$ 6,177	7,716	5,866
Customer-sponsored	3,961	8,332	10,201
Total	$10,138	16,048	16,067

The decreases in salaries and wages and in research and development costs in 2000 compared to 1999 are due to the sale of SEI in 1999.

Accrued expenses included accrued employee compensation of $7.5 million and $6.0 million at September 30, 2000 and 1999, respectively.

11. 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 principal segments: Filtration/Fluid Flow, Test, Communications and Other. Filtration/Fluid Flow operations consist of PTI Technologies Inc. (PTI) and Filtertek Inc. (Filtertek). PTI develops and manufactures a wide range of filtration products and is a leading supplier of filters to the commercial aerospace market and microfiltration market. 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. Test segment operations consist of EMC Test Systems, L.P. (ETS) and Lindgren. ETS is principally involved in the design and manufacture of EMC test equipment, test chambers, shielded rooms for high security data processing and secure communication, and electromagnetic absorption materials. Lindgren manufactures radio frequency (RF) shielding products and components used by manufacturers of medical equipment, communications systems and electronic products. 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, L.L.C.

The Divested Business segment consists of Systems & Electronics Inc. (SEI). As of September 30, 1999, ESCO sold SEI to Engineered Support Systems, Inc. The Other segment is principally comprised of Rantec Power Systems Inc., formerly a part of Rantec Microwave & Electronics, Inc. (Rantec) which produces power supplies widely used in high performance displays, such as cockpit instrumentation, engineering workstations and medical imaging. Rantec's microwave antenna business was sold in February 2000. Accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1.

In accordance with SFAS 131, the Company evaluates the performance of its operating segments based on operating profit, which is defined as: net sales, less cost of sales, less other charges related to cost of sales, less SG&A expenses and less restructuring charges. 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)	2000	1999	1998
Filtration/Fluid Flow	$ 181.7	168.9	158.3
Test	63.0	34.9	30.6
Communications	42.7	25.8	19.1
Other	12.8	13.7	22.1
Divested Business	--	172.8	135.0
Consolidated totals	$ 300.2	416.1	365.1

OPERATING PROFIT Year ended September 30, (Dollars in millions)	2000	1999	1998
Filtration/Fluid Flow	$ 16.6	11.9	10.5
Test	6.9	4.0	2.9
Communications	8.9	(.4)	.4
Other	(.3)	(8.8)	1.9
Divested Business	--	10.4	11.2
Reconciliation to consolidated totals (Corporate)	(2.0)	(2.2)	--
Consolidated totals	$ 30.1	14.9	26.9

Operating profit, as defined by the Company, excludes certain costs which are included in Other costs and expenses, net, in the consolidated statements of operations, and which would be included in the determination of operating income as defined within generally accepted accounting principles. These items consist of approximately $2.0 million of net costs related to the Filtration/Fluid Flow segment as a result of the consolidation of PTI's filtration businesses into new facilities in Oxnard, California; expenses related to the planned upgrade of production equipment to improve manufacturing efficiency at Filtertek; and costs related to the 1998 acquisition of AMT. In addition, related to the Test segment in 2000, are approximately $1 million of Other costs and expenses, net, primarily related to the write-off of an investment in a third party start-up EMC related company which filed bankruptcy in 2000.

The 1999 operating profit includes $3.9 million of other charges related to cost of sales and $5.1 million of restructuring charges related to the strategic actions undertaken in 1999.

The Filtration/Fluid Flow segment in 1999 includes $2.2 million of other charges related to cost of sales attributable to the write-off of inventory resulting from the abandonment of the High Pressure Air Reducing Quiet Manifold for surface ships. $1.1 million relates to Rantec which is included in the Other segment and the remaining balance of $0.6 million relates to Comtrak which is included in the Communications segment.

The 1999 restructuring charges of $5.1 million are included in the following segments: the $1.1 million of costs related to exiting the Rantec microwave antenna business area, and the $1.8 million write-off of the license agreement related to the abandonment of the Vehicle Location System at Comtrak are included in the Communications segment. The $2.2 million of personnel separation costs are included as a Corporate expense.

The total nonrecurring charges included in 1999 operating profit amounted to $9.1 million.

The Other segment in 1999 also includes $3.8 million of charges related to cost growth on certain development programs at Rantec Power Systems.

The $2.5 million of other charges related to cost of sales in 1998 related to SEI and is included in Divested Business.

IDENTIFIABLE ASSETS As of September 30, (Dollars in millions)	2000	1999	1998
Filtration/Fluid Flow	$ 198.2	195.0	203.0
Test	61.2	22.2	21.5
Communications	21.6	14.2	23.0
Other	7.4	18.9	27.7
Divested Business	--	--	80.3
Reconciliation to consolidated totals (Corporate assets)	42.7	128.0	53.8
Consolidated totals	$ 331.1	378.3	409.3

Corporate assets consist primarily of deferred taxes and cash balances.

DEPRECIATION AND AMORTIZATION Year ended September 30, (Dollars in millions)	2000	1999	1998
Filtration/Fluid Flow	$ 10.7	10.7	10.5
Test	1.6	.9	.9
Communications	1.2	1.2	1.3
Other	.7	1.2	1.1
Divested Business	--	3.0	3.6
Consolidated totals	$ 14.2	17.0	17.4

CAPITAL EXPENDITURES, NET Year ended September 30, (Dollars in millions)	2000	1999	1998
Filtration/Fluid Flow	$ 9.0	6.3	7.3
Test	.3	.2	.3
Communications	.5	.4	2.6
Other	.6	.3	1.2
Divested Business	--	1.1	1.5
Consolidated totals	$ 10.4	8.3	12.9

GEOGRAPHIC INFORMATION Net sales to customers (Dollars in millions)	2000	1999	1998
North America	$ 234.6	346.9	313.0
Europe	46.1	37.0	37.6
Middle East	.6	3.1	3.9
Far East	9.5	23.5	8.6
Other	9.4	5.6	2.0
Consolidated totals	$ 300.2	416.1	365.1

LONG-LIVED ASSETS (Dollars in millions)	2000	1999	1998
North America	$ 55.9	63.8	89.2
Europe	6.7	7.5	8.8
Consolidated totals	$ 62.6	71.3	98.0

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

12. COMMITMENTS AND CONTINGENCIES

At September 30, 2000, the Company had $7.9 million in letters of credit outstanding as guarantees of contract performance.

As a normal incidence of the businesses in which the Company is engaged, various claims, charges and litigation are asserted or commenced against the Company. 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.

13. OTHER CHARGES RELATED TO COST OF SALES - 1999

Other charges related to cost of sales of $3.9 million in 1999 represent the write-off of inventory related to the strategic abandonment of the High Pressure Air Reducing Quiet Manifolds for surface ships ($2.2 million) and the Vehicle Location Systems ($.6 million) business areas. Additionally, the Company wrote down the Rantec microwave antenna product line inventory ($1.1 million) to net realizable value as a result of the anticipated sale of that business area.

Other charges related to cost of sales of $2.5 million in 1998 resulted from the Company's settlement of a long-standing contract dispute on the original M1000 tank transporter program at SEI.

14. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(Dollars in thousands, except per share amounts)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FISCAL YEAR
2000					
Net sales	$ 65,865	70,062	79,235	84,995	300,157
Gross profit	19,628	21,576	24,699	25,991	91,894
Net earnings	5,056	3,517	3,708	4,538	16,819
Earnings per share:					
Basic	.41	.29	.30	.37	1.37
Diluted	.40	.28	.29	.36	1.33
1999 - Reported					
Net sales	$ 88,193	96,214	113,978	117,717	416,102
Gross profit	22,894	25,036	27,951	18,613	94,494
Net earnings before accounting change	1,515	2,047	4,072	42,821	50,455
Net earnings	(23,494)	2,047	4,072	42,821	25,446
Earnings per share before accounting change:					
Basic	.12	.17	.33	3.46	4.09
Diluted	.12	.16	.32	3.36	4.00
1999 - Adjusted					
Net sales	$ 55,654	60,021	63,155	64,510	243,340
Net earnings	1,797	2,149	2,658	1,116	7,720

Gross profit is computed as net sales, less cost of sales, less other charges related to cost of sales.

The 2000 first quarter net earnings reflects the impact of the after-tax gain on the sale of the Riverhead, NY property of approximately $2.2 million or $0.18 per share. The 2000 fourth quarter net earnings reflects the after-tax gain on the sale of the Calabasas, CA property of approximately $0.5 million or $0.04 per share.

The 1999 Reported first quarter reflects the impact of adopting SOP 98-5. The 1999 Reported fourth quarter reflects the impact of the SEI divestiture and the nonrecurring costs incurred.

1999 Adjusted is defined within the MD&A section and is intended to represent what Management believes 1999 operating results may have been after removing the results of SEI and certain nonrecurring items and assuming that all of the actions taken during 1999 to reorient the business were complete at the beginning of the period.

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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, 2000 and 1999, 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, 2000. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the consolidated financial statements, in 1999, the Company adopted Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities".

KPMG LLP

St. Louis, Missouri
November 8, 2000

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES

FIVE-YEAR FINANCIAL SUMMARY

(Dollars in millions, except per share amounts)	2000(1)	1999(2)	1998(3)	1997(4)	1996(5)
For years ended September 30:					
Net sales	$ 300.2	416.1	365.1	378.5	438.5
Interest expense	.4	6.5	7.7	5.2	4.8
Earnings before income taxes	24.7	63.5	16.3	17.9	14.8
Net earnings before accounting change	16.8	50.5	11.3	11.8	26.1
Net earnings	16.8	25.5	11.3	11.8	26.1
Earnings per share:					
Earnings before accounting change					
Basic	1.37	4.09	.94	1.00	2.32
Diluted	1.33	4.00	.90	.96	2.26
Net earnings					
Basic	1.37	2.06	.94	1.00	2.32
Diluted	1.33	2.02	.90	.96	2.26
As of September 30:					
Working capital	55.7	95.3	60.3	62.3	86.2
Total assets	331.1	378.4	409.3	378.2	307.8
Long-term debt	.6	41.9	50.1	50.0	11.4
Shareholders' equity	259.4	248.7	224.1	205.0	191.1

(1) Includes the acquisitions of Lindgren, Holaday, and Eaton Space Products and the sale of the Rantec microwave antenna business (see Footnote 2 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.

(2) Includes the gain on sale of SEI, accounting change, $5.1 million of restructuring charges, and $3.9 million of other charges related to cost of sales.

(3) Includes the acquisitions of Euroshield (December 31,1997) and AMT (July 1, 1998) (see Footnote 2 of Notes to Financial Statements). Consolidated

(4) Includes the acquisition of Filtertek in February 1997.

(5) Includes the sale of Hazeltine; $25.3 million of other charges related to cost of sales; and includes an adjustment to the income tax valuation reserve.

COMMON STOCK MARKET PRICES

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 2000 and 1999.

	2000		1999	
Quarter	HIGH	LOW	High	Low
First	12 5/8	9 1/2	11 3/4	8 3/4
Second	17 1/8	11 1/2	11 1/4	9 3/16
Third	20 1/8	15 1/2	11 7/8	10 1/8
Fourth	20	17 1/16	13 3/8	11 3/4

SHAREHOLDERS' SUMMARY

SHAREHOLDERS' ANNUAL MEETING

The Annual Meeting of the shareholders of ESCO Technologies Inc. will be held at 10 a.m. Thursday, February 8, 2001, 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 2000 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 email 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
ChaseMellon Shareholder Services, L.L.C.
85 Challenger Road
Ridgefield Park, NJ 07660-2108
1 (800) 851-9677
E-mail: SHRRELATION@CHASEMELLON.COM

CAPITAL STOCK INFORMATION

ESCO Technologies Inc. common stock shares (symbol ESE) are listed on the New York Stock Exchange. There were approximately 4,600 holders of record of shares of common stock at September 30, 2000.

FORWARD-LOOKING INFORMATION

The statements contained in the Chairman's Letter to Shareholders (pgs. 2 and 3), the business summaries (pgs. 4-9), and Management's Discussion and Analysis that are not strictly historical are "forward looking" statements within the meaning of the safe harbor provisions of the federal securities laws. Investors are cautioned that such statements are only predictions, and speak only as of the date of this 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: changing economic conditions in served markets; changes in customer demands; competition; intellectual property matters; integration of recently acquired businesses; delivery delays or defaults by customers; performance issues with key suppliers and subcontractors; and the Company's successful execution of internal operating plans.

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
ESCO Electronica De Mexico, S.A. de C.V.	Mexico	Same
ESCO Technologies Inc.	Missouri	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	Brazil	Same
Filtertek SA	France	Same
Holaday Industries, Inc.	Minnesota	Same
Lindgren Inc.	Delaware	Rayproof Ltd.
PTI Advanced Filtration Inc.	Delaware	Same
PTI Technologies Inc.	Delaware	Same
PTI Technologies Limited	England	Same
Rantec Power Systems Inc.	Delaware	Same
Rayproof Ltd.	England	Same
The Curran Company	Illinois	Lindgren R.F. Enclosures, Inc.
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 and 333-96309) on Form S-8 of ESCO Technologies Inc. of our report dated November 8, 2000, relating to the consolidated balance sheets of ESCO Technologies Inc. and subsidiaries as of September 30, 2000 and 1999, 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, 2000, which report appears in the September 30, 2000 Annual Report on Form 10-K of ESCO Technologies Inc.

KPMG LLP

St. Louis, Missouri
December 21, 2000

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12-MOS
SEP-30-2000
OCT-01-1999
SEP-30-2000
5,620
0
60,291
1,309
44,457
118,209
99,407
36,844
331,133
62,491
0
0
0
132
259,290
331,133
300,157
300,157
208,263
270,082
4,980
0
359
24,736
7,917
16,819
0
0
0
16,819
1.37
1.33

This number does not include 15.1 million of Costs and Estimated Earnings on Long-Term Contracts